ACTA SCIENTIARUM POLONORUM *Oeconomia 13 (2) 2014, 61–70*

CHANGES IN EUROPEAN UNION SUPPORT OF POLISH ORGANIC FRUIT GROWING

Piotr Gołasa
Warsaw University of Life Sciences – SGGW

Abstract. This paper presents in its first part the basis of interventionism in agriculture. It presents currently existing system of support for organic orchards in Poland and EU and proposed changes. In the empirical part, the paper presents the economical situation of Polish fruit-growing farms in respect to other farms according to FADN data (Farm Accountancy Data Network). It has been ascertained that agri-environmental payments answer for 32% of those farms' income, which is an amount approximate to other farm types. A proposition of change in organic orchard farms' subsidies has no basis in regard to economical situation of those farms and can cause unfavorable fallout for them and their surroundings. Because of many flaws in the system of these subsidies, it is needful to intensify the control by Agency for Restructuring and Modernisation of Agriculture (ARMA)

Key words: organic fruit farming, payments for production, the RDP 2014–2020

INTRODUCTION

The Common Agricultural Policy (CAP) of the EU is constantly under reforms due to changing social and economical situation in European agriculture. However, questions regarding the cause of existence of interventionism in agriculture and the aims which are to be reached by using it are still valid. Joseph E. Stiglitz shows five reasons for such actions: incompleteness of markets, existence of public goods, imperfection of data, external effects and redistribution of income [Stiglitz 1987]. Jerzy Wilkin, on the other hand, focuses on the fact that agriculture produces a wide array of public and market goods which in some cases are inseparably connected. This fact causes problems with liberalization of trade and separation of farmers' support from production [Wilkin 2003, 2009]. Andrzej Czyżewski presents the subject in a quite different light. Spotting the classical causes of interventionism in agriculture, he turns his attention to the phenomenon of inter-branch flows signifying that agriculture is depreciated in these flows which causes the

Corresponding author – Adres do korespondencji: Piotr Gołasa, Department of European Policy, Public Finance and Marketing, Faculty of Economic Scinces, Warsaw Uniwersity of Life Sciences – SGGW, Nowoursynowska 166, 02-787 Warszawa, Poland, e-mail: piotr_golasa@sggw.pl

fact that executed production is lower than fabricated. It shows that economical surplus fabricated in agriculture is directed to other sectors (processing, industry). The government's task is to retransfer the part of added value which, because of various reasons, cannot return to agriculture on its own [Czyżewski 2007]. Bazili Czyżewski, on the other hand, starts his considerations from the idea of ground rent and paradigm of sustainable development [Czyżewski 2013]. Furthermore, he ascertains that in balanced agriculture a lot of new usabilities of land factor emerge. It is caused by changes in consumption patterns to pro ecological, pro health, pro environmental. Because they have a character of public goods, they are paid in great part by CAP programs. The payment goes to the landowners. He shows an example of organic agriculture where the rent gained from CAP is a compensation of new land utilities. It raises monetary productivity of productive factors. It has to be pointed out that albeit adequate level of society's wealth subsidies the emergence of institutional realm which realizes paradigm of sustainable development, this process has to start from the grassroots. Polish society does not appear to be ready for that, although thanks to integration with more developed countries, we should reach that level eventually.

It is hard to disagree with that suggestion. Polish society is on a significantly lower level of economic development that the countries of "old Union". This situation is changing, especially in the field of organic agriculture. In the course of last few years a lot of shops which specialize in the sale of organic products have emerged. Also, normal shops including large area shop chains have recognized a growing demand for this kind of food and included it in their offer. Factor which limits the development of this market is a comparatively high price of organic products compared to society's income [Smoluk-Sikorska, Łuczka-Bakuła 2013]. It is caused mainly by completely different technology of producing the organic foods [Gołasa et al. 2012] and even twice or thrice lower yields compared to standard products [Technological and economic aspects… 2010]. However organic agriculture method has significant impact in improving food quality and safety [Kowalska 2011].

Organic production subsidies do not recompense fully loss of crops. From 2004 to 2012 existed in Poland a fixed system of grants for orchard organic production. In February 2013 Minister of Agriculture and Rural Development (MARD) has changed significantly the rules of the system's functioning. Since February 2013 one cannot start a new "organic farming – horticultural and berry cultivation" Package under RDP 2007–2013 (Rural Development Programme 2007–2013) with exception of strawberries and raspberries. Farmers who finished the execution of five-year agri-environmental plan in 2012 also cannot seek the support of subsidies. As a justification, the Ministry stated that:

– The goals set in RDP 2007–2013 have been exceeded in 2012 – 26 thousand of farms were given the subsidies (104% of target value) on a land area of 606.6 thousand ha (121% of target value). It is connected with big financial commitments which move on to 2014–2020 budget reaching the level of 570 million EUR.
– Fast growth of area of organic orchard farms (including apples) which do not translate to production of certified fruit which caused an audit from the European Commission.
– Support from agri-environmental programme according to the additionality rule can not be the only justification of starting ecological production.
– Big misuses by the beneficiaries [Project of Rural Development Programme… 2013].

In the new EU budgetary perspective organic farming significance raises which can be seen in assignation (from the agri-environmental programme) as a separate action in the frames of RPD 2014–2020. However, in case of orchard farms, in project RPD 2014–2020 appeared entries which caused a lot of disputes among the farmers as well as manufacturing plants. The focus of disputes is the change in the degressivity of subsidies according to which they are owed in 100% only to farms up to 10 ha of area. Moreover, payment is owed "only to area on which fruit trees during the fruition and/or shrubs as described in the decree" [Ministry of Agriculture and Rural Development 2013].

The aim of this paper is to describe the influence of changes proposed by the Ministry on the situation of the farms and comparison with other means of support

MATERIAL AND METHODS

Data concerning individual farms for the calculations have been provided by Institute of Agricultural and Food Economics – National Research Institute in the FADN system for the year 2011, coming from 12 thousand farms. In the FADN's observation field there are commercial farms Minimal economical size after which the farm is included on FADN's observation field is set from 2010 fiscal year according to analysis of sums of Standard Production (SO) from the data provided by Central Statistical Office in different classes of economical size. In practice, estimation is made drawn on calculating the cumulated sum of SO from different classes starting from the biggest until reaching approximately 90% of SO from researched population. The lower border of division in which it will happen is the minimal threshold of economical size [The standard results… 2011]. The estimations were made according to the calculation of results in force in FADN.

In the set of individual farms there are 261 farms which possess the certificates of accordance with the rules of organic farming. These farms were not picked purposefully and are not representative statistically for commodity organic farms which are in the Polish FADN's observation field. However, it is one of the biggest sources of data concerning organic farms and allows for drawing conclusions about their economical situation.

Information obtained from direct interviews with workers providing supply for two leading Polish manufacturing companies situated in Podkarpackie Voivodship were also included in this paper.

RESULTS AND DISCUSSION

Currently, organic farming functions in Poland based on UE and national law acts. The most important: Council No 834/2007 of 28 June 2007 on organic production and labeling of organic products (OJ L 189, 20.07.2007, p. 1) and the Act of 25 June 2009 on organic farming (2009, No 116, pos. 975). According to these acts, every farmer who starts an organic farm has to register his activity in a certifying unit. Such a unit controls every year the whole process of production on the farm. In case of fulfillment of all prerequisites of organic farming, the farmer receives his certificate and can sell his products labelled with UE sign of organic foods.

In case of starting organic production in the years 2007–2013, the farmer could attempt to obtain additional payments concerned with realizing the agro-environmental programme – Package 2. Organic Farming. The condition to get it was undertaking a five-year agri-environmental commitment. Its essential element was preparing with an advisor a plan of agri-environmental activity in which all the prerequisites and recommendations that the farmer should subordinate to were determined. The submission itself was put on the same form on which the submissions for ranged payments were put. The amount of payments in the Package 2 in 2012 is shown in Table 1.

Table 1. The amount of payments under Package 2. Organic farming in Poland [EUR·ha^{-1}]

Specification	Conversion		
	Year 1–2	Year 3–5	Maintenance
Agricultural crops	202	190	190
Permanent grasslands	79	63	63
Vegetable crops	373	313	313
Fruit crops including berries	433	371	371
Others fruit crops including berries	193	156	156

Source: Own calculations based on Decree of the Minister of Agriculture and Rural Development dated 26 February 2009 on the detailed conditions and procedures for the granting financial assistance under the measure "Agri-environmental programme" under the Rural Development Programme for 2007–2013 (1 EUR = 4.1551 PLN).

The amount of payment is shown in EUR for comparison with other EU countries. In case of orchard farms, there is a three-year time of conversion. In that period although all the prerequisites are met, farmer cannot sell his products as organic. However, he has the right to higher production support. As a part of fruit-growing farms, a group has been distincted – Other fruit crops including berries. This group includes growths which are low-cost, such as chokeberry. These growths get lower subsidies than all the others. Table 2 shows, on the other hand, the amount of support for organic fruit-growing in chosen EU countries.

Table 2. The amount of payment for environmental fruit growing in selected EU countries

Country	Parennials, orchards, fruits (EUR·ha^{-1})	Comments
1	2	3
Austria	450–750	–
Bulgaria	470	–
Cyprus	1 000	–
Czech Republic	510–849	Permament culture (vineyards, orchards, hops) 849 EUR·ha^{-1}, extensive orchards 510 EUR·ha^{-1}
Denmark	165	Payment includes 101 EUR·ha^{-1} maintenance support from the Environmental Farming Support scheme during the conversion period

Table 2 cont.

1	2	3
Germany	308–1 080	Bavaria and Baden-Württemberg: max. 40,000 EUR per farm and year
Italy	307–900	–
Slovakia	555	In addition, payments for hops and tree nurseries of 579 EUR·ha^{-1}
Poland	156–433	

Source: Own studies based on [Sanders et al. 2011], p. 57 (1 EUR = 4 PLN).

As it can be noticed, the level of subsidies in these countries is on a slightly higher level than in Poland, nonetheless direct comparison is hard because of specific norms in mentioned countries. They can influence the level of support in a significant way (e.g. in Italy that level is dependent on region).

In Table 3 chosen amounts characterizing the situation of organic farms were presented. Orchard farms (Permanent crops in FADN nomenclature) against a background of other farms are characterized by low area of arable land and the biggest economical size among other types.

Table 3. Economical situation of ecological fruit-growing farms against a background of all of the other ecological farms

Specification	Field crops	Permanent crops	Milk	Grazing livestock	Mixed
Sample farms	35	18	53	56	99
Economic size (EUR)	25 335.2	31 508.1	24 165.7	23 390.9	13 870.7
Total Agricultural Area (ha)	78.5	24.8	25	41.9	19.4
Total output (PLN)	113 186	85 649	87 690	52 401	71 787
Total inputs (PLN)	125 414	56 543	72 666	63 269	60 501
Total subsidies – exluding on investments (PLN)	126 772	61 320	51 119	76 280	39 693
(including) Enviromental subsidies (PLN)	43 136	29 621	21 001	26 479	12 467
Family Farm Income (PLN)	111 584	93 233	65 694	63 829	50 315

Source: Own calculations based on FADN Standard results 2011 obtained by the organic farms participating in the Polish FADN. Part I. The standard results. Warsaw, 2013.

It means that the production conducted on those farms is extremely intensive, yet still income from a family farm is the highest for the type Field crops (due to high Total subsidies – excluding on investment). For comparison, the average payment for the FADN farm averages 18,408 PLN [Marcysiak, Marcysiak 2013] The question of the share of agri-environmental payments in the farm's income is also interesting.

That share in Permanent crops farms amounts to 32% and except for Mixed type is on the lowest level of all farms (Fig. 1). It means that these farms do not get such a big support from the fact of being in the argi-environmental programme. A wider view showing a general balance of subsidies and taxes (Balance current subsidies and taxes and Balance subsidies and taxes on investment) affirms that Permanent crops farms are not really privileged (Fig. 2).

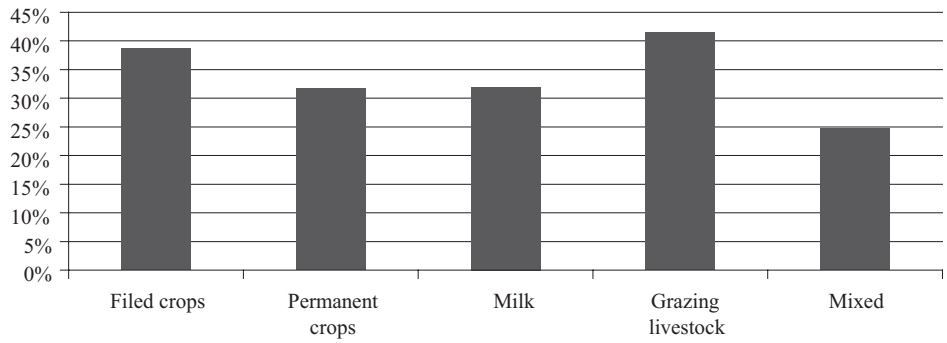

Fig. 1. Participation of enviromental subsidies in Family Farm Income

Source: Own calulations based on FADN The standard results 2011 received by organic farms participating in the Polish FADN. Part I. The standard results. Warsaw, 2013.

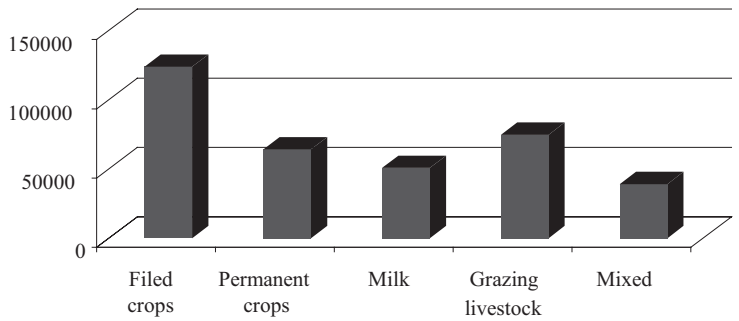

Fig. 2. Balance of taxes and subsidies in agriculture (PLN)

Source: Own calculations based on FADN standard results 2011 received by organic farms participating in the Polish FADN. Part I. The standard results. Warsaw, 2013.

The biggest benefits from the subsidies and taxes system is part of Field crops farms which received 123,812 PLN in the year 2011. In case of Permanent farms the balance is twice lower and amounts to only 64,128 PLN.

Bearing in mind aforementioned data it is worth to look again on the propositions enclosed in the RDP 2014–2020 project. Decreasing the area of arable land to 10 ha seems to be mainly the answer of the MARD to accusations of artificial rise in area of orchards without any rise in production. The process of wheedling the ecological grants was most profound in the years 2005–2008 in case of walnut [Information about the results… 2010]. Supreme Audit Office has shown that until 28 February 2008 there were no legal regulations delimiting the requirements considering care of trees and bushes, minimal amount of plants or their quality on organic farms. However, that situation has changed after amendments detailing conditions and procedures of granting the payments were established as a part of "Environmental programme" included in RDP 2007–2013. Also a special control campaign launched in 2013 has shown that there are

serious misuses in organic fruit-growing. Of 1/4 of all organic orchards controlled, in 30% there were irregularities which prohibit the owners from getting the grants were found. In particular, there were not enough trees, bushes per 1 ha and significant overgrowth with weeds.

Limiting the ecological subsidies to orchards not bigger than 10 ha is supposed to limit the tendency to establish large area farms only to get the grants. A question arises if such actions are meritoriously justified and what the effects may be. Firstly, it may cause an artificial parcellation of bigger farms which may allow for using the grants fully. Secondly, it will surely influence negatively on economical situation of orchard farms. As presented earlier, despite high subsidies for a hectare, these subsidies do not account for a big share in the farm's income. Bearing in mind the whole system of grants and taxes, these farms achieve significantly lower benefits than farms of Filed crops or farm Grazing livestock. Also, the argument that the payments only cannot be the basis for starting such activity does not seem very accurate, especially bearing in mind that in other EU countries such support exists. Polish orchard owners do not have big chances in competition with orchard owners from EU that are supported in full amount. Also, proposed record concerning obligation to leave the trees for 5 years after closing the commitment will not influence the ecological fruit-growing in a good way. Along with a five-year period of realization of organic farming, it amounts to 10 years of supporting a defined type of plants. It is an extremely long commitment which significantly raises the risk of such activity and their justification is difficult to explain

One has to look at the problem from a perspective which is a bit broader from the point of view of organic manufacturing plants, which amount is still rising – in the year 2012 there were 312 [Number of organic producers… 2013] of them. In their opinion, obtained from direct interviews, a large fragmentation of organic farmers is a serious problem. It causes:

– lack of big, homogenous batches of goods,
– high costs of stock's examination (600 to 1,000 PLN for a single sample),
– logistic problems – transport costs, supplying adequate packaging, lack of storage space on farms.

Area limitations will not encourage the farmers to invest and increase the scale of production. Still, there is the problem of orchards established only for subsidies. It seems that the actions of ARMA that aim to intensify control over the organic fruit-growing are pointed in the right direction. ARMA may decrease the payment by 100% in case of not conducting farm production as delimited in organic farming regulations. Strictly exacting the norms of organic orchards maintenance demand high expenditure and thus "farming the subsidies" becomes simply unprofitable.

CONCLUSIONS

1. The share of payments from the environmental programme in the income of organic orchard farms compared with other types of farms is not high.
2. It is similar for the balance of payments and subsidies. It means that orchard farms do not benefit highly from such a system.

3. Published proposals of MARD which limit the payments for organic fruit-growing production have no support in economical data for these farms.
4. Said propositions may cause unfavorable fallout for the fruit-growing farms as well as manufacturing plants which cooperate with them.
5. Increase in control is the action which is necessary to get rid of the irregularities, not punishing the farmers who comply to the existing rules.

The balanced development paradigm and CAP which fulfills it as a part of organic farming in the last few years has bigger and bigger significance. It is a chance for Polish farming which is producing in a healthier and closer to nature way than "old UE" agriculture. However, it demands a well thought out support from the instruments that allow for a competitive activity.

REFERENCES

Czyżewski A., 2007. Makroekonomiczne uwarunkowania rozwoju sektora rolnego, [w:] A. Czyżewski (red.). Uniwersalia polityki rolnej w gospodarce rynkowej, ujęcie makro- i mikroekonomiczne, [Macroeconomic determinants development of the agricultural sector. In: A. Czyżewski (Ed.) Universals of agricultural policy in a market economy, the recognition of macro-and microeconomic]. Wyd. Akademii Ekonomicznej w Poznaniu, Poznań, 18.

Czyżewski B., 2013. Renty ekonomiczne w gospodarce żywnościowej w Polsce [Economic rent within food economy in Poland]. PWE, Warszawa.

Gołasa P., Bieńkowska W., Wysokiński W., 2012. Logistyczne aspekty produkcji porzeczki ekologicznej [Logistic aspects of the production of organic currants]. Logistyka 6, CD 2, 423–428.

Informacja o wynikach kontroli rolnictwa ekologicznego w Polsce [Information about the results of the inspection of organic farming in Poland], 2010. Najwyższa Izba Kontroli, Warszawa.

Kowalska A., 2011. Food quality and its conditionings. Acta Scientiarum Polonorum, Oeconomia 10(4), 25–44.

Liczba producentów ekologicznych w Polsce, wg stanu na 31 grudnia 2012 r. [Number of organic producers in Poland 31.12.2012] IJHARS, [electronic resource] http://www.ijhar-s.gov.pl/raporty-i-analizy.html (Accessed 3.11.2013).

Marcysiak A., Marcysiak A., 2013. Impact of the economic size of farms on the range of suport from the European Union Common agricultural policy measures. Acta Scientiarum Polonorum, Oeconomia 12(4), 85–92.

Odpowiedź na oświadczenie senatorów dotyczącego zapisów projektu rozporządzenia Ministra Rolnictw i Rozwoju Wsi w sprawie szczegółowych warunków i trybu przyznania pomocy finansowej w ramach działania „Program Rolnośrodowiskowy" z 7.03.2013 [The answer to the statement of senators on the provisions of the draft Regulation of the Minister of Agriculture and Rural Development on the detailed conditions and procedures for the granting of financial assistance under the measure "Agri-environmental Programme" 03.07.2013]. MRiRW. [electronic resource] www.senat.gov.pl/gfx/senat/userfiles/_public/k8/dokumenty/stenogram/oswiadczenia/wojciechowski/2602o.pdf (Accessed 3.11.2013).

Projekt Programu Rozwoju Obszarów Wiejskich 2014-2020, Wersja I, 26 lipca 2013 [Project of Rural Development Programme 2014-2020, Revision I, July 26], 2013. MRiRW [electronic resource] (Accessed 10.11.2013).

Rozporządzenie Ministra Rolnictwa i Rozwoju Wsi z dnia 26 lutego 2009 r. w sprawie szczegółowych warunków i trybu przyznawania pomocy finansowej w ramach działania „Program rolnośrodowiskowy" objętego Programem Rozwoju Obszarów Wiejskich na lata 2007—2013 [Decree of the Minister of Agriculture and Rural Development dated 26 February 2009 on the detailed conditions and procedures for the granting financial assistance under the measure "Agri-environmental programme" under the Rural Development Program for 2007–2013].

Sanders J., Stolze M., Padel S. (Eds), 2011. Use and efficiency of public suport measures addresing organic farming. Study Report, Braunschweig, Institute of Farm Economics.

Smoluk-Sikorska J., Łuczka-Bakuła W., 2013. Sale of organic food in specialist and general retail grocery outlets – a comparative analysis. Acta Scientiarum Polonorum, Oeconomia 12(1), 25–44.

Stiglitz J.E., 1987. Some theoretical aspects of agricultural Policies. The World Bank Research Observer 2, 1, 43.

Technologiczno-ekonomiczne aspekty wdrażania produkcji ekologicznej w wybranych gospodarstwach rolnych, Raport za rok 2009, 2010 [Technological and economic aspects of the implementation of organic production in selected farms, Report for 2009]. CDR w Brwinowie, Radom.

Wyniki standardowe 2011 uzyskane przez ekologiczne gospodarstwa rolne uczestniczące w Polskim FADN. Część II. Analiza Wyników Standardowych FADN, 2013. [The standard results 2011 received by organic farms participating in the Polish FADN. Part II. The standard results analysis]. FADN, Warszawa.

Wyniki standardowe 2011 uzyskane przez ekologiczne gospodarstwa rolne uczestniczące w Polskim FADN. Część I. Wyniki standardowe, 2011. [The standard results 2011 received by organic farms participating in the Polish FADN. Part I. The standard results], FADN, Warszawa.

Wilkin J., 2003. Interwencjonizm w rolnictwie: dlaczego był, jest i będzie, [w:] A. Kowalski (red.) Dostosowanie polskiego rynku rolnego do wymogów Unii Europejskiej [Intervention in agriculture: why was, is and will be. In: A. Kowalski (Ed.) Adjustment Polish agricultural market to the requirements of the European Union], Warszawa, 31.

Wilkin J., 2009. Uwarunkowania rozwoju polskiego rolnictwa w kontekście europejskim i globalnym. Implikacje teoretyczne i praktyczne, [w:] U. Płowiec (red.) Polityka gospodarcza a rozwój kraju [Conditions for development of Polish agriculture in the European and global context. Theoretical and practical implications. In: U. Płowiec (Ed.) Economic policy and development of the country]. PTE, Warszawa, 313.

ZNACZENIE DOPŁAT DLA PRODUKCJI SADOWNICZEJ W POLSCE

Streszczenie. W artykule przedstawiono w części pierwszej podstawy interwencjonizmu w rolnictwie. Zaprezentowano obecnie istniejący system wsparcia ekologicznej produkcji sadowniczej w Polsce i UE oraz proponowane zmiany. W części empirycznej na podstawie danych FADN (Farm Accountancy Data Network) pokazano sytuację ekonomiczną

sadowniczych gospodarstw ekologicznych na tle pozostałych gospodarstw. Stwierdzono, iż dopłaty rolnośrodowiskowe odpowiadają za 32% dochodu tych gospodarstw, co jest wartością zbliżoną do innych typów. Propozycje zmian w systemie dopłat dla sadownictwa ekologicznego nie mają podstaw w sytuacji ekonomicznej tych gospodarstw, a mogą spowodować niekorzystne dla nich i ich otoczenia skutki. Z racji istnienia wielu nieprawidłowości w systemie tych dopłat niezbędne jest zintensyfikowanie kontroli przez ARiMR.

Słowa kluczowe: ekologiczna produkcja sadownicza, dopłaty do produkcji, PROW 2014–2020.

Accepted for print – Zaakceptowano do druku: 24.04.2014