



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

In short

■ by Donald A. West, Henry M. Bahn, and Mirosław Drygas

Agricultural economics in Eastern Europe: the Extension experience in Poland



Donald A. West and Henry M. Bahn are National Program Leaders for Farm Management and Marketing, respectively, at Extension Service, U.S. Department of Agriculture in Washington, DC. Both served on the USDA assessment team for the Polish/American Extension Project. Mirosław Drygas is deputy director, Agency for Agricultural Markets, Ministry of Agriculture and Food Economy, Warsaw, Poland.

The rapid emergence of free market economies in Eastern Europe has created a growing demand for understanding microeconomic principles and their application in the agricultural and related sectors. In the more rapidly emerging economies such as Poland, the short-term demand is for the application of principles and techniques, chosen selectively from Western experience, that are germane and timely for specific national, regional, and local conditions. In the longer term, and on a broader

Western governments and private sector entrepreneurs entered this environment in 1989 to help develop Poland's fledgling market economy. The country was emerging from a decade characterized by internal strife, the growth of the labor movement Solidarity, dramatic change in political ideology and the disintegration of the Soviet Bloc (U.S. Dept. of State; Cochrane et al.). The new democratic government, headed by Lech Walesa, aided the transition to a market economy by freeing con-

The type, amount, and timing for delivery of inputs like seed, fertilizer, and energy were determined by the Central Government; and farmers delivered products not consumed on the farm to the state in exchange for equipment and other credits.

scale, the demand is for macro and microeconomic research and education that recognizes the role of supportive political, legal and financial institutions, and the importance of national and international market structures and information networks. In this article we focus on the merits of the timely application of free market microeconomic principles in the Polish agricultural sector carried out over the past three years through the Polish-American Extension Project (PAEP).

The situation in Poland

Poland, with its rich agricultural resource base located on the northern plains of East Central Europe, did not change to common ownership of resources to the extent that occurred in many of the neighboring Soviet Bloc countries to the east. Throughout the period from the end of World War II to 1990, approximately three-fourths of the land resource base was held privately, mostly in the form of small farms averaging less than 10 hectares in size. Much of the individual decision making and financial risk-taking common to the experience of American producers was, however, assumed by the State. The type, amount, and timing for delivery of inputs like seed, fertilizer, and energy were determined by the Central Government; and farmers delivered products not consumed on the farm to the state in exchange for equipment and other credits.

sumer and producer prices from state control, establishing fiscal and monetary controls, and liberalizing trade. Through the "Big Bang" stabilization policy in 1990, with its provisions for internal convertibility for the zloty, trade liberalization, and reforms of the tax code and banking system, the government partially succeeded to slow inflation and promote foreign trade. Farmers suffered, however, through lower real prices and the lack of guaranteed markets for their products.

The Polish/American Extension Project (PAEP)

The U.S. Department of Agriculture was asked to assist Poland develop its agricultural production and infrastructure. The goal was to establish a market-oriented, stable, food economy and to facilitate commerce between the U.S. and Poland. An agreement signed in December 1989 by Secretary of Agriculture Clayton Yeutter led to a February 1990 meeting of Polish officials with a U.S. delegation of government and business leaders. The delegation, in communication with Polish leaders, determined the need for technical assistance in economics and extension, and for scientific and technical interchange including training materials and computer programs.

National program leaders in Extension Service, USDA (ES-USDA) developed and implemented the PAEP in 1990. The U.S. Agency for International

Development provided financial support. The PAEP built on the strengths of the well-trained staffs at the 49 Polish provincial Extension Services (ODR) to develop and deliver Extension educational programs at the regional and local levels. Goals were to aid the transition to a free market economy through programs in agriculture production, market, and managerial economics and, by the example of U.S. teams, to bring about organizational change within

A distinguishing characteristic of the PAEP is the flexibility permitted in both design and implementation of the project. The guiding principle is that U.S. team members be permitted to choose—from their own knowledge and experience and that of their Polish counterparts—the educational content, materials, and delivery methods that they believed were most suited to the environment in which they were working. These joint decisions and efforts to implement them ultimately determined the degree of success of the PAEP.

Timing was crucial. Changes in government policy shifted the responsibility for firm-level decision making and financial risk-taking directly to the individual farmer/entrepreneur.

Relevance and contributions of the project

The PAEP has reached its objective and is a potential model for other emerging market economies in Eastern Europe. One of the most effective programs initiated and fostered the development of business plans for farms and agribusinesses throughout Poland. Developed by U.S. team members Charles Rust and William Miller, this educational program enables users to assess the economic feasibility of farm improvement or expansion, and the construction and operation of agricultural processing plants and other business alternatives. This educational program was quickly transferred to the Polish ODR professional staff and is widely used across Poland. These business plans have become a necessary item in most loan applications. They are especially valuable to farmers assessing the profitability of leasing portions of former state farms. Individual ODR staff members are developing thousands of these business plans each year in response to a large and growing demand.

the ODRs that would promote client-driven educational interaction with farmers and agribusiness.

Timing was crucial. Changes in government policy shifted the responsibility for firm-level decision making and financial risk-taking directly to the individual farmer/entrepreneur. Some were up to the challenge and eagerly sought help, while many others did not understand what was occurring, and were in even greater need for objective marketing education programs and information. The void created by reduced state control argued for rapid implementation of programs in agricultural economics and agribusiness management.

The ES-USDA project provided two-person teams of U.S. Extension specialists and agents, at least one being an agricultural economist, to work directly within the Polish ODRs. (The ODRs in Poland have organizational structures somewhat similar to those of State Cooperative Extension Services in the U.S.) They worked as colleagues with Polish ODR staff for a period of six months, transferring knowledge and Extension techniques to ODR advisors while conducting programs directly with farmers, agribusinesses and rural residents. In total, 25 teams were involved over the two and one-half year period extending from July 1991 through December 1993, with five teams working simultaneously during any one six-month period. The teams were led and supported by a small U.S. administrative staff located within the Ministry of Agriculture and Food Economics in Warsaw.

Other successful programs teach firm management, decision making, and accounting principles and their application to the agricultural sector. This training uses computer technology in “hands-on” sessions that prepare participants to train others in

...approximately three-fourths of the land resource base was held privately, mostly in the form of small farms averaging less than 10 hectares in size.

their ODRs and to apply the training in actual enterprises or businesses. Whole-farm financial analysis packages are being introduced as are other decision aids or financial accounting packages.

Perhaps the greatest benefit of the PAEP is the change in thinking and economic orientation of the ODR advisors and farmers. As they begin to understand and apply the rules of economic behavior in a market economy, they lay the groundwork for struc-

One of the most effective programs initiated and fostered the development of business plans for farms and agribusinesses throughout Poland.

tural change in Polish agriculture. This structural change has been enhanced by the establishment of an Advisory Council System, designed to increase farmer involvement in needs identification, program design, and application. Previously, private citizens had little opportunity to influence the nature of services provided to agriculture.

While instruction and client interaction in the area of agricultural lending is at a very early stage, the need and potential are great. Agricultural Cooperative Development International (ACDI), one of the early and highly effective cooperators in Poland, is anxious to improve the availability of credit and lending practices for Polish farmers and the local cooperative banks that serve them. The still-high rate of inflation (approximately 50 percent annually), corresponding interest rates, and lack of uniform public and private lending practices complicate this picture, but progress is being made. ACDI is promoting the adaptability of business plans for use by the small farmers and their banks.

Success in transmitting economic principles and their application to the Polish agricultural sector has been highly dependent on the client interaction and delivery techniques demonstrated by the U.S. teams. Polish officials at all levels recognize that the PAEP teams came to "work with us as colleagues, rather than 'blowing in and blowing out' as so many development projects do."

The challenges ahead

It comes as no surprise that the educational programs in greatest demand are those which contribute to firm-level decision making and financial analysis. While these programs are filling the void among ODR professionals and larger, more aggressive farmers and agribusiness entrepreneurs, much remains to be done with many of Poland's 2.8 million farmers who haven't bridged the change to a market economy. The ACDI efforts to make business plans available to the typical Polish farmer is only one of many ways to help bridge the gap.

Although microeconomics is receiving more attention, other economic information is also needed. Poland still lacks the marketing information networks and risk-management institutions that are important components in a market economy. As these economic support mechanisms appear, demand for applied research and education programs in risk-management and marketing will grow. The PAEP has strengthened the relationship between ODRs, agricultural schools, and scientific institutions. Past weaknesses in these relationships were detrimental to Polish agriculture. ■

■ For more information

Cochrane, N.J., et al. *Agricultural Policies and Performance in Central and Eastern Europe, 1989-92*. Econ. Res. Serv. USDA. FAER 247, February 1993.

U.S. Dept. of State. "Poland: Background Notes." Bureau of Public Affairs. June 1991.

West, D.A., R.E. Meyer, and H.M. Bahn. *Assessment of the Polish/American Extension Project*. Ext. Serv. USDA. (forthcoming).