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## CHANGING TO MARKET ECONOMY: A CASE OF POLAND

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In the paper the principles and experience of the hitherto market transformation of the agricultural economy in Poland was presented with particular consideration of the economics, organization and management of farms. The performed evaluations indicate the adaptive and developmental difficulties of the farms in the new conditions of the economic surroundings, the occurring limitations and possibilities of their overcoming. These difficulties are being solved both by utilization of the tools of agricultural policy as well as the property changes, market education, outlays, production decisions, etc. Particular attention was drawn to the general economic conditions of the development of agriculture, the process of reforms in the state owned farms and the market and intervention tools of agricultural policy created in the present period of transformation of the Polish agricultural economy.

1. The development of Polish agriculture is taking place in the conditions formed by the first stage of transition from the centrally planned economy to the market economy. This transition from the economic point of view is characterized by general changes in the national economy, deeply affecting the situation of agriculture and the food economy. The stage of the transition to the market economy means new realities of the economic environment forcing the enterprises and farms to pass through a painful process of the adaptation to the new conditions. These adaptive processes are in initial form and

as a rule do not externalize themselves if effective indexes of growth and development. As normal phenomena of such period there can be recognized, occurring also in Poland, the following tendencies: decrease of material production and services, decrease of consumption and the bankruptcy of ineffective enterprises, the appearance of unemployment and some economic and organizational changes influenced very often negatively the system of agricultural development. These are completely new experience on the way of the transition to the market economy.

As a result of the reforms connected with the transition to the market economy in the years 1989-1993 the previously occurring practically since 1939 permanent shortages of all products have been liquidated. This means that at present there are no such characteristic non-economic tools of the economy such as the state distribution of goods, preference lists of purchases, allocations, rations, bribes or continuous and longlasting awaiting in queues. Exchange with abroad is developing on the basis of a constant currency rate. Inflation is limited and on the food market there occurred overproduction. However the economic recession has deepened and high unemployment is continued.

2. The transition to the new market conditions causes the objection of the farmers in connection with the difficulties of sales and the low offered price not ensuring profitability of production. The non-adaptation of agriculture to the market economy results from the fact that it is also a change of the goals of agricultural policy - previously the main goal of agricultural policy was a maximum increase of agricultural

production and a correspondingly high rate of increase of the incomes of the agricultural population (assurance of the income parity of farmers as compared with the incomes of the population in other professions). This was achieved by an expanded system of subsidies to the means of production which were acquired by the farmers (mineral fertilizers, means of plant protection, industrial fodder). This way the costs of production were lowered, particularly in these segments of agriculture where the use of these means was the greatest. The policy of cheap credits, low taxes, subsidies to various services, etc, was subordinated to this.

The hitherto experiences of the market transformation of the national economy and agriculture in Poland indicate that the buying power of the population and the demand for food have basic significance for the market conditions and the development of agriculture. The liberal economic policy striving towards macroeconomic equilibrium and endeavours to limit the inflationary spiral by influence on the scope of demand, which became an important element of political controversies in the country and a tendency to weaken the sharp market rigours in the economy. The low social work efficiency and the low incomes of the consumers do not generate an increase of demand for food and become a real difficulty for the agricultural producers. In this sense the logic of economic processes speaks in favour of such a re-orientation of the economic policy, including also agricultural policy, which would generate additional demand for food (both domestic and foreign). The conviction is becoming widespread that if there will be no demand for agricultural products the economic stimulation determining the economics and organization of farms will disappear.

The lowered purchasing power of the agricultural population put in a difficult situation the industrial works producing the means of production for agriculture, particularly mineral fertilizers, means of plant protection, industrial fodder, small agricultural equipment, agricultural machines, etc. The low purchasing power of agriculture encountered the high prices of these means, to which contributed the decrease of subsidies, increase of margins, etc. In view of the very limited demand from the part of the farmers the works producing the means of production were forced to seek sales markets in export, or if this turned out to be impossible, to reduce production, release employees and narrow the scope of activity.

5. In the years 1990-1991 the Polish agriculture effectively amortized the perturbations caused by the rapid introduction of market reforms; it was a "shock absorber". It amortized the crisis thanks to its ability of sustaining production despite worsening economic conditions and thanks to a specific redistribution of incomes on behalf of other sectors. For its abilities agriculture paid with a fall in incomes larger than that in other sectors of the economy (the real incomes of peasant families decreased in the years 1989-1992 by 51,3%, whereas the incomes of worker families decreased by 26,7%, and the incomes of pensioner families by 13,4%).

At present we are in a certain critical point in this sense that agriculture began to lose its ability to amortize perturbations in the whole economy and is clearly losing its development abilities. It happened so because after several years of adaptations the loop of negative feedbacks closed, expressing itself in price scissors unfavourable for agriculture, a

fall of agricultural incomes and consequently an abrupt decrease of absorptivity for the products of industry. From an other side the decrease of general production activity and incomes limited the demand for farm products. This feedback is blocking the mechanism of growth, and the increased unemployment and the income situation closed the structural changes in agriculture, which are the condition of the improvement of its economic situation. It was found also that the lowering of costs in the whole economy is not possible without a lowering of the costs of production of food.

Hitherto the market did not start up innovative mechanisms on a wider scale, i.e. the application of new technologies in the farms. The paradox of the present situation consists in this that the technologies and organization of production in the main sector of agriculture, i.e. in peasant farms, remained traditional, but the global and unit use of important outlays of industrial origin decreased (in 1992 the sale of mineral fertilizers amounted to 31% of the 1989 level, plant protection agents 32%, tractors 20% and liquid fuels 80%). It can be evaluated that the hitherto scope of market changes did not start up fully the expected adaptive processes in the farms, and the farmers and agricultural policy increasingly actually raise the need of increasing state intervention on this market.

4. During the many decades of a centrally planned economy the most important for the farms and the whole food sector was the orientation on increase of production and the dynamizing of the rate of production growth, and the main limitations were in the chronic shortage of the means of production. The supply of these means limited the production development of the farms.

Whereas in these years there were no limitations on the side of demand both for these means of production and for agricultural products. This supply conception of the development of agriculture had its own logic and formed mechanisms of regulation and decision making (central allocation of resources, low prices, preference credits, built-up subsidy system, etc.).

The systematic novelty which was brought by the market economy means that both for the particular farms and for the whole food sector the demand connections and demand limitations are becoming decisive. Transition from the supply mechanism to the demand mechanism is very difficult. It is not only difficult to be accepted by the main groups of society, but also creates serious problems for agriculture, politicians and opinion-forming circles. On the example of the present period of the development of Poland it can be seen clearly that the current agricultural policy is a mixture of both these options; it remains under the strong pressure of interests and current needs and loses strategic goals from its field of view. This finds expression in the weakening of the rigours of the market reform expressed by the introduction of minimum prices, barrier duties or compensating payments. This has its effects for the management and development of the farms.

5. An important element of the processes of the restructuring of agriculture are the changes occurring in the state farms, particularly their privatization and handing over for lease. At present the state owns about 3,4 million hectares of arable land. The official government agricultural programme states that the privatization of the land resources belonging to the State

Treasury will tend towards increasing of the existing and creation of a new family farms as a basis of the new agricultural system in Poland. This statement immediately became the cause of controversies concerning the real possibility of taking over land by individual farming. A special Agency of Agricultural Property of the State Treasury is taking over the mentioned farms in order to improve the effectiveness of management in the state sector of agriculture. In practice this task means the creation of effective economic subjects on the basis of the property of the State Treasury which are able to operate and develop independently in the conditions of a market economy. The Agency endeavours that a considerable part of the agricultural state property should increase the private sector. As a target it is assumed that enterprises of a strategic character, e.g. plant and animal breeding enterprises, should remain in the possession of the state.

In accordance with the assumptions of the agricultural policy the market and property transformations realize the following principles:

1. The dominating form of the organization of agriculture is and will be the family farm. The development of this type of farms consists on the concentration of land and production, and thus a decrease of their number. The process of transformation of Polish agriculture will be long lasting, dependent mainly on the general economic situation of the country.
2. Besides family farms, undergoing gradual transformations, there will occur permanently or temporarily other types of agricultural farms with different relations of ownership and different organization; here is foreseen also a system of large lease farms or manager farms of the State Treasury, cooperati-



ves, companies and private persons.

6. The new economic conditions resulting from the principles of the market economy and other factors create the need for a completely new procedure in the scope of the economics and organization of farms and undertaken productions decisions. The producer is forced to undertake production calculations, seek the best solutions, contacts with non-agricultural centres, etc. The decrease of the intervention role of the government also increases the significance of the mentioned new phenomena concerning the agricultural producer. This creates also new needs concerning information, economic-organizational consulting, co-operatives, trade, prices, economic calculation, etc.

At this point we emphasize the role and significance of organizational and economic consulting. This consulting is becoming an important component element of the agricultural policy of the present period. Such consulting is becoming a service activity in the scope of identification and investigation of problems concerning agricultural policy, organization, processes and methods as well as the undertaking of suitable actions and their implementation. The purpose of this consulting is to help the farmers in making decisions on the solving of organizational problems for the raising of the economic effectiveness of the undertaken actions. Particular necessary is the development of consulting services in the scope of production organization, economic calculations, prices, turnover, supply, etc.

The functioning at present Poland network conducting essential activity of agricultural consulting centres has mainly an educational and popularizing character. From the evaluations of the agricultural service it results that in informatio-

nal and consulting activities there occur first of all economic problems: what, where and at what prices can be sold, what are the relations of prices and costs, that is, what is most profitable to produce, technological problems concerning the most modern solutions and means of production (e.g. plant renewal, fertilization, etc.). Enjoying large interest is also legal and financial information, mainly these concerning the possibilities of arranging bank credits. The interest is also increasing in solutions from the field of agricultural-food processing, particularly of meat and grain.

This means the appearance of a new and difficult tasks of the consulting system in agriculture concerning organizational, market, legal, economic problems and those connected with production technology. In this system exist and will occur difficulties limiting its effectiveness of action (professional preparation, information system, material possibilities, conceptions of actions, etc.).

7. With reference to the subject of our session one can emphasize the following experience of the hitherto market path of the farms in Poland.

Firstly, the essence of the reforms carried out in the recent years consists in this that in agricultural production increasingly more common the process of production and economic decisions is an economic game with basic rules: you must think yourself what, how, how much and what cost to produce, how to utilize better and more effectively the means of production, the time which you have at your disposal and the money means which you can mobilize. In this way the farmers were directly

confronted with the new requirements of production economics: where and how to produce, what outlays to make, where and for how much to buy, how and for how much to sell, how to invest, how to organize farms as production units, how to decide about the choice between the present and the future of the farm, etc. Many farmers did not accede to this game, for many of them it became a roulette with an unpredictable result.

Secondly, in the agricultural environment the opinion is widespread that the real economic situation of Poland requires the construction of a balanced system of action of market instruments and intervention means, whereas agricultural policy is becoming the main field of discussions, actions and pressures striving towards the construction of such system. A limited scope of conformity and possibility of constructing such a system results from an evaluation of the economic situation of the country, particularly the continuous and persistent occurrence of the economic recession. On the one hand we are dealing with budget limitations (low budget incomes and unusually competitive demands relative to the budget on the part of various groups and needs), on the other hand with increasing and generally accepted demands of the farmers to increase the scope of interventionism.

Thirdly, the discussion conducted at present in Poland about the market and intervention in the agricultural and food economy in essence concerns the conception of economic policy and agricultural policy of the country. There is no doubt that agricultural policy will be an integrated part of the general social and economic reforms, and its goals will concern:

- ensuring a sufficient supply of food available also for indigent groups of the population,

- overcoming the recession in agriculture and agricultural-food industry and the achievement of a high effectiveness and competitiveness on the domestic and foreign market,
- protection of the agricultural incomes and social security of the agricultural population,
- development of rural areas and increase of the non-agricultural functions of these areas. The experiences of many countries indicate that none of these goals can be achieved without at least a minimum intervention role of the state.

Fourthly, the whole agricultural policy of the nineties will be realized in the conditions of transformation of the economic system. This transformation creates a new opportunity to undertake discussion concerning the global strategy of the development of agriculture and its place in the national economy. If we omit the period of domination of the conception of the collectivization of agriculture, then since 1956 we were participants of a constant discussion and constant dispute concerning the role and place of agriculture in the national economy and the strategy of its development. Our whole experience continually indicates that the role of agriculture in the national economy, food economy, social-economic development of the country and its stabilization is enormous.

Fifthly, agricultural policy in the new conditions is to realize at least two strategic goals: the first one is the striving towards a growth (improvement) of the effectiveness of production. In accordance with widespread evaluations the contemporary agricultural economy in Poland does not ensure economic and production effects corresponding to the conditions and requirements of a market economy. The growth of effectiveness will be connected with the procedure and changes in the whole

national economy and the conditions of a market economy, through the market mechanisms, will increasingly force such an effectiveness. It should be emphasized that the possible widening of the scope of intervention policy of the state should take into consideration the striving towards a limitation of such forms of intervention in agriculture or on the agricultural market which ensure benefits or the maintenance of ineffective, expensive forms or actions, not fulfilling the normal market conditions (quality and price competition). Exactly in this place I see the need and possibility of conciliation between the more or less liberal option and the more or less interventionist option.

Sixthly, the process of economic development is connected with a change of the place and role of agriculture in the food economy; agriculture ceases to be an autonomous link - it becomes a part and problem of agribusiness. Slowly the understanding and recognition appeared that the mentioned changes refer to such elements as the size of the production units, their organization, management competences, professional preparation of the workers, demand for capital or the market potential. The definition of the goals of the food economy as a part of the general economic policy belongs to the duties of the centres shaping the economic policy and results from the social needs connected with nutrition. The determination of general goals enables also to formulate the policy relative to the particular links of the food economy complex, including also agriculture.

8. Leaving aside theoretical considerations, decisions have been made and the process is in progress. The social fru-

strations which are becoming more evident testify to mistakes that have been made. Restriction of demand, unemployment outside agriculture, high prices of industrial goods and market disintegration in neighbouring countries do not engender optimism. One should have no illusions; if the recession is overcome, the market economy will soon become the main driving force of changes to the traditional family farm in Polish agriculture. The potential to protect this economy will undoubtedly dwindle as the market creates pressures for efficiency, profitability and commercialization. Everything seems to indicate that only some farms will be able to cope with the new conditions, and interventionist steps can only delay the actual liquidation and disappearance of many traditional family farms. Paradoxically, this will also contribute to the strengthening of Polish agriculture and its new development.