



Barbara Despiney-Zochowska

La reforma de la agricultura polaca: el caso de las empresas de propiedad estatal

RESUMEN:

La reforma de la agricultura polaca es con seguridad el desafío más importante desde la perspectiva de los países candidatos a la adhesión a la Unión Europea (UE), en particular, de cara a la reforma de la Política Agraria Común (PAC). La adhesión de Polonia a la UE requerirá de una transformación total de su agricultura. Esa variación será muy importante a la hora de ayudar a Polonia a encontrar una especialización para su agricultura y su industria alimentaria. Debe tenerse en cuenta que el empleo agrícola todavía representa el 20% de la población total de ese país. El campo está superpoblado, y existen muchas posibilidades de que la población rural siga creciendo hasta el año 2010, debido a la falta de oportunidades reales de emigrar. Este trabajo realiza un breve repaso histórico de los antecedentes que explican el colapso de las reformas de

las granjas de propiedad estatal, que se puso en marcha en 1989. Se presta una atención especial al componente regional de la reforma rural.

Palabras clave : Agricultura polaca, ampliación de la Unión Europea, PAC, transición económica, granjas de propiedad estatal.

Restructuring Polish agriculture: the case study of state owned agricultural enterprises.

SUMMARY:

The restructuring of Polish agriculture is certainly the greatest challenge within the perspective of the country's accession to the European Union (EU), in particular faced with the reform of the Common Agricultural Policy (CAP). Poland's adhesion to the EU requires a total upheaval of its agriculture. This restructuring will be important in helping Poland find a specialisation in agriculture and the foods industry. It should be borne in mind that agricultural employment still represents 20% of total employment in this country. The Polish countryside is overpopulated and there is a serious possibility that the rural population could continue to grow until the year 2010 due to a lack of real emigration possibilities. This paper provides a short historical background that explains the collapse of restructuring of State owned farms underway since 1989. Particular attention is paid to the regional aspect of rural restructuring.

Keywords: Polish agriculture, European Union enlargement, CAP, economic transition, State owned farms.

Teléfono 91-3942404

Fax 91-3942499

Dirección postal

Papeles del Este, Transiciones Poscomunistas.

Departamento de Economía Aplicada I. Pabellón de 2º Curso.

Universidad Complutense de Madrid. Facultad de Ciencias Económicas y Empresariales.

Campus de Somosaguas. Pozuelo de Alarcón. 28223 Madrid. España.

Correo electrónico

Información general: papeles@ccee.ucm.es

Administrador de Web: papeles@ccee.ucm.es

RESTRUCTURING POLISH AGRICULTURE: THE CASE STUDY OF STATE OWNED AGRICULTURAL ENTERPRISES.

Barbara Despiny-Zochowska *

Introduction

The restructuring of Polish agriculture began with the dismantling of the State agricultural sector. The State farms, which were nationalised by force, formed the foundations of the state sector in Polish agriculture and covered approximately 18,5% of agricultural land. The co-operative sector, the second component of state sector representing 3,7% of arable lands, has been entered in the accounts as a part of the private sector since 1990.

In the same way as in the industrial sector, the new authorities consider this restructuring a form of privatisation, that is the return to private family exploitations (DESPINEY-ZOCHOWSKA, 1992). Dogmatic ideas on private ownership were the reason for the collapse of the majority of state farms in Poland. The decision to privatise State farms in Poland was highly political and the social aspects were not taken into consideration. The Polish authorities would have done better to make a priority of private agriculture concentrated in the Southwest, which was broken into small parcels and fairly unprofitable. In fact, the productivity of Polish family agriculture is lower than that of the manufacturing industry. A recent study confirmed this phenomenon citing numbers: this productivity appears four times lower at the beginning of transition and six times lower at the end of the period being studied, 1994-1999 (DUCHENE & RUSIN, 2002). In effect, if decollectivisation has not had an effect across the entire country, important structural changes must take place due to the exaggerated level of fragmentation of these 2 million farms, with an average surface area of 5 to 7,5 hectares. Of these 2 million exploitations, only 300 to 400 000 appear capable of resisting European competition.

The productive structures inherited from the centrally planned system are marked with a strong territorial anchoring, this being particularly true as far as nationalised agriculture is concerned. This agriculture, nationalised after the war, was 70% concentrated in the western and northeastern regions of the country. It essentially concerns land that was previously German, which became Polish following World War II and which was rapidly collectivised

* ROSES /CNRS-University of Paris 1, 106-112, Blvd de l'Hôpital, 75647 PARIS CEDEX 13, despiny@univ-paris1.fr ; tel. 33 1 44 07 81 88; fax 33 1 44 07 81 91.

following confiscation. State farms were situated in the regions granted to Poland by the Yalta Agreement: Silesia, Pomerania and Masuria. For example, State farms in Pomerania voivodeship¹ made in Szczecin up 56,4% of agricultural land, 55,0% in Koszalin, and 54,5% in Slupsk .

Historical continuity is discernible through the similarity of the agricultural structures on either side of the Oder-Neisse border and through the way in which German and Polish governments privatized their land (DESPINEY-ZOCHOWSKA, 1995). Initially, State farms were included in the general privatisation programme. Since 1992, the German technique has been used by the Polish authorities and a decision was made to introduce the Agency for Agricultural Ownership of the State Treasury - a Polish version of the Treuhandanstalt. During the second stage of the privatization process two difficulties appeared: a low number of buyers and a lack of money. The authorities did not take into consideration the regional aspect of the farm problem and its significance for local infrastructure (nursery schools, village clubs, sports and cultural organisations). This situation has led to countryside tragedy and dramatic protests against the central authorities. The emergence of new populist party of Andrzej Lepper is the consequence of this decision. Generally speaking, the Polish countryside is in recession. The study of unemployment averages between 1993 and 1999 indicates that a pocket of depression has formed in the countryside of Western Pomerania and Pomerania with peaks of 24-30%. These agricultural zones to the north of the country are today in difficulty and require determined public intervention, as do the traditionally underdeveloped agricultural regions of the Southeast, unaided by important urban centres.

The aim of this article is to show that denationalisation has been carried out in a politicised and unthinking manner and that privatisation of this land is impossible in such a short period of time. The true privatisation of this land will be slow and, therefore, remain limited for a long time. In order to study this process, we will refer to our earlier work concerning restructuring State farms (PGR) situated in Lower Silesia in southwest Poland and carried out in co-operation with researchers from the Agriculture Academy of Wroclaw (FERENS & DESPINEY, 1992; BORCZ & FERENS & DESPINEY, 1993). Our conclusions are also based on work carried out by another French-Polish team concerning a certain number of State farms situated in Great Poland in

¹ Voivodeship: a regional unit equivalent to a French *département* (Poland counts 16 voivodships since the administrative reforms of January, 1999), see DESPINEY-ZOCHOWSKA, Poles of Growth in Poland on the Eve of Adhesion to the European Union, in *Studia Regionalia*, Polish Academy of Sciences, Vol. 9/ 1999.

the western part of the country (MAUREL et al., 1996).

State farms before the transition

State farms (PGR) only represented 18,5% of the land in Poland. Before restructuring began, the 1231 State farms encompassed 3 750 000 hectares of arable land and provided 25% of total agricultural production. The book value of goods owned by the PGR has been estimated at 15 billion dollars, of which 88% are fixed assets. In early 80s the PGR were subordinate to the Ministry of Agriculture and to Voivodes. With his policy for liberalizing the old regime, General Jaruzelski introduced a new phase in the history of the PGR as early as 1982, giving the farms greater autonomy. The central and regional unions were abolished and the PGR were subordinated to the voivodes.

The farms were exploitations of considerable size, 60% of which measured over 1000 hectares, and in which wage-earners were the dominant form of workers. The farms were organized on the principles of horizontal integration, through which the land was grouped into culture units, and vertical integration, linked directly into the foods industry. Wages were on average 20% lower than those in industry and constituted 25% of global production costs for the farms. However, it was difficult to estimate true market value, and the real degree of use of agricultural equipment. One thing is certain, it was partially and badly used, as confirmed by the results of an inspection carried out by the High Inspection Office in 1990. Highly subsidized (50% of investments were concentrated in the PGR over the last twenty years while they produced only 25% of the gross agricultural product), this sector remained fairly inefficient.²

Table 1: Financial results of State firms between 1980 and 1989.

<u>Year</u>	<u>Profits (zlotys)</u>	<u>Farms with a deficit</u>	
1980/81	28,1 billions	725	69,2%
1981/82	28,6 billions	255	21,5%
1982/83	49,2 billions	180	14,30%
1983/84	56,4 billions	61	4,80%

² HERRER (W.), SADOWSKI (W.), *Zmiany struktury agrarnej na tle zmian struktury i wielkosci zatrudnienia w calej gospodarce*, in *Studia i materialy*, GUS/PAN, Varsovie, 1993, 73p.

1984/85	57,2 billions	51	4,10%
1985/86	85,8 billions	81	6,40%
1987	85,8 billions	63	5,10%
1988	239,2 billions	28	2,30%
1989	2391,1 billions	3	0,20%

Source: ZGLINSKI w., *Przekształcenia państwowego rolnictwa w Polsce-skutki społeczne, ekonomiczne i przestrzenne*, IGiPZ/PAN, Varsovie, Cahier N°48/1997.

An overly centralized management system, non-existent market studies and an absence of long-term sales strategy were among the main evils of State farming. Up until 1990, those in charge were judged on the level of production and yield. On the other hand, they were not obliged to make profits. Furthermore, the accounting methods used did not make it possible to establish a trustworthy balance of profits and losses (MAUREL, 1992). On the local markets, the competitiveness of products from State farms remained low, both with regard to quality and price. In fact, the desire attempts to rationalize work on these State farms were noticeable as early as 1981, with a certain tendency to "cut back" apparent through an annual fall in employment of 1% between 1981 and 1988. The fall in employment had already reached 6% in 1989 and 9% in 1990. Farms were obliged to adopt stricter work discipline and to try to find complementary income outside of agriculture, mainly in the foods industry and the trade sector. But the surveys carried out in twenty-odd farms (of which 12 were made up of several culture units) clearly showed that for humane reasons, directors preferred to maintain employment at a high level. The majority of them thought themselves incapable of firing people who would not be able to find alternative employment in the region. Thanks to these reforms improved financial results can be noted as early as 1980.

Shock therapy in the agricultural sector.

After decades of state intervention that cocooned this sector by shielding it from international competition, its restructuring has turned out to be more difficult than expected. Following the introduction of partial price reform by M. Rakowski's last communist government in 1989, and the application of the Balcerowicz Programme starting on January 1990, State farms have found themselves in an extremely difficult position³. In effect, L. Balcerowicz's

³ LIPOWSKI A., DESPINEY B., "Récession et changements structurels en Pologne", dans *Revue des*

shock therapy has had particularly terrible results for agriculture. To begin with, the contraction of internal demand caused an increase in surplus, and furthermore, the collapse of the eastern market caused the first ever appearance of surplus in agricultural products available for export (the western markets highly protected limit the Polish agricultural exports). Price liberalization, the disappearance of subsidies, the policy of expensive credit and the fall in payment possibilities completely changed the working conditions of state-run farms. The new system penalized agriculture due to differences in the price movements of agricultural products and manufactured products on the domestic market. After 1989, the price of agricultural products had a tendency to fall while the average production price quickly increased. This price divergence led to a sudden tightening of investment possibilities for the renewal of farm equipment. A number of farms found it henceforth impossible to obtain credit, while others were unable to repay debts. In 1991, with the recession dragging on, half of all farms were already showing a deficit, with, in particular, debts owed to the State increasing at an outrageous rate. The overall debt of the State farm sector went from 5% of production costs in 1990 to 12% in 1991. In the autumn of 1991, 160 farms lost their favourable credit terms and their debts to the Food Economy Bank (BGZ)⁴ reached 3800 billion zlotys (80% of which were credits needed to keep the farms running). Bearing in mind the inability of the se farms to insure debt servicing, the increase in debts owed to the State has become considerable. In order to deal with this state of affairs, to begin with, farms sold part of their belongings, namely livestock and agricultural machines. The money thus collected was used to pay workers and to cover day-to-day running costs (sometimes workers were paid in kind, with milk and cereal).

Regardless of the atmosphere of recession surrounding the restructuring of State farms, some positive changes could be noted as early as 1990. The first restructuring measure consisted in externalising all annex activities. In effect, the social role played by State farms on a local level was not negligible. Farms provided 9% of housing in the countryside, with their upkeep represented about 10% of total running costs. Farms possessed nursery schools, health centres, sports centres and various clubs. The non productive sector covered about 23% of the total value of fixed assets. The new economic situation

études slaves, LX1114, 1990, pp.921-938.

⁴ Bank Gospokarki Zyrwnosciowej. The BGZ, equivalent to the Crédit Agricole in France, essentially finances agriculture and the food industry. 54% of its capital belongs to the State Treasury and the other 46% to local savings and bans banks, cf. SOLDACZUK (J.), "Pologne. Bilan de la "thérapeutique de choc", in *Etudes*, N°3782, février 1993, pp.149-158.

obliged certain PGR to modify their behaviour by limiting their use of raw materials (especially energy). More initiative and understanding regarding the transformation process underway also appeared, fired by the widely held opinion that transformation would bring a considerable improvement in workers' living conditions (FERENS & DESPINEY-ZOCHOWSKA, 1992). The new situation on the market obliged State farms to modify the structures of their cultures, to abandon unprofitable production, to introduce one of production linked to the food industry and to develop all sorts of services: commercial, mechanical and transport. Another important measure appears to have been a reinforcing of work discipline and the increased commitment of workers to their jobs. Surveys carried out, one by the Central Statistics Office in April and the other in December 1991, indicated a clear and increasingly pronounced tendency to reduce the size of cultivated land (arable land of lesser quality was supposed to be the first affected)⁵. The introduction of fallow land was approved by 45% of directors surveyed in December 1991 (fallow fields were illegal under the communist regime). Other research carried out by M-C. Maurel's team confirmed this desire of old managers to improve the performance record of farms situated in Great Poland.

1. The first stage of restructuring

Until January 1st 1992 the privatization of the agricultural sector was based on three legislative texts which were applied to all sectors of the domestic economy:

- 1/ The law dated July 13th, 1990 concerning privatization of state-run companies (paragraph 4);
- 2/ The law on State companies dated September 25, 1981 (paragraph 49).
- 3/ The decree on liquidation issued by the President of the Republic on October 24, 1934.

The first text made privatization possible by two means: 1/ a change the form of ownership due to the arrival of domestic or foreign capital; 2/ legal "liquidation". Between July 1990 and January 1992 (the date when new legislation came into effect), only 76 agricultural companies were "liquidated" as stipulated by the July 13, 1990 law (of which only 5 had really been

⁵ The survey was carried out within the framework of a research project entitled "The transformation of property in the PGR - conditioning and obstacles", commissioned by the Privatisation Council for the Council of Ministers and of the Central Agricultural School of Warsaw, cf "Dyrektor, administrator czy dzierzawca?" in *Zmiany*, Warsaw, February 1992, p.42.; MAUREL (M.-C), sous la direction, "Les décollectivisations en Europe Centrale. Tome I: Autopsie d'un mode de production", *Espace rurale*, N°30, 1992.

privatized and 71 went into bankruptcy)⁶. During the first two years of restructuring in the Polish agricultural sector several obstacles appeared: economic, social, political and legal barriers. It is true that the farms owned a considerable amount of goods and given both the value of these and the limited financial means of agricultural workers, it was not easy to find buyers. Scraping together the equivalent of 20% of the value of farm as sets necessary for the workers to become shareholders (the most widespread form of restructuring at the start of Polish transition) and finding funds for a considerable extra payment instalment proved to be a project beyond the financial means of the workers (the amounts needed were sometimes greater than annual wages in the countryside). The legislation in place having proved badly adapted to the mechanisms controlling the running of the agricultural sector and its slow restructuring (considerable financial means are needed to restructure the State agricultural sector), the Diet was forced to submit a bill on land ownership, agricultural goods as well as the privatization of State farms. This led to the adoption of a law on the management of agricultural goods by the Public Treasury, voted on October 19, 1991.⁷

2. Stage two: The German model

This law created the Agency for Rural Ownership of the State Treasury (the Polish equivalent of the *Treubandanstalt*). Its creation was seen as necessary in order to accelerate the restructuring process in the State agricultural sector. The Diet even voted a law giving country people priority in buying any goods or land belonging to the PGR⁸. Yet, the barriers opposing selling the land to country people are numerous, the first two being the considerable physical distance between these lands and private farms and the lack of financial means. During the second stage of restructuring, Poland let itself be influenced by German decollectivisation. The similarity that came from the common historical legacy of the two neighboring countries has been perpetuated by the way in which the Polish and German authorities chose to tackle the problem of agricultural restructuring.⁹ Agricultural workers who originally came from the Polish lands lost in the East had no rural traditions and their integration posed a problem for the authorities throughout the communist period. This

⁶ DESPINEY-ZOCHOWSKA (B.A.) La restructuration des fermes d'Etat en Pologne: retour à des exploitation familiales?, dans *Les perspectives du secteur public à l'Est et à l'Ouest* rapport au MRES, sous la direction de ANDREEF (W.), Paris 1994, pp.112-134.

⁷ *Dziennik Ustaw* (Journal officiel), 1991, N°107, Paragraphe 464.

⁸ KWIATKOWSKI A. "Ziemia chlopom (La terre aux paysans)", *Polityka*, N°36/1992, p.4.

⁹ DESPINEY-ZOCHOWSKA (B.A.), "La restructuration agricole des régions frontalières d'Oder-Neisse", dans *Cahiers du ROSES*, N°1, 1995, Grenoble.

fact probably contributed greatly to the low output of work on these farms. As far as Germany is concerned, the limited number of family farms presently in place also appears to be linked to the absence of any peasant traditions sufficiently anchored in the local community following the post-war nationalizations.

The decollectivisation process in the East German Länder was characterized both by its precocious and radical nature, the first law on the transformation of agriculture having been voted on June 29, 1990.¹⁰ The German authorities considered decollectivisation in ex-GDR a move towards independent family farms. On June 7, 1991, the federal parliament adopted a new version of the law on adapting agriculture to new needs, thus modifying previously voted legislation. The aim was clear: begin the process of legally transforming co-operatives into private farms, the former having been the predominant form in the East German agricultural sector. Following the adoption of this law, all agricultural production co-operatives were obliged to begin legal restructuring before December 31 St, 1991, on pain of liquidation. More particularly, the law specified that all members of the co-operatives were entitled to recuperate goods (land, buildings, material and livestock) that they had put under common ownership at the time the co-operative was established. However, under certain circumstances the retrocession to former owners despoiled by the communist regime was foreseen without drawing into question the dispositions of the Reunification Treaty. Today, agriculture in the former GDR occupies only half the surface area of that of the former GFR, counting 32 000 farms as opposed to 483 000 in the West. Half the land is cultivated on 3000 farms with an average surface area of 1000 hectares, and on which up to 80% of labour is made up of wage-earners.

In Poland, the Agency for Rural Ownership of the State Treasury gave itself two years to privatize the entire sector, representing a land mass equal to that of the Benelux countries. Once and for all the problem of poor quality land was to be resolved thanks to this new text (for example, by taking into account the environment, it became possible to begin reforestation of certain lands where farming had been irrational). First of all, the Agency was asked to end the monopoly within the sector by creating small production units and by transforming them into public stock companies. The Agency took control of a considerable part of the debts by issuing bonds for a ten year period. The Agency was aided in this role by the Fund for Restructuring and Degearing of State Agricultural Property, created in June 1992. The Agency was put in

¹⁰ LACQUEMENT (G.), "La restructuration de l'agriculture dans les nouveaux Lander", dans les *Cahiers de l'Observatoire de Berlin*, N24/1993, p. 11.

charge of creating new jobs outside of agriculture. By means of the credit guarantees it could offer investors, the Agency was put in charge of developing the food industry and creating infrastructures desperately needed in the Polish countryside. The Agency was also put in charge of separating social structures from those directly needed for production, and reducing the number of workers by creating non agricultural posts. The advent of this agency was supposed to lead to the destruction of the last obstacles blocking the transformation of the State agricultural sector.

3. Ten years after the restructuring process

But has this happened? In fact, the process of transferring land from State farms to the Agency continued, in itself, until late 2000. At the end of 2000, the Agency was in possession of 3,8 million hectares that had previously belonged to State farms¹¹. Of this, one million hectares were subject to the dispositions of the law concerning reprivatization, the law which never been adopted¹². In principle, by taking over the management of goods belonging to the Public Treasury, the Agency is legally bound to manage this patrimony. A confidential report by Leszek Balcerowicz denounced the limited progress made in the Polish countryside¹³. Progress has not been made in creating instruments capable of generating new jobs outside of agriculture, nothing has been done to improve education in rural schools and it has not proved possible to stimulate the development of agricultural production capable of sustaining itself thanks to a stable domestic demand. Presently, the Agency finds itself faced with a delicate problem: possible claims emanating from former owners of these goods, particularly German (around 2 million hectares could become the object of claims from former owners, expropriated in 1944). It is also worth asking just how necessary “privatization” was? Privatization through sale, via convertible bonds or stocks or by restitution is nothing more than an economic technique for decentralizing industrial or agricultural management by disengaging the State from production and service activities. Experience has shown that privatization does not signify automatic improvement of a firm's economic performances often the opposite is true¹⁴. The initial experiences of privatization in the Polish industrial sector offer flagrant proof of this. Today this official doctrine seems debatable, and in particular at a time when Polish

¹¹ Cf. The Agency Report for 2000, Warsaw, June 2001.

¹² A law concerning reprivatization has been finally voted by the Diet, but refused by the President.

¹³ Cf. *Gazeta Wyborcza* du 20 janvier 1999.

¹⁴ ANDREFF (W.), Le modèle français de privatisations et ses enseignements pour l'Europe centrale et orientale, dans *Les perspectives du secteur public à l'Est et à l'Ouest*, CFCE, Paris, 1992, p.11-57.

state-run agriculture could have been taking part in allaying the pain of widespread redundancy hitting country workers and people holding down two jobs in general. It could have helped to maintain the population in the countryside in a decent manner. Privatization was chosen, regardless of the absence of true buyers (as Polish country people are not very keen on acquiring land which is often of mediocre quality), the unavailability of financing necessary to make buying possible and the fact that the se farms are often found in out-of-the-way places.

The impact of restructuring on the Polish territory

In truth, the penetration of the market economy into former socialist countries has not been linear. Today we bear witness to the exclusion from development of entire zones thus marginalizing considerable sectors of the workforce. The restructuring of the Polish state-run agricultural sector has been the most spectacular example of this exclusion. Yet the transition in Poland towards a *social market economy* created great hopes with regard to liberal doctrines introduced by shock therapy, L. Balcerowicz himself referring to "dynamic egalitarianism" according to John Rawls' doctrine of social justice (RAWLS, 1987).

In effect, restructuring brought about a noticeable "cutting back" process in Polish agriculture, which was accompanied by a serious recession for a number of regions. It has created what is known in sociology as an *underclass*, made up of former workers from State farms and their families. In the process of denationalizing farms, the Polish authorities failed to bear in mind the farms' role as far as the territorial organization of Polish rural life was concerned. The unemployment rate is the best indicator of this. In June 1990, unemployment touched the entire country in a fairly uniform manner with slightly higher numbers in the North-Eastern regions¹⁵. This imbalance was reinforced during 1991-1993, precisely due to the privatization of State farms. The privatization of State farms had a direct impact on the employment level in the regions along the German border and in the Northeast. The four voivodies where the degree of state ownership in the agriculture sector attained 40-50% (Lubuskie, Western Pomerania, Pomerania and Warmia-Mazuria) saw their unemployment rates reach 30%. An analysis of average unemployment rates between 1993-1994 shows a pocket of depression forming in the countryside of Western Pomerania (Koszalinskie, Slupskie and Pilskie) and Eastern Pomerania (Elblaskie, Olszynskie and Suwalskie) with peaks at 24-

¹⁵ DESPINEY-ZOCHOWSKA (B.A.), Transition et territoire-exemple polonais, *dans Sektor publiczny w Europie; Doswiadczenia francuskie i polskie*, SGH, Warszawa, 1997.

30%. These agricultural zones in the Northeast of the country are presently faced with great difficulties and are in need of determined public intervention. Conversion towards tourism and agriculture-tourism would appear to be the only solution today, otherwise the situation in the se regions will deteriorate. If this does not happen, the national economy risks being faced with a fall in wealth creation, particularly at the regional level. This is all the more urgent as tourism is fast becoming a strategic means of territorial development (BENSAHEL & DONSIMONI, 1997). In certain regions, tourism can be seen as a means of financing regional development thanks to its stimulating effects on the overall economy and its interaction with other sectors, in particular agriculture. Unlike the rural voivodies like Holly Cross and the Lower Carpathians, situated in the South-eastern part of the country, a certain territorial vital potential still exists in the Northeast, thanks to the agriculture-tourism combination, a phenomenon made perceptible by the rate of employment in the service sector. In effect, the distribution of the tertiary population indicates a move away from the standard profile: Poland "A" in the West and Poland "B" in the East. The division of the country can be made along a new North-South axis with the appearance of a band made up of voivodies along the Baltic coast and continuing right, up to the border with Belarus. These voivodies have workforce participation rates in the service sector ranging from 50 to 100% for Pomerania and Western Pomerania and situated between 40 and 50% for Warmia-Mazuria and Podlasia (DATAR, 1996). These high rates can be explained by the tourist appeal of these regions (coastal regions, lakes of Mazuria and Forest of Bialowieza that are part of UNESCO's world heritage). In general, it would appear that a more substantial increase in employment in services in rural regions, as compared with urban and industrial regions, was a general rule for all European countries during the 1970's (QUEVIT, 1986). The confirmation of this phenomenon in Poland could prove to be quite fortunate for several of the country's regions.

The situation is worst in the case of South-East of the country. These rural regions, although covering vast stretches of land, remain cut off from development and make up what is now becoming know as "Poland C" (see five voivodships on the bottom of the Table 2).

The end of the previous system and the State's rapid release from all-encompassing responsibility, added to budgetary and fiscal problems have considerably reduced the resources available for distribution. Access to capital is essential to the development of these regions. The credits of the Agency for Restructuring and Modernizing Agriculture (another major State Agency in Polish agriculture) set aside for dynamic agricultural regions in the West of the

country but will be mainly concentrated in the agricultural regions in the Southeast of the country (yet this investment represents only two thirds). Local economic initiative, and more precisely individual rural enterprise, should find themselves at the centre of the Polish authorities concerns.

Local entrepreneurs are rare and the distance between these regions and the country's financial centres discourages the few individuals who would like to create a family business. In effect, the greater part of measures put in place to favor local economic initiatives aims to improve local entrepreneurs' access to credit¹⁶. According to estimates, in the agricultural sector, only 8 to 10% of Polish farmers possess the necessary means to carry out productive investments. An evaluation of the level of urgent investment needed in rural areas during the three-year period of pre-adhesion was set at one billion euros¹⁷.

Table 2:
Regional GDP in current prices (in zlotys): 1995, 1996, 1997 and 1999.

	1995	1996	1997	1999
Mazovia			10 200	13600
Silesia			8 800	11100
Great Poland			7 900	10100
				17300
				23760
				13300
				17565
				12500
				16700

¹⁶ LEWITAS & GESICKA, (G.), *Lokalne fundusze gwarancyjne*, Warszawa, 1994.

¹⁷ See the discussion at the conference organised by the Institute of Rural and Agricultural Development of the Polish Academy of Science, Warsaw, December 2, 1997.

Western Pomerania	7 300	9200	11100	15900
Pomerania	7 700	9600	11500	16100
Lower Silesia	7 400	8800	10900	16300
Lodzkie	7 400	9000	10800	
Opolskie	6 600	8200	9900	
Little Poland	6 700	8400	10300	
Cujavia-Pomerania	6 800	8100	9700	
Lubuskie	6 800	8100	9900	
Podlasia	5 700	7000	8300	11600
Holly Cross	5 500	6700	8000	12400
Warmia-Mazuria	5 700	7100	8800	12300
Lubelskie	5 500	6900	8400	11112
Lower Carpathians	5 700	7100	8600	11700

1 euro= 4 zlotys.

Source: Szacunek Produktu Krajowego Brutto według wojewodztw za 1996 i 1997 (Metoda uproszczona), ZBSE/GUS -PAN, Varsovie, décembre 1998 and Produkt krajowy brutto według wojewodztw za 1999, GUS, Katowice, 2001.

Regardless of the fact that one third of farms showed signs of management curtailing losses¹⁸ and that positive changes were noticeable in the management of several other farms, the government decided to privatize the entire sector. In the same way as in the industrial sector, restructuring the State agricultural sector signified privatization, as far as the new authorities were concerned. In other words, a return to private family farms was expected. This decision was eminently political, as was the decision to nationalize land in 1944. Today this decision seems misguided for several reasons.

First of all, the idea that the nationalization of land, which in itself was expected to insure the harmonious running of the market economy, is not new to economic theory. Among others, this idea was put forward by Leon Walras in 1880. For example, according to him, real estate prices would become arbitrarily high and create serious distortions within the economy if the State did not participate in the buying process. Closer to home, some authors even defend the idea that if a model using overlapping generations is adopted,

¹⁸ An opinion given during the conference organised by the Institute of Rural and Agricultural Development of the Polish Academy of Science in Warsaw, December 2, 1997.

growth is higher in economies where the land is under state ownership as opposed to that in economies dominated by private property¹⁹. In 1990, thirty-odd economists, including three Nobel prize winners, wrote to Mr. Gorbachev asking him not to proceed with land privatization during economic reforms in the ex-URSS.²⁰

Secondly, the odds were against successfully privatizing such a huge amount of land in the space of two to three years, as had been done in ex-GDR. The financial framework in place in Germany was completely different. The Polish Agency is still in possession of 75% of transferred land which it does not know what to do with. The situation will become even more delicate with Poland's accession to the EU, as former German owners will indubitably want to reclaim part of their lands lost in 1945. This possibility exists even if the fears expressed by groups associated with the Church and the Polish rightwing seem exaggerated²¹. Following changes made to the Land Law, it is now possible for foreigners to buy land and this novelty has speeded up the privatization process.²² According to official statistics, 500 000 ha are presently being leased, including 40 000 rented to Germans (unofficial estimates cite 20 000 as being in the hands of Germans in Western Pomerania alone).

Thirdly, it should be noted that Polish State farms constituted a form of territorial organization, employing 12 people per every 100 ha of arable land. For what the comparison is worth, this means that the level of employment was three times higher than in western farms. In truth, other than agricultural production, administrative and related services (social and technical) accounted for these numbers (17% of total employees). For decades, employment policy in favor of the sacrosanct dogma of full employment preached during the 50 years of communist rule was one of the main causes of the low profitability of State farms. Prior to the Balcerowicz reform, State farms employed 470 000 people. Counting family members, this community encompassed a total of 2 million people. During restructuring, rationalizing employment became the number one problem. At the national level, it has been estimated that the jobs of 30 to 40% of State farm workers were abolished during the first year of restructuring (DESPINEY-ZOCHOWSKA, 1992). Furthermore, the social

¹⁹ THISSE J.-F., "Concurrence sur le marché du travail, capitalisation foncière et développement régional", in TORRE (A.) & RALLET (A.), *Economie industrielle et spatiale*, Economica, Paris, 1996.

²⁰ cf. the review *Etudes foncières*, n° 51/1991.

²¹ These alarmist opinions can be found in KRZEMIEN (P.) et ACHMATOWICZ (W.), *Wyprzedzaj polskiej ziemi. Tragedia narodowa*, Ed. Maryja, Torun, 1998.

²² This law, voted March 26, 1996, makes it possible for joint-ventures to acquire, without any previous authorisation, land measuring up to 0,4 ha within a city or up to 2 ha in the countryside.

role played by State farms at the local level should not be forgotten. The farms owned around 500 000 houses and apartments, housing over 2 million people (their value made up around 23% of the farms' total assets). The farms provided 9% of housing in the countryside; their upkeep represented around 10% of total running costs. The farms also possessed nursery schools, health centres, sports centres and various clubs. The non-productive sector made up around 23% of the total value of fixed assets. By deciding to privatize, the central authorities chose to ignore the question of social justice, faced with a sub-population that has been entirely excluded from the privatization process (particularly, with regard to privatisation such as Telekomunikacja and Miedz Polska). Today, unemployment haunts entire regions given over to alcoholism and delinquency. And although it would be quite easy to suggest that a generation of these workers needed to be sacrificed in order to ensure progress, today, it would appear that their children have also been condemned.²³ Surveys carried out by Elzbieta Psyk-Piotrowska and Maria Halamska make this inference. The former carried out surveys for the Agency for Rural Ownership of the State Treasury in March 1997, and the latter in 1998 while carrying out personal research based at the Polish Academy of Science²⁴.

Conclusion

A map of agricultural Europe in the year 2000 classifies Poland among the intermediate regions. This means that agriculture is considered active but shows signs of problems of varying degrees. These could be, for instance, unfavorable natural conditions which seriously limit the choice of cultures, mediocre farming structures that are often associated with the land being broken into very small plots and old, badly adapted food industries. The failure of restructuring in the State sector can now be added to the secular problems of global Polish agriculture. The dilapidation of State farms' physical capital, left abandoned, has reduced the potential for an agricultural rebirth in certain regions, especially in the North. The essential question is, by dismantling State farms, to what extent has Poland ignored the need to put into place fallow lands as imposed by the CAP (while it was prohibited under

²³ The marginalisation of entire communities through decollectivisation has touched the younger generations according to Professor Wilkin, cf. *Wielkoobszarowe gospodarstwa rolne, ich zalogi i nowi gospodarze*, Instytut rozwoju wsi i rolnictwa, PAN, Warszawa, 1998.

²⁴ HALAMSKA (M.), *Spoleczne aspekty osiedli popegeerowskich. Synteza*, PAN, Warszawa, décembre 1998.

the previous regime)? Perhaps Poland hoped to provide the Union with a further sign of commitment by lowering the previously high number of jobs in the agricultural sector. The aim is that by the time Poland joins the EU, its working population employed in agriculture will have passed from 20 to 8%!

The future of Polish agriculture will depend, to a great extent, on the CAP reform. For the moment, a compromise has been reached by the European Council of Berlin concerning the limiting of agricultural spending in the financial programming for the Union for 2000-2006. As far as the Commission is concerned, the reform should try to protect a European agricultural model that will be competitive while at the same time respecting the environment and the quality of products. The major points of the reform proposed in Berlin are based on a deepening of the 1992 reform: a lowering of community prices to bring them into line with world prices and a reinforcement of the direct aid mechanism used to compensate income. There is a new desire to commit agricultural policy to defending the environment and plurifunctionality as well as associating it with a reinforced policy in the field of rural development. The Polish authorities should draw their own conclusions from the European paradox: first of all, the spending of tens of billions of euros in the CAP framework in order to encourage the concentration of farms and, secondly, the very high level of structural policy intended to counterbalance the devastating effects of the former. Taking into account a certain "under-development of Polish farms (limited use of fertilizers, among other things) it might be possible to subsidize them in order to maintain a certain level of biological production, in keen demand by western consumers. The CAP reform could prove favorable for Polish agriculture (the reallocation of part of Europe's resources in favor of environmental projects and developing rural lands). The type of forced productivism that created mad cow disease seems to have run its course.

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