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The Economics of Agriculture and Rural Areas in Poland: Basic Problems and Directions for Development

1. The position of agricultural economics in Poland on the eve of the system transformation

During the period of so-called real socialism Poland had a relatively well developed network of agricultural academic institutions and colleges. A dozen or so research institutes, many laboratories and experiment stations reported to the Ministry of Agriculture. Some of them achieved high academic status at international level, such as e.g. the Institute of Fruit-Growing and Floriculture in Skierniewice and the Institute of Cultivation, Fertilization and Soil Science in Puławy. The Institute of Agricultural Economics in Warsaw covered a wide area of subjects and was considered to have a high standard of research. In the socialist countries, it was unique in researching the accountancy of private farms and every few years producing detailed research concerning the socio-economic problems of the countryside. The Institute exists till this day and publishes the quarterly, *Zagadnienia Ekonomiki Rolnej* (Issues of Agricultural Economics). The interdisciplinary Institute for Rural and Agricultural Development has functioned within the Polish Academy of Science since the 1970s. It assembled specialists in areas ranging from agricultural economics, agricultural policy, rural sociology and anthropology, to demographics and regional economics. The Institute for Rural and Agricultural Development has been a successful research institution dealing with rural and agricultural issues in a composite and multidisciplinary manner. The Institute has published several dozen books and continues to publish the quarterly *Wież i Rolnictwo* (The Countryside and Agriculture).

Agro-economic studies were also developed at colleges and universities. Every agricultural college had a department or institute of agricultural economics. General economics (political science), agricultural policy, agrarian

consultancy and nutrition science were also studied there. There was a considerable group of agricultural economists in the Economics Departments of Universities and Academies. Many Polish agricultural economists maintained contacts with research colleges and institutes in the West, particularly the United States and Western Europe. Colleges and institutes had relatively good access to world academic literature. As a result, the position of Polish academics dealing with rural and agricultural issues during the socialist period was probably better than in most other socialist countries. Polish agricultural economists participated in the activities of international academic organizations, including the European Association of Agricultural Economists and International Association of Agricultural Economists and took part in international congresses and academic symposia.

Despite the large private agricultural sector in Poland which utilized approximately 75% of farm land before 1990, the economics of private farms was developed on a relatively limited scale. This was caused by both ideological conditions and the lack of a 'market environment' for the activities of private farms. Most prices of agricultural products and channels supplying agriculture were established by the state. Agricultural production was severely state-controlled and private farms were burdened with so-called compulsory deliveries.

Compulsory deliveries were introduced in all the communist countries at the beginning of the fifties and were in force in Poland until 1972. They included basic agricultural products, such as grain, meat, milk and potatoes. They were primarily measured according to the size of a given farm. Products included in these compulsory deliveries were purchased at constant prices, lower than market prices. Compulsory deliveries hindered the specialization of farms and peasants considered them a severe state-imposed burden. Whatever remained of a given product after compulsory delivery could be freely sold on the market.

Vegetables, fruit and poultry were not included in these compulsory deliveries. Consequently, the free market was most developed in these areas and farmers specializing in this production belonged to the financial elite of private farmers in Poland. The fruit and vegetable market was the best supplied sector of the agricultural market in communist countries.

Despite the considerable presence of private farms, limits regarding their size did exist as did restrictions regarding land trade. The functioning and development of private farms were therefore burdened with numerous restrictions of an institutional nature. The possibility of making use of modern economic know-how so as to improve the effectiveness and development of these farms was also limited. Agricultural extension stations concentrated mainly on the production aspects of the activities of private farms, such as: the principles of applying fertilizers and plant protection chemicals, the introduction of new types of plants and animals, the mod-

ernization of production methods etc. The dissemination of economic knowledge played a decidedly marginal role.

The economics of private farms was also neglected in both secondary and high schools. Agricultural colleges had the aim of educating specialists for the purpose of large state and cooperative farms or institutions serving agriculture. It is worth remembering that in socialist countries, including Poland, the state authorities disseminated an ideology propagating the fact that the future of agriculture lies in large collective farms, whereas private farms are only a transitory form and do not stand a chance of further development.

The fall of state socialism and the quick introduction of market institutions, connected with the opening of hitherto planned economies to foreign competition, created not only totally new conditions for the functioning of agriculture and the entire national economy, but it also presented those economists concerned with agriculture and rural development with several new challenges.

2. Agricultural transformation and the transformation of the profession of the economist in Poland

The 'shock therapy' in the Polish economy, initiated by Deputy Prime Minister Leszek Balcerowicz at the beginning of 1990, proved very hard and painful for agriculture. In the first years of the system transformation farmers' income fell radically below the general average. Even in 1989, when the prices of agricultural products began to be liberalized, Polish farmers who, for years, had managed their own land in quasi-market conditions, imagined that they would cope far better in a real market economy system than the majority of other social groups. Reality turned out different and far harder than expected. Both the agrarian structure inherited after the epoch of real socialism and the state of institutions serving agriculture, and the economic awareness of farmers of functioning in a free market economy did not allow Polish farmers to make use of opportunities arising as a result of the system transformation and the opening of the Polish economy. Most Polish farmers knew how to produce agricultural goods, but this was not necessarily done effectively, and above all, they did not know how to sell those products on a competitive market. In the socialist economy, which was accompanied by a lack of most agricultural products, the sale of produce was not a significant problem for farmers. The state provided a ready market and prices were rather stable. During the period of the socialist economy, Polish farmers learnt how to cope in conditions of a centrally planned economy. They had the opportunity of wider economic independence than other professional groups. The ability of making use of that considerable independence proved of little benefit in conditions which

began to take shape after 1990. Farmers' knowledge acquired during 'real socialism' was primarily connected with ways of handling one's own matters, avoiding various obstacles and absurdities created by the centrally planned market economy. That did not involve the ability of running a business in a free market economy. The reality of the nineties revealed this fact in rather a brutal manner.

As a result of the system transformation, most cooperatives and state institutions engaged in purchasing agricultural products and services disintegrated. The number of new institutions replacing them as agents between farmers and consumers of agricultural and food products was insufficient. Disheartened by all forms of collective economic activity, the farmers did not seem willing nor did they have the correct know-how to create new institutions which would reinforce their market position. An institutional void arose between the farmer and the market, and the majority of farmers felt uncertain in these new conditions, without appropriate security, protection or support.

Academics and educators involved in agriculture and rural issues in Poland were faced with considerable challenges. Educational programmes in colleges had to be radically changed and adjusted to the requirements of a free market economy. A substantial number of the teaching staff were inappropriately educated in contemporary economics and had, for many years, been involved in lecturing Marxism and Marxist economics. Modern economics text-books were lacking. The progress which took place in this area in a relatively short period of time surprised many observers both in Poland and abroad. The most important text books and teaching materials were quickly translated, modern study programmes based on western programmes were implemented. Lecturers had to attend quick and intensive additional training courses and requalify. Aid programmes, financed by resources from West European countries and the United States played an important role. Supporting training in the field of economics and business was the largest part of western aid programmes for Poland concerning education. This was a very important and effective form of foreign aid for countries undergoing the system transformation, which no doubt contributed to the economic success of those countries. The relatively good contacts which Polish academics had with world science prior to 1990 were conducive to the quick adaptation of the Polish teaching system to market economy requirements.

The modernization of the teaching structure and programmes, as well as the development of a network of colleges, providing training in the field of economics and management took place under the powerful pressure of a rapidly growing demand for this kind of knowledge among young Poles. The number of students attending college education has tripled since 1990. During this period approximately 150 private colleges have opened, provid-

ing training to about 25% of Poland's students. Most of these colleges specialize in economics, management, banking and other business-related disciplines.

Interest in agricultural studies has dropped in Poland in the nineties. Young people consider agriculture as a rather uninviting field, since it does not provide career opportunities. The Agricultural Economics Department of Warsaw Agricultural University which trains specialists in agribusiness is an exception and has the highest number of candidates per place. On the other hand, minimal interest in agricultural economics and agribusiness is shown by students of the largest school of economics and business in Poland, i.e. the Warsaw School of Economics. In all, there is a shortage of highly qualified specialists in the economic issues of the development of agriculture and rural areas. A demand for specialists of this kind is voiced amongst others by Centres of Agricultural Extension Service, which have had to widen their field of activity considerably to include economic, financial and marketing consultancy. Lecturers in economics are also in demand at secondary agricultural schools, which have had to change their teaching programmes radically in the nineties. The process of amending these programmes has not yet been completed and will no doubt be continued within the overall amendment of the Polish education reform which has started in 1999.

3. The main areas of interest for agricultural economists in Poland in the nineties and their main tasks

In Poland, a double transformation of the system has taken place in the nineties: one has been the transition from a centrally planned to a free market economy, the other, the adaptation of the Polish economy to specific requirements of the European Union. These two spheres of the transformation have concentrated the main attention of the economists.

Within the system changes, of greatest significance in agriculture were the changes in the agricultural market and the privatization process. The liberalization of prices in Poland began with the abolition of the administrative price control of agricultural and food products as early as 1989. This caused a radical price rise, on the one hand, as well as doing away with state control and filling up shop shelves, on the other. The freeing of agricultural prices temporarily generated an improvement in farmers' incomes in relation to average incomes outside agriculture (an improvement in the parity of agricultural incomes). The liberalization of the Polish economy, including that of foreign trade, indicated the low competitiveness of Polish agriculture and food industry. Improving competitiveness became a particularly important issue in the context of Polish aspirations to membership in the European Union. Improving competitiveness required a speeding up of

structural changes in agriculture as well as building new institutional structures in agriculture and associated domains. However, progress in both these areas could not take place quickly. Overcoming the fragmented structure of farms, along with the excessive employment in agriculture proved impossible in the short term, among others, due to the radical rise in general unemployment. Much like many other periods of economic crisis, so at the beginning of the nineties, farming in Poland played the role of a shock absorber for the radical changes and adjustments in the economy, by absorbing the work force which had lost employment in areas outside agriculture. It was clear from the very beginning of the transformation, that the fragmented agrarian structure would be sustained in Poland for many years. Economists and politicians were faced with the difficult challenge of finding methods of including agriculture into the process of economic growth which was started in 1992 and decreasing the difference in incomes between the agricultural population and those employed in other areas of the economy; bearing in mind the necessity of preparing Polish agriculture for its future functioning within the European Union.

Building new foundations for national agricultural policy has become an urgent and complicated matter. The institutional basis of this policy has become the appointment of three state agencies, responsible for specific areas of agricultural policy. The first of these was the Agricultural Market Agency, whose task was the intervention on the market of basic agricultural products with the purpose of restricting excessive price fluctuations and agricultural incomes. The Agency was also expected to manage state food reserves. The Agency of Agricultural Restructurization and Modernization has had the widest area of responsibility, including not only agriculture but also rural areas, such as eg. supporting the development of technical and social infrastructure in the countryside. The Agency of State Treasury Property in Agriculture became responsible for the restructurization and privatization of agricultural state property. Appointing these agencies did not, however, solve the problem of elaborating a concept of agricultural policy. Among Polish specialists concentrating on the countryside and agriculture there was a growing conviction that most agricultural problems cannot be solved using the traditional instruments of agricultural policy. The modernization of agriculture and the improvement of the financial situation of the agricultural and rural population can only take place by means of an overall development policy for rural areas. This policy must include agro-productive aspects, the development of rural infrastructure, ecological, educational, cultural and several other issues. The necessity of working out such a policy resulted, among others, from the specific structure of the rural population in Poland.

Within the rural population at least three large groups can be distinguished, embodying very distinct professional characteristics, income, development

potential and a level of contact with the rural environment. One of the most important criteria of distinguishing these groups is their level of contact with agricultural production.

The first group, conventionally called commercial farmers, includes those farmers and their families for whom agricultural production provides the main source of income, farm work involves most of the family workforce. These farmers are closely connected with the market and their development potential depends on their ability to cope on the competitive market. This section of the Polish country supplies most agricultural produce, is actively interested in the practical use of national agricultural policy and in the future, after Poland's entry into the European Union, may become the main beneficiary of the Common Agricultural Policy (CAP).

The second group is the multi-professional rural population, using farm work as a supplementary source of income and supplies as well as widely taking advantage of non-agricultural income, both from work and benefits (transfers). The multi-professionalism of this group, using various sources of income as well as the considerable role of supplies means that this group's financial situation is generally modest, but quite stable, not too susceptible to market perturbations.

The third group includes the landless rural population (these are not owners of private agricultural holdings, if at all, they may own small plots), making a living from non-agricultural income, they are not influenced by the effects of agricultural policy and not connected with the functioning of the agricultural market. This population is dependent on the labour market in rural areas and on the scope of state social policy.

The financial condition of families in the above three groups is very varied. They have a common interest connected with the implementation of national rural policy (the policy towards rural areas), and particularly the policy of supporting the rural infrastructure, while the significance of agricultural policy is decidedly different for each of these groups.

Over 40% of the landless rural population consists of pensioners, the unemployed and those on social security. Slightly more than half of the landless population are workers' families, making a living from non-agricultural employment. During the nineties the percentage of the population in working households in the rural group of the landless population dropped from over 70% to approximately 52%, due to the quick rise in unemployment in this category. While the percentage of those mainly dependent on benefits (disability or old age pensions, social security etc.) almost doubled.

Traditional agricultural policy, depending on applying instruments supporting prices and incomes in agriculture would be beneficial to 10–15% of rural inhabitants, mainly making a living from work on large agricultural holdings. The benefit for the remainder of the rural population would be minimal. The main problem for the Polish countryside is currently the lack

of jobs outside agriculture. Unemployment in rural areas (including small villages) has reached a level of approximately 2 million, out of whom 1.1 million are registered as unemployed and 900 thousand are unemployed without being registered as such (hidden unemployment). Rapid economic development in Poland in the period 1992–1998 hardly had an influence on appeasing the problem of rural unemployment. Possibilities of improvement in this area are additionally complicated by predictions of a considerable increase in the labour force by 2005.

Table 1

The structure of the rural population in Poland in 1996, according to the income structure and socio-professional categories

Categories	Number of people
Rural population	14.7 million
Rural population connected with private farm holdings	9.7 million
The main socio-economic categories in the rural population:	
— commercial farmers (including families)	1.6–1.8 million
— multi-professional peasant population	5.5–6 million
— landless rural population	7.2 million

Source: Calculations based on data from the General Agricultural Register 1996.

Under these circumstances, the most important task for economists in Poland is devising a concept for the development of rural areas which will favour job creation in the countryside and counteract economic and social marginalization among large groups of the rural population. This policy should also include the preparation of the Polish countryside to taking advantage of the opportunities provided by Poland's integration in the European Union, such as making use of funds allocated for the implementation of a Common Agricultural Policy and the Union's structural programmes.

Creating an integral concept of a development policy for rural areas in a country like Poland requires the application of unusual solutions demanding close cooperation of specialists in different areas of social studies. When entering the European Union, Poland should come up with a new proposal in the area of agricultural and rural policy, something which differs from existing schemes of these policies. This stipulation is additionally justifiable by the fact that the European Union is desperately seeking a way of fundamentally reconstructing existing agricultural policy and finding new forms of state support for rural and agricultural development.