

REGIONAL DIFFERENCES IN DIRECT PAYMENTS IN POLAND AND EUROPEAN UNION

Barbara Chmielewska¹

Abstract

Since 2004, together with the integration of Poland with the European Union, Polish agriculture has been included in the Common Agricultural Policy (CAP). This policy has changed the system of structuring the incomes of farming families. Agricultural holdings, after fulfilling the conditions laid down by the law, can apply for various forms of financial support. In the period of the integration of Poland with the European Union the income situation of farming families has improved, mainly because of direct subsidies in conjunction with structural funds. Despite the high total amount paid annually to farmers on account of direct subsidies, a significant number of agricultural holdings over 1 ha have benefitted little from this form of financial support. These were primarily small and medium-sized holdings. Direct payments are regionally diversified.

Key words: *direct subsidies, common agricultural policy, regionally diversified, Poland, the EU countries.*

Introduction

The basic instruments used in the largest-scale support include direct subsidies. They aim at equalising the living standards of the urban and rural population by increasing the incomes of the agricultural population. The income situation of the population living in rural areas is significant for the preservation of the viability and environmental and cultural values in rural areas.

The increase in agricultural income in the period of integration has been primarily due to financial support in the form of direct subsidies in conjunction with structural funds. While subsidies have contributed to improving the profitability of holdings, they have caused their greater diversification, as they are granted to each hectare of land maintained in good agricultural condition. Therefore, holdings with small areas have “benefitted” the least. This is illustrated by the differences in the level of the percentage

¹ Barbara Chmielewska, Institute of Agricultural and Food Economics - National Research Institute, ul. Swietokrzyska 20, P.O. Box 984, 00-950 Warszawa, Poland, chmielewska@ierigz.waw.pl.

of subsidies in the structure of disposable income (from 3.6% in 1-5 ha holdings to 16.7% in 20 ha holdings and larger) and in the income from a holding (respectively from 5.9% to 20.3%).

The activity of agricultural holdings in obtaining subsidies

In Poland, agricultural producers holding arable land with area of over 1 ha are entitled to direct payments, while the area of the plot may not be less than 0.1 ha. As of 31 December 2010, 2 032 909 entities were entered in the register of producers, i.e. about 90% of the total number of holdings on average. However, not all registered entities apply for subsidies².

Direct payments are paid to Polish farmers since 2004. The basic Direct subsidies include Single Area Payment – payments granted to the area of arable land maintained in good agricultural condition and Complementary Area Payment.. The rates of direct payment is applicable in Poland in 2010: in (PLN/ha): Total direct subsidies: 889.37; Single Area Payment (SAP) (for all farmers): 562.09; Complementary Area Payment (CAP): to field crops: 327.28³.

Despite the great interest in direct subsidies among farmers a large number of agricultural holdings over 1 ha remained outside this form of income support. Among the total number of holdings with an area of over 1 ha the percentage of the applications filed in 2004 was 75.4%; in 2010 it increased to 86.7%. This means that, for example, in 2004 about 456 thousand and in 2010 about 210 thousand holdings with an area of over 1 ha did not receive direct subsidies. If we add holdings of up to 1 ha (about 700 thousand on average) to this number, about 1 million farming families do not use this form of EU financial support.

In Poland, there is a considerable regional variation in the activity of farmers in obtaining subsidies associated with the use of agricultural holdings. The greatest number of payments in relation to the number of holdings with an area of over 1 ha was recorded in the following voivodeships: (Kujawsko-Pomorskie - 93.7%), Warmińsko-Mazurskie (91.8%), Wielkopolskie (91.4%); the least - in Lubuskie (63.0%) and Śląskie (64.9%). The most active voivodeships in raising subsidies were those in which larger holdings, in area terms, were located.

Also farmers for whom farming is a tradition, or associated farmers, such as sugar beet growers, were more active in raising subsidies. The largest number of applications was filed in Lubelskie, Wielkopolskie, Kujawsko-Pomorskie and Mazowieckie

2 Sprawozdanie z działalności Agencji Restrukturyzacji i Modernizacji Rolnictwa w 2010 roku (A report on the activities of the Agency for Restructuring and Modernisation of Agriculture in 2010), the Agency for Restructuring and Modernisation of Agriculture, Warsaw 2009, www.arimr.gov.pl/dla-beneficjenta/biblioteka.html, p. 124

3 Source: ARMA website, www.arimr.gov.pl.

Voivodeships, so in the voivodeships, which, due to soil and climatic conditions, are traditional areas for sugar beet growing.⁴

Differences in the amounts of direct subsidies

On account of the owned land used for agriculture, maintained in good agricultural condition, an average holding in the country (with an area ranging from 7.5 ha of cultivated land in 2004 to about 8.0 ha in 2010) could receive the sum ranging from PLN 4528 (PLN 463.2 per 1 ha of cultivated land) in 2004 to PLN 6545 (PLN 648.7/ ha of arable land) in 2008⁵ under direct subsidies. It should be noted, however, that the average value of complementary subsidies does not fully reflect the actual support which was received by holdings on this account. There are considerable differences in the amount of support provided to individual holdings due to the structure of production. Indirectly, this phenomenon is illustrated by the differences in the amounts of average subsidies (single subsidies and other) in voivodeships. For example, in the 2008 campaign the average value of individual payments per 1 holding was as follows:

- single area payment: from PLN 1 462 in the Podkarpackie Voivodeship (average area of agricultural land per farm holding amount to 3,92 ha) to PLN 7 510 in the Warmińsko-Mazurskie Voivodeship (20,39 ha);
- complementary payment (other plants): from PLN 610 in the Małopolskie Voivodeship (3,39 ha) to PLN 4 577 in the Warmińsko-Mazurskie Voivodeship (20,39 ha).

Regional differences in the amount of direct payments

There is a considerable regional differentiation in the size of subsidies in Poland. In 2007, over 1/3 of the total amount of the area payments (single or supplementary) provided by ARMA⁶ to individual voivodeships went to three voivodeships: the Mazowieckie Voivodeship (13%), the Wielkopolskie Voivodeship (12.8%) and the Lubelskie Voivodeship (9.2%), while for the Śląskie Voivodeship it was only 2.3%, for the Lubuskie Voivodeship 2.7%, for Świętokrzyskie 3.3% and for Podkarpackie 3.4% of the envelope of national subsidies.

The amounts of subsidies per holding also shows large regional differences. In 2007, the amount of subsidies ranged from PLN 15 870 PLN in the Zachodniopomorskie Voivodeship (5 690 PLN on average in the country) to PLN 1950 in the Małopolskie Voivodeship. These differences result mainly from the differences in the area of land

4 B. Chmielewska (red.), 2007, Pilne potrzeby do rozwiązania w rolnictwie polskim. Raport PW 2005-2009 No. 71, IERiGŻ-PIB, Warsaw, p. 36.

5 M. Gruda, J. Kulawik, B. Wieliczko, 2009: Finanse rolnictwa, [in:] Analiza produkcyjno-ekonomicznej sytuacji rolnictwa i gospodarki żywnościowej w 2008 roku. A. Kowalski (ed.), IERiGŻ-PIB, Warsaw, p. 70.

6 Own calculations based on the data included in: System Informacji Zarządczej, ARMA, drafted on 23.04.2010

held by agricultural holdings in individual voivodeships, and also from the differences in cropping patterns. Agricultural holdings in the Podkapackie Voivodeship, the Małopolskie Voivodeship, the Świętokrzyskie Voivodeship and the Śląskie Voivodeship, i.e. with the most fragmented agrarian structure, benefitted the least from the supplementary subsidies.

Differentiation in subsidies in the EU countries

The EU countries differ in the structure of the allocation of CAP funds within the first and second pillar, which may have an impact of the disparities in the size of subsidies per 1 ha in the EU countries. Polish farmers receive less money than farmers in the EU-15, what result from inter alia deferent level of support and deferent structure of money split between I. and II Pillar CAP in particular countries. In Poland 49% of CAP funds is allocated for direct payments, while in Germany it is as many as 83%; whereas for rural development it is 43% and 13%, respectively. In Poland 10% of the largest beneficiaries of direct payments “collect” nearly half (42%) of the total amount allocated for this purpose (in Germany 54%).

For a couple of years there has been a lot of controversy on the issue of the allocation of financial resources in the EU, where 53% of farmers receive about 3% of the subsidies. On the other hand 2.2% of farmers receive 25% of the total amount of subsidies (some of them even several hundred thousand euro).⁷ The allocation of CAP funds in the EU is shown in Table 1.

Table 1. The differentiation in the distribution of CAP funds in the EU in 2008.

The percentage distribution of CAP funds (%)							
country	for direct payments	country	for 10% of the biggest beneficiaries receiving direct payments	country	for rural development	country	for 20% of the largest beneficiaries of rural development funds
Great Britain	84	Slovakia	87	Malta	90	Slovakia	96
Denmark	83	The Czech Republic	75	Latvia	66	The Czech Republic	88
Germany	83	Portugal	75	Bulgaria	57	Portugal	86
France	81	Hungary	75	Estonia	55	Hungary	83
The Netherlands	81	Ireland	73	Romania	54	Italy	82
Hungary	80	Italy	69	Slovakia	53	Estonia	79
Ireland	76	Estonia	61	Portugal	48	Ireland	79
Sweden	76	Germany	54	Cyprus	43	Germany	71
Belgium	72	Greece	51	Poland	43	Greece	69

⁷ On the basis of a report from the seminar on “Rural development”. Organizers: IUCN Poland Foundation and Development Foundation, Warsaw, 28.11.2003, www.iucn-ce.org.

The percentage distribution of CAP funds (%)							
country	for direct payments	country	for 10% of the biggest beneficiaries receiving direct payments	country	for rural development	country	for 20% of the largest beneficiaries of rural development funds
Greece	70	Cyprus	50	Austria	39	Great Britain	67
Spain	70	Latvia	49	The Czech Republic	38	Sweden	64
Luxemburg	70	Great Britain	49	Finland	33	Denmark	60
Italy	66	Denmark	47	Lithuania	30	The Netherlands	59
Finland	65	The Netherlands	47	Luxemburg	26	Austria	57
Lithuania	64	Lithuania	47	Greece	25	Belgium	56
Austria	58	Sweden	44	Hungary	24	Cyprus	55
The Czech Republic	58	Austria	42	Ireland	22	Latvia	55
Poland	49	Malta	42	Sweden	21	Spain	54
Slovakia	44	Poland	42	Italy	20	Finland	53
Estonia	43	France	37	Spain	17	Lithuania	53
Romania	41	Spain	36	Great Britain	14	Luxemburg	49
Bulgaria	40	Belgium	35	Germany	13	Poland	49
Portugal	40	Finland	34	France	10	Malta	48
Cyprus	38	Luxemburg	28	Belgium	9	France	47
Latvia	33	Bulgaria	no data	Denmark	9	Bulgaria	no data
Malta	0	Romania	no data	The Netherlands	4	Romania	no data
Slovenia	no data	Slovenia	no data	Slovenia	no data	Slovenia	no data

Source: own study based on <http://www.farmsubsidy.org/>, (23 September 2010).

Individuals and organisations that criticise the system of allocating subsidies challenged it by putting forward three main arguments – first, they pointed out that the aid goes to the biggest land owners (corporations and companies), and not to the farmers.⁸

In June 2006 a limit of 300 000 EUR on subsidies was proposed. According to the calculations, only about 2 thousand entities in the EU (the wealthiest owners of large estates) would be deprived of subsidies, but this project was not accepted.⁹

The second objection was the secrecy about the amounts of aid and its beneficiaries. In this matter an agreement was reached, and in 2006 the European Union decided to

8 www.farmsubsidy.org/ ... (a lecture of 23 September 2010)

9 <http://pl.wikipedia.org/wiki/...> and A. Piński, K. Trębski: *Jalmużna dla obszarnika*, Wprost, September 29, 2006.

disclose the list of the recipients of aid and the amounts of money they receive, but no earlier than since 2009.¹⁰ Commission proposed to reduce support for the largest farms.

The third objection concerned the inequality in treating farmers in different countries, because farmers from the “old” European Union receive different amounts of subsidies from the farmers from countries which joined the European Union later.

However, even after achieving the total amount of direct payment rates, equalisation of rates will not take place and in 2013 the direct payments in the EU-10 per 1 ha of arable land will account for approximately 84% of the level of payments in EU-15.

The differentiation of payment rates in the EU is presented in Table 2.

Table 2. The differentiation of payments in the EU countries in 2008.

Financial support for agricultural holdings in the European Union in 2008 (in EUR)					
Country	Per holding	Country	Per person working in a holding	Country	Per 1 ha
Denmark	25 968	Ireland	14 306	Malta	3 015
Luxemburg	24 693	Denmark	14 010	Greece	852
France	18 862	Luxemburg	13 200	Belgium	570
Germany	17 735	France	11 298	The Netherlands	505
The Czech Republic	16 701	Belgium	9 603	Denmark	434
Belgium	16 263	Great Britain	9 441	Ireland	391
Ireland	13 064	Sweden	9 301	Germany	388
Sweden	12 977	Germany	7 660	Luxemburg	377
Great Britain	12 517	Spain	7 473	Austria	375
The Netherlands	12 369	Finland	7 389	Finland	369
Finland	12 254	Greece	6 529	Italy	367
Austria	7 355	Italy	5 760	Portugal	363
Spain	6 410	Austria	5 248	France	338
Slovakia	5 143	The Netherlands	3 760	Cyprus	337
Portugal	4 854	Hungary	3 749	Sweden	304
Estonia	4 160	The Czech Republic	3 695	Spain	277
Greece	4 069	Malta	3 684	Great Britain	224
Italy	3 168	Slovakia	3 575	Slovakia	184
Latvia	1 746	Estonia	3 099	Poland	157

10 This matter is regulated by the Commission Regulation (EC), No. 259/2008 of 18 March 2008 “*laying down detailed rules for applying Council Regulation (EC) No 1290/2005.*”

Financial support for agricultural holdings in the European Union in 2008 (in EUR)					
Country	Per holding	Country	Per person working in a holding	Country	Per 1 ha
Cyprus	1 276	Cyprus	3 079	The Czech Republic	153
Lithuania	1 083	Portugal	2 220	Estonia	116
Hungary	1 080	Bulgaria	1 709	Hungary	116
Poland	1 065	Latvia	1 705	Latvia	103
Malta	951	Lithuania	1 561	Lithuania	92
Bulgaria	784	Poland	1 133	Bulgaria	82
Romania	245	Romania	377	Romania	76
Slovenia	no data	Slovenia	no data	Slovenia	no data

Source: own study based on <http://www.farmsubsidy.org/>, a lecture of 23 September 2010.

Among 27 EU countries the highest subsidies after recalculating to: 1 farm holding receiving Danish farmers (26 th €), to 1 employed in farm holding goes to Irish farmers (14.3 th €), and to 1 ha of farmland receiving Greek farmers (852 €). In this rankings Poland ranks respectively 5th, 3th and 9th place at the end. Without subsidies large part of farm holdings, especially in “Old EU”, will be a bankrupt.

Conclusion

- Direct payments improved the income of farm families in Poland, but farm holdings with small areas have benefited the least and subsidies accounted for just 3.6% in the structure of disposal income in such holdings.
- A large number of polish farm families – even up to 1 million – do not use direct payments at all.
- There is a considerable regional differentiation in the size of subsidies in Poland – over 1/3 of the total area payments went in 2007 to 3 of 17 Voivodeships. It results from different structure of farmland and agri-production. Average farm holding in Warminsko-Mazurskie Voivodeship (low fragmentation of farm holdings) receives the highest subsidies, the lowest subsidies went to Podkarpackie Voivodeship (high numbers of farm holdings).
- CAP financial supporting level for farm holding is different in particular members. Farmers in EU-15 receive significantly higher subsidies then in EU-12. It results from different level of financial envelops and different money split between Pillars. The highest subsidies receives Denmark (after recalculating to 1 farm holding), Ireland (per 1 employed in farm) and Greece (per 1 ha of farmland, without Malta). Polish farmers are ranked at far places in such listing.

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