ECONOMIC AND ENVIRONMENTAL STUDIES No. 6 OPOLE 2004

Elżbieta NOSAL
Rzeszów University of Technology, Poland

THE CONDITIONS FOR POLISH INTEGRATION WITH THE EUROPEAN UNION IN THE AGRICULTURAL SECTOR

The idea of the unification of Europe has been in existence for a thousand years. During The First Congress in Gniezno in 1000, the German Emperor, Otto III, suggested the idea of the integration of all European countries. In the middle of the XX century the foundation of the European Union was laid. On the verge of the new millennium, efforts were made to enable Polish accession to the EU. On 25th May 1990, the Polish Minister of Foreign Affairs, K. Skubiszewski, tabled a formal motion on the beginning of talks concerning Polish accession to the EU. Since 1998, successive governments have carried on negotiations about the character of Polish integration with the EU. One of the most difficult and important chapters was agriculture. In fully developed countries, agriculture is an important part of the national economy. Its strategic objective is not only to feed the population, but agriculture also has a financial and social aspect. Additionally, it is concerned with the problem of unemployment. Agricultural products and foodstuffs are major exports. It is very important for Poland in terms of integration. The negotiations and finishing terms agreed in Copenhagen are sure to shape the future of Polish agriculture.

Agriculture is one of the 29 chapters forming the total sphere of accession negotiations between Poland and the European Union. Negotiations in this area took place from 14.06.2000 to 13.12.2002. The „Agriculture Chapter" embraces 55 negotiation problems. Poland requested the full incorporation of Polish agriculture into the Common Agricultural Policy (CAP), awarding Poland production quotas at the level of natural potential for environmentally friendly agricultural production on the one

hand, and ensuring the maintenance of stable sources of income for the farming population on the other, together with the inclusion of Poland's agro-food market into the single European market [*Raport na Temat...*, 2002]. The main problem, which raised emotions, was direct payments. During negotiations it was settled that Polish farmers would be incorporated into a simplified system of such payments [*Raport na Temat...*, 2002]. Consequently, farmers would have easier access to Union Funds. Payments are made up of three parts [*System Uproszczonych Dopłat...*, 2003]:

1) 25% for 2004, 30% for 2005 and 35% for 2006 of the EU level of direct payments (this will be financed by the first stage of CAP);

2) a second pillar of support increasing support to the following levels: 36% (2004), 39% (2005) and 42% (2006) of the EU level of direct payments (this will be financed from specific measures assigned to rural development – the second stage of CAP);

3) a third pillar increasing the level to 55% (2004), 60% (2005), 65% (2006) of the EU level of direct payments (this will be financed from the Polish budget);

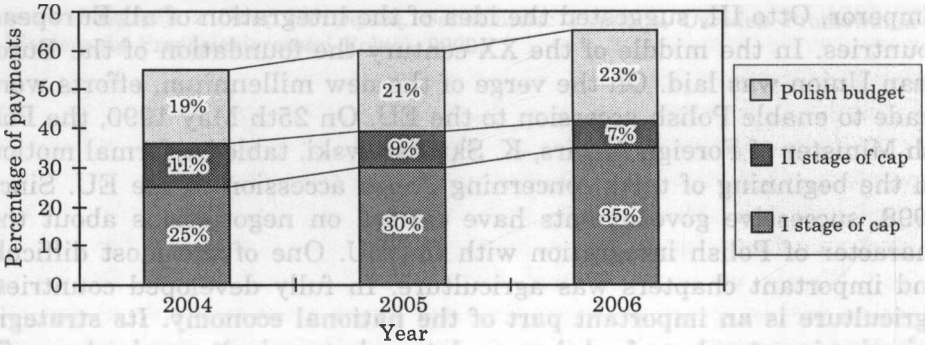

Fig. 1. The composition of direct payments

Source: *System Uproszczonych Dopłat...*, 2003

In 2004 the base level of the payments will be at 25% of the EU level. Farmers will not receive 100% of payments before 2013, but it was laid down, that payment would be increased to the level of 55%. From 2007 onwards, 30% of the support would be funded from the national budget. As a result, a 100% level of payment would be obtained in 2010. From 2004 to 2006, Poland should receive 7,500 mln euro (about 2,400 mln euro a year) from the European budget. This is twice as much as Poland spent on agriculture from their national budget [*Informacje na Temat...*, 2003].

The European Union would incur the following expenditure [*Informacje na Temat...*, 2003]:

1) for direct payments in 2004 – 835 mln euro, in 2005 – 958 mln euro, in 2006 – 1,075 mln euro, the total amount of support will be 2,868 mln euro (from the first stage of CAP), if Poland increased support to 55%, 60% and 65% respectively, it would cost 6,289 mln PLN (2004 – 1,867 mln PLN, in 2005 – 2,075 mln PLN, in 2006 – 2,346 mln PLN);

2) for additional intervention on the rural market (including export subsidies) in 2004 – 130 mln euro, in 2005 – 343 mln euro and in 2006 – 367 mln euro, the total payment will be 840 mln euro;

3) for rural development in 2004, 2005, 2006, there will be 647 mln euro, 769 mln euro and 887 mln euro (total payment 2,303 mln euro);

4) for specific funds: the Sector Operation Programme – about 1,196 mln euro;

The Agricultural Policy Economic Analysis Section / Agricultural Support Programmes Fund (SAEPR/FAPA) accepted the following propositions [*System Uproszczonych Dopłat...*, 2003]:

1) the basic rate of direct payment (per hectare) was calculated by dividing the rates by the base area (25%, 20%, 15% by 15.323 mln hectares);

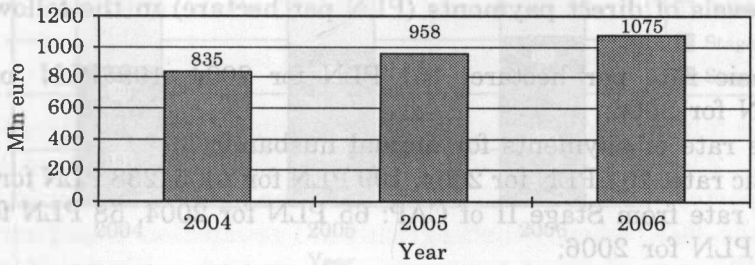

Fig. 2. EU expenditure on direct payments (in mln Euro)

Source: *Informacje na Temat...*, 2003

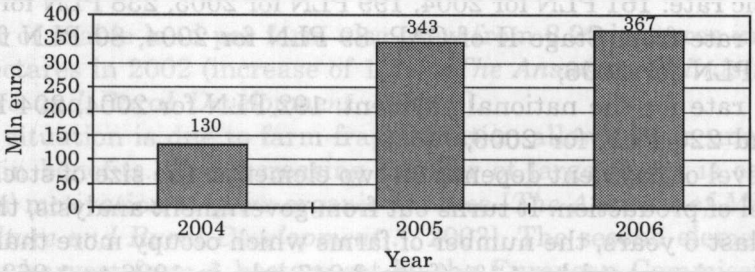

Fig. 3. EU expenditures for additional intervention on rural market (in mln Euro)

Source: *Informacje na Temat...*, 2003

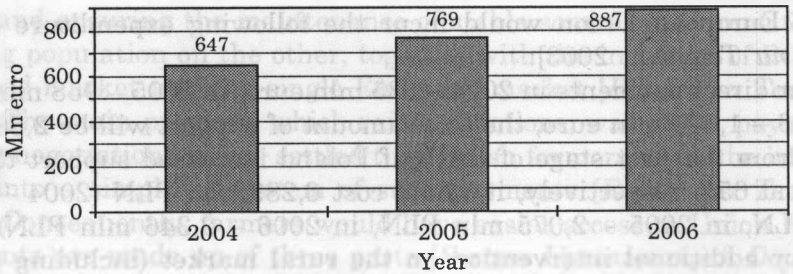

Fig. 4. EU expenditure on rural development

Source: *Informacje na Temat...*, 2003

2) additional support for vegetable production and animal rearing in accordance with the following method of calculation:

– payments financed from resources for rural development – the rates 25%, 20% and 15% are divided by the base area (9.505 mln hectares for vegetable production and 2.305 mln hectares for animal husbandry);

– payment financed from the Polish budget – the total level of direct support for farmers is 55%, 60%, 65% of the level in the Community;

3) Reduction: 4 PLN = 1 euro

The levels of direct payments (PLN per hectare) in the following areas are:

1) Basic rate per hectare: 161 PLN for 2004, 199 PLN for 2005, 238 PLN for 2006;

2) the rate of payments for animal husbandry:

– basic rate: 161 PLN for 2004, 199 PLN for 2005, 238 PLN for 2006;

– the rate from Stage II of CAP: 65 PLN for 2004, 58 PLN for 2005 and 47 PLN for 2006;

– the rate for the national payment: 116 PLN for 2004, 167 PLN for 2005 and 228 PLN for 2006;

3) the rate of payments for vegetable production:

– basic rate: 161 PLN for 2004, 199 PLN for 2005, 238 PLN for 2006;

– the rate from Stage II of CAP: 89 PLN for 2004, 80 PLN for 2005 and 65 PLN for 2006;

– the rate for the national payment: 192 PLN for 2004, 204 PLN for 2005 and 220 PLN for 2006;

The level of payment depends on two elements: the size of stock-farms and level of production. It turns out from government analysis, that during the last 6 years, the number of farms which occupy more than 1 hectare, have decreased by 4.1% (from 2.047 mln in 1996 to 1.962 mln in 2002). At the same time, the average size of farms increased from 9.48 hectares in 1996 to 9.54 hectares in 2002 (increase of 0.6%). The average

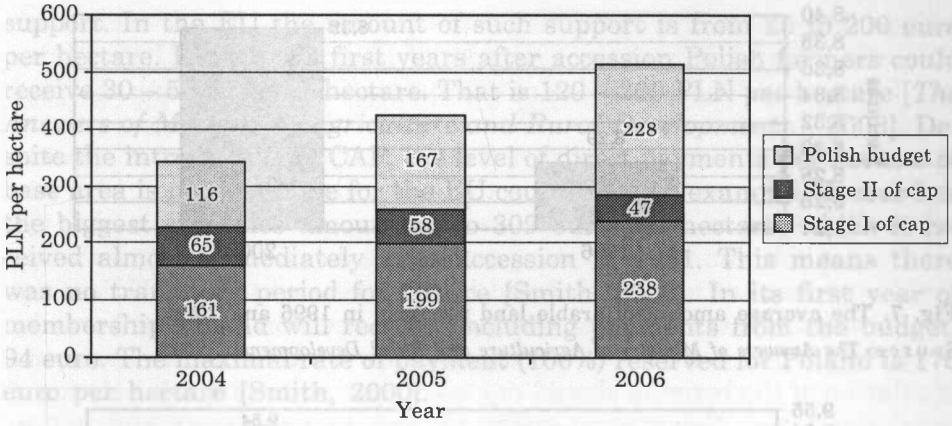

Fig. 5. The rate of payments for animal husbandry

Source: *System Uproszczonych Dopłat...*, 2003

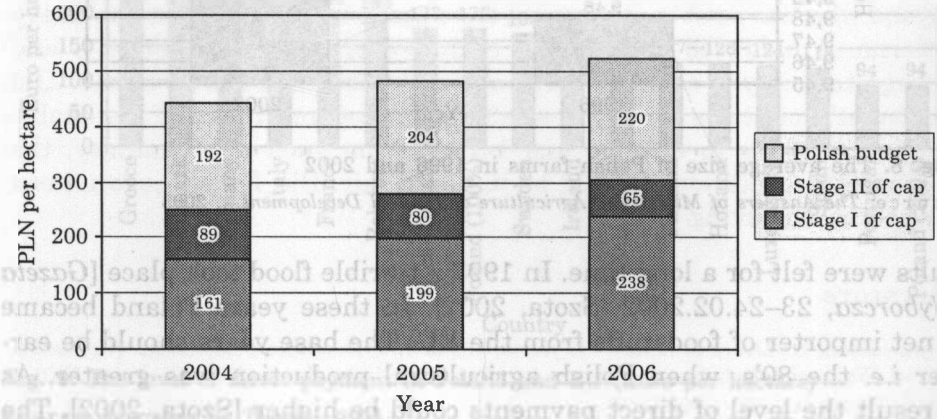

Fig. 6. The rate of payments for vegetable production (PLN per hectare)

Source: *System Uproszczonych Dopłat...*, 2003

amount of arable land per farm also grew from 8.29 hectares in 1996 to 8.39 hectares in 2002 (increase of 1.2%) [*The Answers of Ministry of Agriculture and Rural Development...*, 2003].

This situation is due to farm fragmentation allowing the unemployed to obtain benefits. The increasing number of large farms is caused by farmers' motivation to grow organic produce [*The Answers of Ministry of Agriculture and Rural Development...*, 2003]. The second element is the average harvest from 1 hectare set by the European Commission after inspections from 1995 to 1999. These years were very unprofitable for Poland. In 1992 and 1994 there were the greatest droughts. Their re-

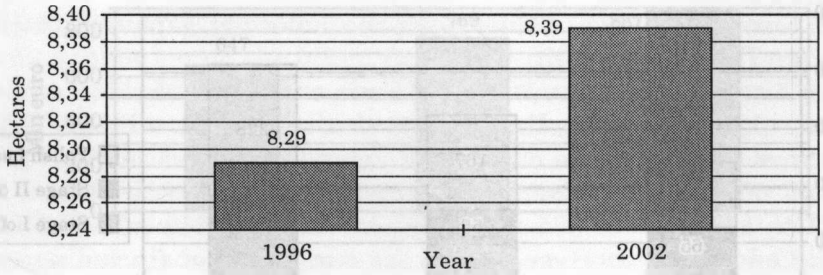

Fig. 7. The average amount of arable land per farm in 1996 and 2002

Source: *The Answers of Ministry of Agriculture and Rural Development...*, 2003

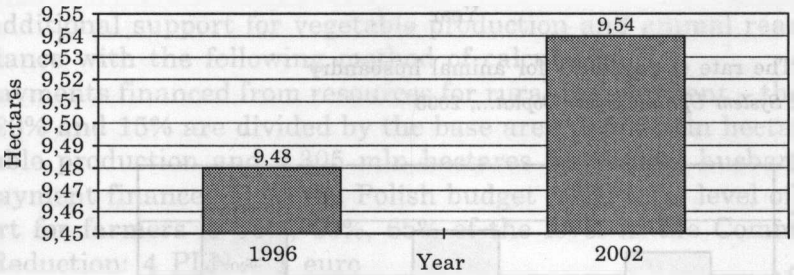

Fig. 8. The average size of Polish farms in 1996 and 2002

Source: *The Answers of Ministry of Agriculture and Rural Development...*, 2003

sults were felt for a long time. In 1997 a terrible flood took place [*Gazeta Wyborcza*, 23–24.02.2002; Szota, 2002]. In these years Poland became a net importer of foodstuffs from the EU. The base years should be earlier *i.e.* the 80's, when Polish agricultural production was greater. As a result the level of direct payments could be higher [Szota, 2002]. The main negotiator in the sphere of agriculture, J. Plewa, said that without bigger payments modernisation would not be possible and many Polish farms would disappear [*Gazeta Wyborcza*, 11.02.2002]. The most important thing is that farmers applying for payments will have to submit to Union inspection [Paśko, 2001]. Strict procedures could discourage farmers from filing applications for payments. The former Polish Minister of Finance, E. Chojna-Duch concluded that a few years of uneven competition could lead to a catastrophe in Polish agriculture. According to others, such conditions will eliminate Polish farmers from the market [Krakowski, 2002].

Within the framework of CAP, Poland can count on 5 thousand PLN a year for semi-subsistent farms over a period of 3 to 5 years. Farms situated in areas with bad farming conditions will receive compensation or

support. In the EU the amount of such support is from 25 to 200 euro per hectare. During the first years after accession Polish farmers could receive 30 – 50 euro per hectare. That is 120 – 200 PLN per hectare [*The Answers of Ministry of Agriculture and Rural Development...*, 2003]. Despite the introduction of CAP, the level of direct payments per hectare of base area is not the same for the EU countries. For example, Greece has the biggest subsidies amounting to 309 euro per hectare, which it received almost immediately after accession in 1981. This means there was no transitory period for Greece [Smith, 2000]. In its first year of membership Poland will receive (including payments from the budget) 94 euro. The maximal rate of payment (100%) reserved for Poland is 176 euro per hectare [Smith, 2000].

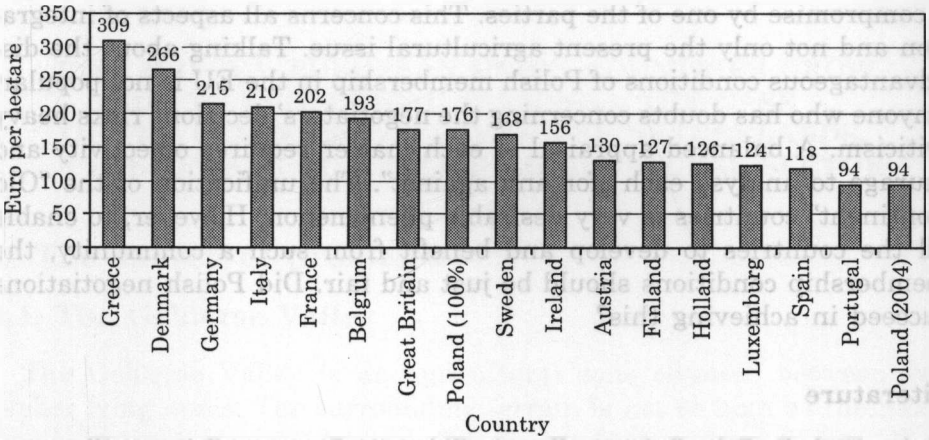

Fig. 9. The level of direct payment in Poland and EU (Euro per hectare)

Source: *Informacje na Temat...*, 2003.

According to the commissioners themselves, the EU can afford to finance full direct payments to farmers from the candidate countries, including some margin for granting them Structural Funds [Schreyer, 2001]. In such a context, the EU negotiators' policy seems to be aimed at maximisation of EU interests. Guaranteeing the highest level of direct payments to Polish farmers was one of the Polish negotiators' duties. However, they did not managed to achieve this goal. Candidate countries received 8,000 mln euro over 3 years. This is as much as Spain received in 1999 [Saryusz-Wolski, 2002]. Expanding the EU will be beneficial to the economy of the fifteen present EU states *i.e.* the GNP of Germany could grow, according to some assessments, by 1.5%, while in Austria it will increase by 0.8% [Saryusz-Wolski, 2002].

Negotiation of entry conditions for the candidate countries was a time when the future shape of the existence of Poland within EU structures was determined. The conditions of EU integration having being accepted cannot be changed any more. The results of the Copenhagen summit were claimed, mainly by the government party, to be a great success. However, the opposition criticises them heavily. Finding out who was right will be easy to check in practice after the accession of Poland to the EU. Such a solution is highly dangerous since it is like playing with fire. If EU promises are not fulfilled and Polish accession to the EU does not bring the anticipated benefits, the cost of the decision would be borne by every Pole. The conditions of membership are a vital issue and sole and calculation of the benefits should not take place without a fair balance of gains and loses. Negotiation ought to lead to agreement and not to a compromise by one of the parties. This concerns all aspects of integration and not only the present agricultural issue. Talking about the disadvantageous conditions of Polish membership in the EU is not popular. Anyone who has doubts concerning the negotiators' decisions risks heavy criticism. A balanced appraisal of each matter requires objectivity and courage to analyse each „for and against". The unification of the "Old Continent" countries is very desirable phenomenon. However, to enable all the countries to develop and benefit from such a community, the membership conditions should be just and fair. Did Polish negotiations succeed in achieving this?

Literature

Chojna–Duch, E., *Dobre Państwo – Kryteria, Wskaźniki, Diagnoza i Zalecenia*. Warszawa: Wyd. Wyższej Szkoły Przedsiębiorczości i Zarządzania im. Leona Koźmińskiego, 2001.

Gazeta Wyborcza, 35, 11.02.2002

Gazeta Wyborcza, 46, 23–24.02.2002

Informacje na Temat Wyników Zakończonych Negocjacji Akcesyjnych z UE w Obszarze „Rolnictwo". Warszawa: Sekcja Analiz Ekonomicznych Polityki Rolnej SAEPR/FAPA, 2003.

Krakowski, J., „Mechanizacja Rozwoju", in: *Gazeta Wyborcza*, 15.03.2002.

The Answers of Ministry of Agriculture and Rural Development for 37th session of Parliament RP. Warszawa: Sekretariat Marszałka Sejmu RP, 03.02.2003.

Paśko, J., „Gospodarstwa pod Kontrolą", in: *EuroNowiny*, 4, 19.11.2001.

Raport na Temat Rezultatów Negocjacji o Członkostwo Polski w Unii Europejskiej. Warszawa: SEJM RZECZYPOSPOLITEJ POLSKIEJ IV kadencji, Druk nr 1213, 18.12.2002.

Saryusz-Wolski, J., „Ekonomiczny Apartheid", in: *Die Welt*, 28.11.2002 [for:] *Forum*, 02–08.12.2002.

Schreyer, M., *Financing Enlargement of the European Union*, Lecture at London School of Economics, 16.02.2001.

Smith, M., Reed, J., *Financial Times*, June 2000 [for:] *Forum*, 25.06.2000.

System Uproszczonych Dopłat Bezpośrednich w Polsce – funkcjonowanie i wstępne szacunki stawek dopłat. Warszawa: Fundacja Programów Pomocy dla Rolnictwa, Sekcja Analiz Ekonomicznych Polityki Rolnej (SAEPR), Luty 2003.

Szota, E., „Za małe Limity. Rolnictwo. Co proponuje Bruksela", in: *Rzeczpospolita*, 19.02.2002.

were determined. The conditions of EU integration having being accepted, cannot be changed any more. The results of the Copenhagen summit were claimed, mainly by the government party, to be a great success. However, the opposition criticises them heavily. Finding out who was right will be easy to check in practice after the accession of Poland to the EU. Such a solution is highly dangerous since it is like playing with fire. If EU promises are not fulfilled and Polish accession to the EU does not bring the anticipated benefits, the cost of the decision would be borne by every Pole. The conditions of membership are a vital issue and solo and calculation of the benefits should not take place without a fair balance of gains and loses. Negotiation ought to lead to agreement and not to a compromise by one of the parties. This concerns all aspects of integration and not only the present agricultural issue. Talking about the disadvantageous conditions of Polish membership in the EU is not popular. Anyone who has doubts concerning the negotiators' decisions risks heavy criticism. A balanced appraisal of each matter requires objectivity and courage to analyse each „for and against". The unification of the "Old Continent" countries is very desirable phenomenon. However, to enable all the countries to develop and benefit from such a community, the membership conditions should be just and fair. Did Polish negotiations succeed in achieving this?

Literature

Chojna-Duch, E., *Polska Polityka – Rynkowa, Wskaźniki, Dilemmat i Zalecenia*. Warszawa: [illegible] Zarządzania im. Leona Koźmińskiego, 2001.

Gazeta Bankowa, [illegible]

Gazeta Wyborcza, [illegible]

Informacja na Temat Rezultatów Negocjacji Akcesyjnych z UE w Obszarze „Rolnictwo", Warszawa: [illegible] Polski Zespół NEGPUTAIS, 2002.

Kmiciński, J., „Modernizacja Rolnictwa", in: Gazeta Wyborcza, 15.03.2002.

The Answers of Ministry of Agriculture and Rural Development for 37th session of Parliament RP, Warszawa: Sekretariat Marszałka Sejmu RP, 05.02.2003.

Pelka, J., „Gospodarstwa pod Kontrolą", in: *EuroNotatky*, 4, 19.11.2001.

Raport na Temat Rezultatów Negocjacji o Członkostwie Polski w Unii Europejskiej, Warszawa: SEJM RZECZYPOSPOLITEJ POLSKIEJ IV kadencji, Druk nr 1213, 18.12.2002.

Sarcyna-Wolski, J., „Ekonomiczny Apartheid", *for Die Welt*, 28.11.2002 [for:] *Forum*, 02-08.12.2002.

Schreyer, M., *Financing Enlargement of the European Union*, Lecture at London School of Economics, 12.02.2001.

Smith, M., Reed, J., *Financial Times*, June 2000 [for:] *Forum*, 29.06.2000.