

**Table 5.** Share of agriculture in the GDP formation and employment and average size of agricultural holding in the selected EU countries in 2001

Country	Share of agriculture in GDP formation, %	Share of agriculture in employment, %	Average size of agricultural holding, in hectares
Denmark	2.3	3.5	45.7
Germany	0.9	2.6	36.3
Greece	6.7	16.0	4.4
Finland	0.9	5.8	27.3
Sweden	0.6	2.6	37.7
United Kingdom	0.6	1.4	67.7
UE – 15	1.7	4.2	18.7
Latvia	3.0	15.0	5.6
Lithuania	6.4	17.5	9.0 (1)
Poland	3.3	17.4 (2)	8.5
Estonia	1.5	4.7	20.0

(1) private farms.

(2) data from the National Census 2002.

Source: Czech, Hungarian, Latvian, Lithuanian, Polish, Romanian, Slovak and Slovenian Agriculture in Comparison with EU Countries, IAFE, Warsaw, 2003.

The scope of activities of the EU regional policy till 2006 is defined by three objectives. The aim of Objective 1 is to support the development of the least favoured regions, where the per capita GDP for the last three years has been less than 75% of the Community average. On the other hand, in the framework of Objective 2, conversion of regions facing difficulties is supported. The Objective 2 regions are determined on the level of NUTS 3<sup>6</sup> (NUTS 2 for Objective 1) and cover the territories with different types of socio-economic difficulties that are often accompanied by high unemployment, such as a decline in traditional activities and depopulation of rural areas. Contrary to the first two ones, Objective 3 has a thematic character and promotes modernisation of training systems and creation of employment outside the Objective 1 regions. In addition, there are Community Initiatives available for seeking common solutions to specific problems.

The objectives of the EU regional policy are implemented by the following structural funds: European Regional Development Fund (ERDF), European Social Fund (ESF), European Agriculture Guidance and Guarantee Fund (EAGGF) and Financial Instrument for Fisheries Guidance (FIFG). Furthermore, the objectives of the regional policies are accomplished with the use of the Cohesion Fund (CF). From among these funds the greatest influence on rural areas is

<sup>6</sup> Nomenclature of Territorial Units for Statistics

exerted by EAGGF. Most of the instruments available under CAP are financed from this Fund. On the other hand, the means from the ERDF can be applied to support investments that provide new jobs and for the development of infrastructure in rural areas. This fund, together with the ESF, providing financial assistance for vocational training, retraining and job-creation schemes, facilitates the process of income diversification of the rural population. The FIFG, as well, has an influence on this process. This is mainly due to the possibility of financing modernisation of the fish processing industry from this Fund.

The Cohesion Fund was set up to provide financial help for projects in the fields of environment and transport infrastructure on the European dimension. Sources from this Fund are available to all the new member states and stimulate incomes of the rural population in at least two different ways. It can be assumed that a small number of villagers occasionally sell arable land allocated to new transportation routes. In the long time perspective rural population may acquire an easier access to the services concentrated in the cities.

Particularly valuable from the point of the development of the rural areas are the Community Initiatives. These are aid or action programs drawn up by the Commission taking into account specific problem areas. Currently, the initiative Leader+ directly applies to rural areas and intends to activate rural human and natural resources for sustainable development. It is characteristic for the Initiatives that they are prepared and implemented by local societies.

The total sum of potential resources from structural funds allocated to Poland in 2004–2006 is estimated at 11,369 million € (including the CF), that is – almost one third of the national budget. To make the most of the opportunity that is offered through the EU funds a National Plan Development Plan for 2004–2006 (NDP) was elaborated. It states the socio-economic development strategy for Poland in the first period of integration (NDP 2003).

One of the NDP development axes, „Structural transformation of agriculture and fishery sector“, is implemented by the Operational Programs (OP) „Restructuring and modernisation of the food sector and rural development“ and „Fisheries and fish processing“, co-financed from the Orientation Section of the EAGGF.

In the framework of the development axis „Structural transformation of agricultural and fishery sector“ most of the financial recourses was assigned to the OP „Restructuring and modernisation of the food sector and rural development“. Each of the OP priorities has a number of activities. And so, Priority 1, aiming at improvement of competitiveness of the agro–food sector, includes the following activities: investments in agricultural holdings, setting up of young farmers, training, agricultural advisory and extension service support, improving processing and marketing of agricultural products.

The activities under Priority 2 „Sustainable development of rural areas“ aim at rural renewal and at preservation and protection of cultural heritage, land repar-

**Table 6.** Financing of the National Development Plan 2004–2006 (million €, constant prices 1999)

Development axes and operational programs (OP)	UE funds				Total	Total EU and national funds
	ERDF	ESF	EAGGF	FIFG		
Developing the growth of, and employment in, the enterprise sector	1 300.0				1 300.0	2 529.7
<b>Human capital development</b>		1 388.9			1 388.9	1 941.1
<b>Improving infrastructure endowments related to economic growth and quality of life</b>	627.2				627.2	892.3
<b>Structural transformation of the agricultural and fishery sector</b>			1 055.0	178.6	1 233.6	2 278.3
OP Restructuring and modernisation of the food sector and rural development			1 055.0		1 055.0	1 947.8
OP Fisheries and fish processing				178.6	178.6	330.5
<b>Improving the conditions for regional development including rural development</b>	2 705.6	360.0			3 065.6	4 646.3
OP Technical assistance	20.0				20.0	27.0
<b>NDP total</b>	<b>4 652.8</b>	<b>1 748.9</b>	<b>1 055.0</b>	<b>178.6</b>	<b>7 635.3</b>	<b>12 314.7</b>

Source: NDP 2004–2006, Accepted by the Council of Ministers on 14 January 2003, Warsaw, January 2003.

celling, diversification of agricultural activities to provide alternative incomes, development and improvement of the infrastructure related to agriculture, and restoring forestry production potential damaged by natural disasters, as well as agricultural water resources management.

Support to investments that provide improvement of the hygienic and sanitary standards and the quality of food and animal welfare are the Priority 3 activities. It is expected that under the OP „Restructuring and modernisation of the food sector and rural development“ 50,000 investment undertakings in agricultural holdings and 500 in food processing plants will be co-financed, 6,000 projects of diversification of farm activities will be supported, and 25,000 hectares of agricultural land will participate in the land reparcelling program.

Simultaneously to the Operating Programme „Restructuring and modernisation of the food sector and rural development“ Ministry of Agriculture will be responsible for the implementation of „Rural Development Plan for years 2004–2006“ (PROW 2004). The activities, included in this plan are co-financed from the EAGGF Section of Guarantee and they aim at the increase of the competitiveness of farms and support the sustainable development of rural areas.

**Table 7.** Financing of the Rural Development Plan for years 2004–2006 (million €, constant prices 1999)

Priority/Activities	National funds	EAGGF
<b>Priority 1. Increase of the competitiveness of farms</b>		
Structural rents	128.1	512.4
Support for subsistence farms	75.3	301.0
Support for agricultural producers' cooperatives	5.2	20.2
Adaptation of farms to EU standards	48.7	194.7
Total Priority 1.	257.3	1 028.3
<b>Priority 2. Sustainable rural development</b>		
Support for the agricultural activities on less favourable areas	219.6	878.4
Support for the agri-environment	49.3	279.0
Increase of forest cover	22.4	89.4
Total Priority 2.	291.3	1 246.8
<b>Technical assistance</b>	6.9	27.1
<b>Supplement to direct payments</b>	141.1	564.2
<b>Total</b>	696.6	2 866.4

Source: PROW 2004–2006, Project, Warsaw, Ministry of Agricultural and Rural Development, March 2004.

In the first group of activities there are structural rents, support for subsistence farms, adaptation of farms to EU standards and support for agricultural producers' cooperatives. Other activities oriented at the development of rural areas are: support for the agricultural activities on less favourable areas, support for the agri-environment and animal welfare undertakings, and increase of forest cover. The sum of 705.3 million €, originally envisaged for the rural areas, was intended as a supplement to direct payments. In the framework of the PROW there is a program of support for selected credit lines for agriculture, financed from the national sources.

### **Influence of the UE on incomes of rural families in the first years of accession**

In the framework of policies of the European Union and concurrent to them the national funds (state budget and private sources) of some 10,000 million € can be directed to the rural areas. Just for comparison, in the last years roughly 1,000 million € were spent from the state budget for the needs of agriculture and food industry (without the support to the farmers' social insurance) (Kowalski *et al.* 2003). In spite of a rapid increase of funds one can be sure, taking into account the differences between the Polish and the western European countryside that they will permit only for the acceleration of the restructuring processes and for a reversion of the negative trends such as a fall of the agricultural incomes.

In the years 2004–2006, from the I and II pillars of the agricultural policies together with the regional policy almost equal sums of 4,900 and 5,100 million € can be spent. In the case of the instruments from pillar I the main share of means

will go to the relatively larger farms. The principle of the „mixed system“ of direct payments distribution is connected with physical size of the farm and partly with the kind of production carried out (which, like beef production, characteristic also for larger farms, can be associated with farm sizes). Similarly, the aid for agriculture granted through the agricultural market support will mostly benefit the larger farms. From the first pillar instruments also the population operating on larger farms, whose basic source of income is work in agriculture will mainly profit.

Out of the total sum of 4,900 million € from the first pillar 800 million € will be at disposal to farmers for market intervention and 3,000 million € of direct payments funded and co financed from the EU funds. Yet, the realisation of the additional direct payments of 1,900 million €, to be totally financed from the state budget, is doubtful due to difficult financial situation of the state. At this point we are not accounting for the effectiveness of the institutions that are responsible for the EU fund acquisition nor for the willingness to participate in the direct payments scheme on the side of farms, especially the small units. A part of them will certainly not make use of this form of help because expected revenue from direct payments is too small to encourage the fulfilment of formal requirements. A considerably wider range of influence on the rural population incomes is exerted by the instruments under the second pillar of the CAP and under the regional policy. The agricultural households will be the addressees of the resources, which aim at the amplification of their economic potential. For purposes of this objective under the first priority of the PROW the sum amounting to 1,300 million € is available. Almost half of this sum is predestined to structural rents, thus directly enlarging the population depending on non-salaried sources of incomes.

One can claim that in the framework of the OP „Restructuring and modernisation of the food sector and rural development“ a sum similar to that offered by the PROW goes to the agricultural households. Even though there is no precise statement how much is assigned to specific Priority actions that aim at ensuring the sustainable development of the rural areas, the potential beneficiaries of that fund are also large farms. The estimated number of farms that can make use of resources for support of investments on the farms confirms also that only a small part of farms would be assisted in financing their development. On the other hand the rural population whose incomes in small degree depend on agriculture and especially those without farms will be supported in the framework of the NDP by the programs leading to protection and creation of jobs outside of agriculture. This will occur, in particular, through refinancing of modernisation of the local processing manufactures. Simultaneously, support will be given to the initiatives leading to formation of new work places in the framework of the program aiming at diversification of farm activity. Programs supporting agricultural activity in less favourite areas and the agri-environment undertakings will mainly amplify incomes of smaller farms. In extreme situations the alternative to food production can be forestation of agricultural land. Subsidies for the foun-

dation and nursing of forest are surely an attractive source of additional incomes for farms with resources inadequate to be competitive on the food market.

Out of the total amount of 5,100 million € from the PROW and the NDP, allocated directly to realisation of the second pillar of the CAP assignments, about 3,000 million will go to the instruments supporting the rural population of weak connection with agriculture.

**Table 8.** Potential impact of the EU instruments on the rural population according to main source of income during the first years of the accession

Specification	In thousand persons	2002=100
Wages and salaries	17–120	100,1–101,0
* outside agriculture	12–40	100,1–100,4
* in agriculture	5–80	100,3–104,9
Non salaried		
* pensions	30–60	100,9–101,7

Source: own calculation based on PROW and NDP.

Undoubtedly the biggest influence on the structure of the rural population according to the main source of income will be exerted by the Common Agricultural Policy. Generally, it will increase the incomes of the agricultural holdings. In case of large farms this will mainly take place through the price mechanism and the direct payments and in smaller dimension by the intermediary of the second pillar instruments.

In effect one can expect that the CAP will cause an increase in the number of people with incomes depending on agriculture, by about 5,000 to 80,000 persons. Further, in the years 2004–2006 the programme of structural rents should encompass from 40 to 70 thousand people, which will diminish the number of the persons depending on the agriculture. Additionally, it can be expected that as a result of activities from the second pillar of the CAP some 12 to 40 thousand of jobs outside agriculture will be created. In this process the investments aimed at modernisation of food processing plants will play a minor role due to the implementation of work saving technologies.

## Summary

The conviction as to a positive influence of European integration on rural family incomes seems well founded. This is justified by both direct transfers to the agricultural households (farms) and by the opportunities created for the non-agricultural rural population. These latter – mainly associated with investments – will gain gradually in significance and with time-shifted effects. The analysis shows also that in the first years mainly the larger farms would take advantage from the EU membership. The persons employed in these farms, besides an improvement of their incomes from direct payments, may use significant

amounts of money meant for supporting investments and adaptation of farms to the EU requirements.

Designation of almost identical sums for the implementation of instruments serving the agriculture and the rural development are in favour of the larger farms. In practice, it can turn out that the main source of support for the rural areas will be the direct payments, especially during the first years of the accession. The experiences from the EU-15 countries permit to conclude that the funds devoted to rural development will not be fully utilised (CSES 2002). In case of Poland the decisive role in the process of the absorption of available means to the rural development would be played by the institutions managing individual programmes. One of the indicators of weakness of administration is low level of knowledge of potential recipients concerning the EU funds. Therefore long process of structural transformation of Polish agriculture could be slowed by a defective distribution of the accessible funds.

Assuming that in the nearest years there will be no essential changes in the number and demographic structure of the rural population and taking into account the above analysis one can state that in a short time horizon the number of the rural population with the main source of income from agriculture will not change. However, progress in the introduction of structural instruments will favour acceleration of a fall in the population numbers with secondary incomes from the agriculture. An acceleration of changes in the rural population with respect to their income source structure can be expected in later years (Bradley and Zaleski 2003). This is when profits from integration, such as acceleration of growth of Polish economy and multifunctional development of the rural areas, will take place.

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