

## **INFLUENCE OF INTEGRATION WITH THE EUROPEAN UNION ON ECONOMIC TRANSFORMATIONS OF FARMING IN POLAND ON THE EXAMPLE OF ŻNIN COMMUNE**

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### **ABSTRACT**

The aim of this research is to present the transformations which have been taking place in the Polish agriculture on the example of the Żnin Commune, as well as define the influence of the European Union and its support programs on the range and pace of these changes. The survey was carried out in 2010, involving 172 owners of agricultural farms. A method of a survey was used. The results have been analyzed statistically. The surveys revealed that in the examined parish there were favorable conditions for the development of agriculture. This is largely connected with the increasing popularity of funds supporting transformations, the development of rural areas and active involvement of farmers in gaining this kind of support. In the future the transformation processes of farms will depend mainly on the course of changes in the European Union Common Agricultural Policy which is the main factor affecting the shape of this sector of economy. The course of change of rural areas and the future of farmers and their farms will depend on the form and quantity of support directed to rural areas. An important factor which affects shaping the transformation process will also be the awareness level of farm owners and their access to information.

**Keywords:** economic transformations of rural areas, influence of the integration with the EU, financial support for agriculture and rural areas development, the Common Rural Policy

### **INTRODUCTION**

In terms of economic and social sciences, transformations and evolution in the XIX and XX centuries can be expressed using the concept of commercialization of farming. Farming has gone a long way from natural to market farming. This process covered most of countries, but the pace of its development was diversified. In its evolution farming has gone through three stages: self-sufficient, diversified and specialist farming (OTOLIŃSKI, WIELICKI, 2003). The changes which have taken place in Poland during last several years have had a large influence on the way of farming which in the initial stage went through a serious crisis. However, gradually the situation of farming has been improving. Thanks to having overcome difficulties connected with the transformation period and subsequent closer cooperation with the EU in the pre-accession period and integration with the Common Agricultural Policy after the accession, the Polish farming has become more competitive and its economic situation has significantly improved (BAŃSKI, 2007). Transformations that are taking place in agriculture aim at developing this industry and this can be a factor affecting growth of the rural population's income. Change in the agrarian structure, ownership, as well as the level and role of the state interference with the agricultural market, are the main factors affecting the development of farming which in turn has a large influence on fighting unemployment, propagating innovativeness and new technologies which improve work. Thus, a multi-functional growth of farming is essential for transformation of the Polish agriculture. The general tendencies of transformations, specified above, will be enhanced or impaired by different factors including the economic

situation of the country, its policy and the policy of the European Union in the field of agriculture.

## MATERIAL AND METHOD

The considered survey was carried out in 2010, on the territory of Żnin Commune which is situated in the north-west part of the Kujawsko-Pomorskie Province and is of rural-urban character, where farming plays a significant part. Its area is 251.55km<sup>2</sup>, including 81% of arable lands and 6% of forests. The quality indicator of agricultural production space is relatively high, being 82.6 points (for 100 possible). Agricultural production is realized on arable lands with a small share of grassland and orchards. The structure of arable land is as follows: arable land – 18805 (93.15%), grassland 1247.5 ha (6.18%), orchards -135.5 ha (0.67%).

A survey method was used in the research. The research tool was an earlier prepared questionnaire form. This questionnaire was based on a five-step Likert's scale which is often recommended in social research methodology and enables to obtain answers concerning the acceptance degree of the examined phenomenon. This scale consists of a cafeteria with five replies arranged in an alphabetical order, beginning from the level of absolute acceptance to absolute rejection. The obtained data was elaborated with the use of methods of statistical-mathematical and substantial analysis in order to account for dependencies of the studied variables and establish relations of the considered phenomena. A standard descriptive analysis has been employed, and the calculation sheet Microsoft Excel has been used for the analysis of the research material. The gathered data has been elaborated in the form of tables and charts.

172 respondents, agricultural farm owners, situated on the territory of Żnin Parish, took part in the survey. The size of the sample group was determined from the formula:

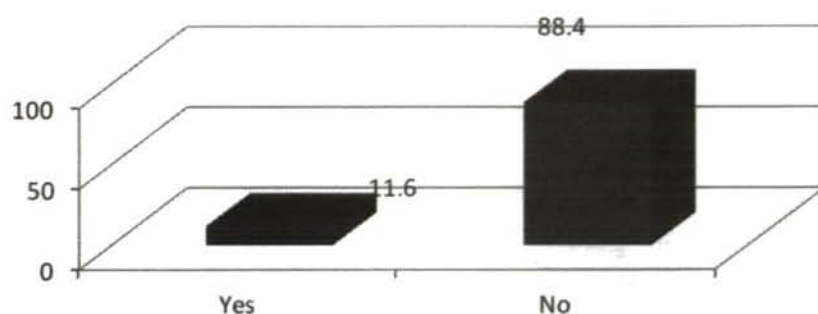
$$N_b = \frac{N}{1 + \frac{4d^2(N-1)}{z_\alpha^2}}$$

where: N-number of population; d-admissible error of estimation;  $z_\alpha$ -1.64 (for  $\alpha=0.10$ ). For this sample group size the obtained results were analyzed with probability 95%, and measurement error 6%.

## RESULTS

As early as before accession of Poland to the European Union, the Polish farmers could take advantage of financial support provided by SAPARD (Special Accession Program for Agricultural and Rural Development), which was an instrument of the pre-accession support for agriculture and development of rural areas directed to ten countries applying for membership in the EU. However, according to T.G. Grosse [2005,s.2] it was mainly large companies and farms which benefited from this program, whereas it was not well taken advantage of by small farms and it did not have a big influence on their consolidation.

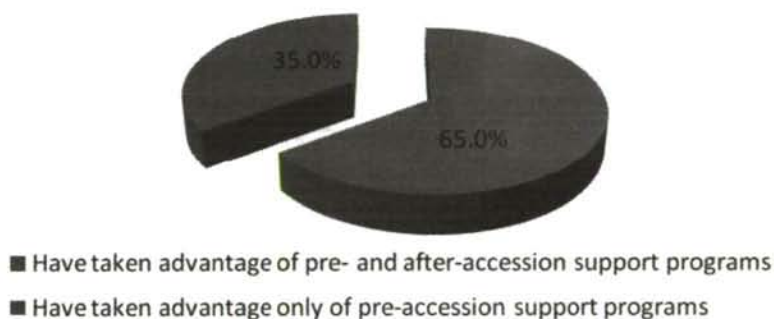
A great majority of the surveyed population did not take advantage of the pre-accession financial support programs offered by the European Union (88.4%). Only 11.6% of respondents admitted having accepted SAPARD support (fig.1). Those were mainly owners of farms with the area from 20.1 to 50 ha (90.0%). Minority of the farmers, that is 10.0% who had taken advantage of pre-accession programs, owned farms larger than 50 ha. The examined group of farmers did not include persons who had used the SAPARD program and owned farms smaller than 20.1 ha.



**Figure 1. Use of pre-accession SAPARD program by respondents in %**

Source: own research

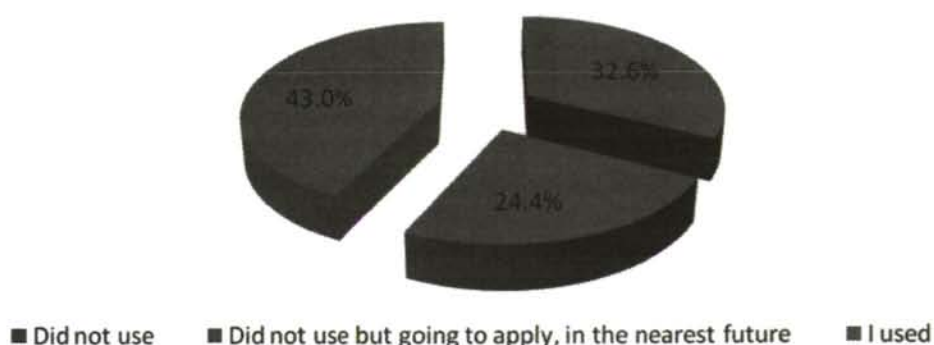
Farmers who had already used the EU support funds for the development of their farms were found to be keen on using SAPARD program again. Great majority of the surveyed farmers who had taken advantage of the SAPARD program declared that they had taken part in other European Union programs (65.0%). Only 35.0% who had benefited from SAPARD did not take part in any past-accession support scheme (fig.2).



**Figure 2. Declarations on the use of post-accession support programs made by farmers who had taken advantage of pre-accession support within SAPARD**

Source: own research

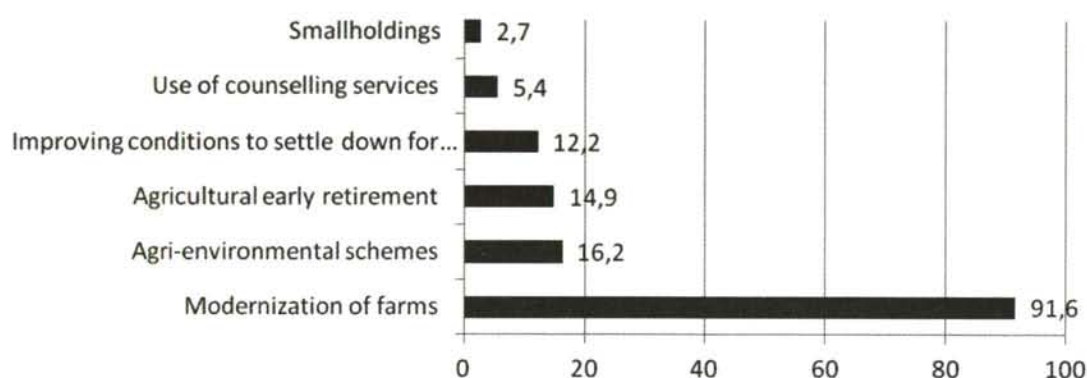
No wonder, the surveyed farmers were more interested in past-accession support programs than in SAPARD. About four times more farmers declared having accepted help from such programs as Plan of Rural Areas Development 2004-2006 (PRAD 2004-2006) and/or Program of Rural Areas Development 2007-2013 (PRAD 2007-2013). In the examined group of farmers 57.0% did not use past-accession financial programs from the EU funds, though there were persons (24.4%) who were not going to benefit from support programs in the nearest future (fig.3).



**Figure 3. Declarations of respondents on using past-accession programs (PRAD 2004-2006 and/or PRAD 2007-2013)**

Source: own research

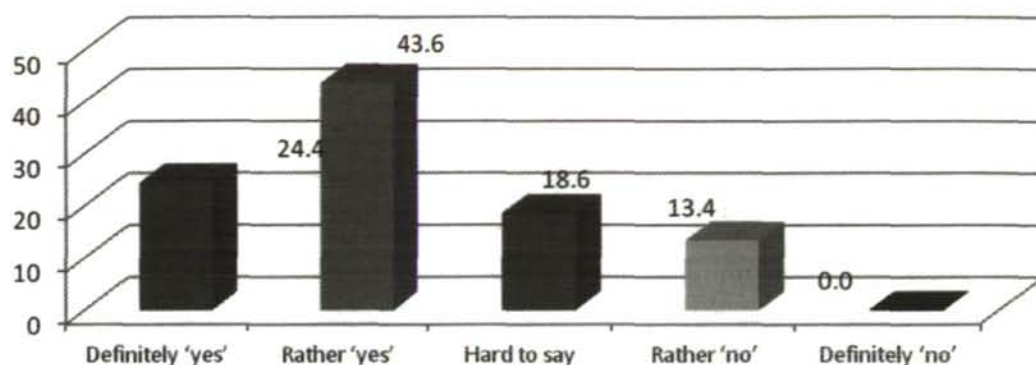
The most frequently declared action taken by the respondents within the support programs after the integration with the European Union was modernization of farms (91.9%). Next, there were agri-environmental schemes (16.2%) and agricultural early retirement (14.9%). 12.2% of respondents benefited from a bonus for young farmers within the program supporting young farmers in setting up their businesses. Few interviewees, not more than 5.4% of those who had used past-accession programs, chose to apply for funds connected with counseling services for farmers and forest owners. In the surveyed group there were few farms benefiting from the EU funds within the so called smallholdings (2.7%). The percentage sum exceeds 100.00% as the respondents could mark all activities they were involved in (fig.4).



**Figure 4 Actions taken by respondents (%) within PRAD 2004-2006 and/or PRAD 2007-2013**

Source: own research

Another form of support available to the Polish farmers after the integration with the European Union are direct subsidies which aim at compensating reduction of minimal and prevention prices for agricultural products on the European Union market. In the Accession Treaty it is stated that Poland is allowed to use a simplified system of direct subsidies. Today these subsidies have become an important factor stabilizing farmers' incomes making it possible to improve the economic situation of farms without raising prices of agricultural products, with constantly growing production costs. The EU direct subsidies, co-financed by the national budget, provide the customers with cheap food and make the EU products competitive on international markets. According to the Agency for Restructuring and Modernisation of Agriculture (ARMA), the direct subsidies are used by 1.4 mln of the Polish farmers [<http://www.arimr.gov.pl/doplaty-bezposrednie.html>]. All the interviewed farmers declared having benefited from direct subsidies. They replied positively to the question concerning whether direct subsidies had improved the economic situation of their farms, most answers 43.6% of the respondents were 'rather yes'. The answer 'definitely yes' was declared by 24.4% of farmers and 18.6% had no opinion on this subject. The analyzed group also included persons who were of the opinion that the subsidies did not have much influence on the financial condition of their farms (13.4%). However, no respondents expressed an opinion that the direct subsidies had no influence on the economic situation of their farms (fig.5).



**Figure 5. Declarations of respondents (%) on the subject of a positive impact of received subsidies on the financial condition of their farms**

Source: own research

## CONCLUSIONS

The results of the presented survey predict good conditions for the development of farming in this commune due to the right course of transformations initiated after the integration with the European Union and providing the possibility of taking advantage of support funds directed to rural areas. Such programs as SAPARD, or PROW (Program of Rural Areas Development) 2004-2006 and PROW 2007-2006, undoubtedly have an influence on the changing economic-social and technical situation in agriculture. Thanks to this the scale of investments is increasing and work is becoming simpler and more efficient. For most of the respondents, the possibility of modernization of their farms was crucial to decide whether or not to apply for the European Union funds co-financed from the national budget. Other forms of support co-financed from the EU means, that is, direct subsidies were used on a regular basis in the studied farms. According to the interviewed farmers, they have also significantly contributed to the improvement in the farms income situation. Thanks to them it was possible to compensate partly the low prices of agricultural products, with increasing prices of production means. The direct subsidies significantly affected the increase in the price of the land. Land in Poland became attractive not only for farmers but also for entrepreneurs and investors as a good investment for the future. With the land getting more and more expensive the popularity of leasing has also increased. In the future, in consequence of further transformations, the conditions for farming may also significantly improve. Transformation processes in farming can be a sign of positive tendencies both for the change of intellectual resource capital structure and an increase in the area and modernization of the farms technical equipment. The European Union is a factor which has the largest influence on the shape of agriculture. The form of support will be crucial for this economy sector, the course of development and the future of farmers and their farms. Also the level of farmers' awareness will play a very important role in shaping the transformation processes. New Common Agricultural Policy will be essential not only for farmers but also for each inhabitant of the Union. It aims at increasing the share of ecological and healthy food, simultaneously following the rules of sustainable development of the natural environment, providing farmers with its resources and being actively shaped by them. However, the size of rural population's incomes might change

significantly, with accompanying diversification of agricultural farms. According to predictions of many experts in the field of farming economics, the importance of commercial farms will increase, whereas small production farms will weaken. Part of them will limit to 'self-supply' and will gradually be eliminated from the market. The remaining ones will have a multi-functional character and they will become family agricultural-production firms or agricultural-service ones (ADAMOWICZ, 2005; BRODZIŃSKI, LEWCZUK, 2001; WIATRAK, 2001; WILKIN, BUDZIUCH-SZUKAŁA, SALONI, 2005; ZAWISZA, ADAMCZEWSKA, 2009).

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