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THE PROBLEMS OF POLISH AGRIBUSINESS IN THE PERIOD OF BUILDING A MARKET ECONOMY

1. Introduction

Adapting the Polish economy to the requirements of a market economy during the last ten years resulted in the necessity of changes in all its subsystems. However, the biggest changes have taken place and still have to take place in agribusiness, because this subsystem was least adapted to the requirements of a market economy and many of its elements are outright backward. The problems gain importance due to the fact that the process of joining the structures of the European Union is accompanied by the necessity of considerable changes in the functioning of agribusiness in Poland, in order to satisfy the requirements of European and World competition.

Before discussing the problems of Polish agribusiness, I will specify several notions that are defined in different ways in the literature on the subject and do not cover the same area. According to Augustyn Woś 'agribusiness' can be defined in three different ways: 1. a field of activity of economic entities, 2. a separate subsystem of the national economy, and 3. a discipline of knowledge and research.¹ The notion of agribusiness is analysed below using all three definitions distinguished by Woś.²

Agribusiness as a field of activity of economic entities embraces the following branches of production of materials and services:

1. Manufacturing of the means of production indispensable for agriculture and the food processing industry.

¹ *Encyklopedia biznesu*, W. Pomykało (ed.), Warszawa, 1995, vol. 1, p. 1.

² *Ibid.*

2. Production of primary food products (agriculture, fishery, and to a certain degree forestry).
3. Food processing industry.
4. Marketing of agricultural and food products including the purchasing of food products, storing, refining, sorting, retail sale, export, import, and marketing services. Economic entities can operate in one of these fields or combine several activities. However, in any case the immediate aim of these economic organisations is obtaining and maximising profits in the sphere of agriculture and food.

Agribusiness as a subsystem of the national economy is, according to Woś, the result of a historical process of integration, with help of economic instruments of those spheres of economic activities that became separate earlier, as the social division of labour progressed.

Agribusiness is also a field of specialist knowledge and scientific research in the fields of economics, agriculture, and management.

According to the concept of agribusiness, in the sphere of food business three interconnected sectors can be distinguished:

- the sector manufacturing means of production for agriculture;
- the actual agricultural sector;
- the food processing and distribution sector.³

This division is the consequence of technological progress in each of the spheres of agricultural activity. There exist strong connections between the sectors mentioned. The efficiency of agribusiness as a system depends on the efficiency of developing connections between the three sectors. This takes the form of vertical integration, which in turn creates economic ties between partners of two neighbouring sectors.

2. Agribusiness as a subsystem of the national economy

Agribusiness is a subsystem of the whole national economy understood as a system. In the discipline of management and organisation, a system is understood as a separate part of the surrounding entire reality, possessing specific aims and converting material, financial, and human factors (the inputs of the system) into specific output.

In the literature many definitions of a system can be found. R.L. Ackoff defines a system as a set of components, between which mutual relations

³Dobiegała-Korona, B., Duczkowska-Małysz, K., Duczkowska-Piasecka, M., and Małysz, J., *Marketing w agrobiznesie*, Warszawa, 1995, p. 4 ff.

exist and where every component is directly or indirectly connected with other components.⁴

According to F. Lipták "a system is a well-ordered collection of elements that interact mutually as well as with its environment. The interaction of the elements (structures) of the system give, all in all, specific properties to the system, which manifest themselves in its activities. By its functioning the system attains certain 'aims' or fulfils specific functions."⁵

One of the creators of the theory of adaptation of systems to the needs of management and organisation is G. Nadler. He describes a system as a dynamic relationship of human, physical, and financial resources, thanks to which the conversion of material, human, and informational resources takes place in order to accomplish specific aims or services.⁶

Existing systems create further subsystems which under the constraint of available resources allow more efficient achievement of the aims. In this approach it is essential that every system has a subsystem of lower order as well as a system of higher order. Therefore, taking this way of understanding as a base, it can be argued that agribusiness is a subsystem of the national economy as a whole, while itself creating the following subsystems:

1. Branches of industry working for agriculture.
2. Industries manufacturing means of production for the food industry.
3. Agriculture as a subsystem of agribusiness.
4. Purchasing of primary agricultural products and their storage.
5. Forestry and hunting.
6. Fishery and fish farming.
7. Food industry and processing of primary agricultural products.
8. Wholesale and retail trading of food.
9. Services connected with the functioning of agribusiness as a whole.
10. Agri-tourism.⁷

Let us try to trace the significance of these subsystems in agribusiness as well as the problems connected with their functioning.

⁴Ackoff, R.L., "O system pojęć systemowych", *Prakseologia* 1973, no. 2.

⁵Lipták, F., *Systemova organizacié pracé*, Bratislava, 1977, p. 32.

⁶Nadler, G., "Work Systems Design", [in:] *The Ideal Concept*, Irwin Homewood (ed.), Illinois, 1996, p. 2.

⁷A. Woś distinguishes the following 'cells' in agribusiness: industries manufacturing means of production for agriculture; industries manufacturing means of production for the food industry; agriculture understood as production of primary (food) products and ready-made food; purchase of primary agricultural products, their storage and transport; fishery and forestry; the food industry and processing of primary agricultural products; wholesale and retail trade of food; services connected with the functioning of agribusiness as a whole. See: Woś, A., *Podstawy agrobiznesu*, Warszawa, 1996, p. 58.

3. Characterisation of the subsystems in agribusiness

3.1. Branches of industry working for agriculture

The deepening of the division of labour and the resulting economic development of countries resulted in the increasing reliance of agriculture on the supply of the means of production originating from industry and other branches of the economy producing commodities and services for agriculture. The development of agribusiness is impossible without the dynamic development of industry, and as a consequence the capital it delivers. The basic branches working for agriculture are, according to the authors of the *Encyklopedia ekonomiczno-rolnicza*: tractor and agricultural machine producers, fertiliser and herbicide producers, the petrochemical industry, fodder producers, the building material industry, the construction industry, as well as technical service for agriculture and companies and individuals supplying villages and agriculture with water, plant protection, veterinary services, and so on.⁸

The following facts deserve attention. At the end of the 1970s industrial produce and services made up slightly more than 27% of the total cost of materials and services used in agriculture, and about 35% when the means of production and services from the other branches of the national economy are included. 6% of the total value of industrial produce and services was allocated to the agricultural suppliers. In individual branches of industry this percentage was considerably higher. Besides this, agriculture used almost 10% of building services in the sphere of physical production.⁹ This picture improved a little in the 1980s.

Statistical data from 1995 show that the industries manufacturing means of production for agriculture, mentioned earlier, accounted for about 8% of the total production of agribusiness as a whole, 16% of the value added, engaged 5.5% of fixed production assets, while it employed 1.7% of the workers employed in agribusiness as a whole.

Unquestionably, it should be noticed that in the period of the Polish transformation from a command economy to a market economy the market for manufacturing means of production for agriculture clearly improved. The policies of controlling production and services in the whole economy, subsidising the production of many goods, and most of all the maintaining of many unprofitable firms were, among other things, incessant sources of shortages and created supply barriers for goods originating from industries producing for agriculture. Such a situation existed

⁸ *Encyklopedia ekonomiczno-rolnicza*, Warszawa, 1984, p. 613 ff.

⁹ *Ibid.*, p. 614.

on the market for fodder, fertilisers, herbicides, as well as machinery and equipment. Also the centralisation of the management of individual firms was a reason for such state of things. These firms received rationed supplies, which had to be used for the production of a definite type and level. Such a system of managing firms favoured monopolisation of the market. The principles of running a firm, in many cases unhealthy caused irrational behaviour particularly amongst individual farmers. This resulted in, among other things, the purchase of expensive highly-efficient agricultural machines, whose utilisation would only be rational on large farms.

The end of the 1980s and the beginning of the 1990s was a decisive period for the existence of many firms in the industry manufacturing means of production for agriculture. The liquidation of subsidies by the state for companies and subsidies on products (price liberalisation) caused the collapse of many firms. Many firms could not adjust to the new conditions, under which they had to work, and went bankrupt. Farmers also found themselves in such a situation.¹⁰ The liberalised prices for agricultural means of production, machinery, and equipment for agriculture were definitely higher than the prices in force under the centrally directed economy. In some cases prices doubled or tripled, which in turn created a demand barrier. On the one hand this caused a temporary break down (in some cases even a complete break down) of some farms, while on the other hand many firms producing for agriculture did not have a market for their commodities. Individual as well as state farms did not have the money to buy such commodities.

3.2. Industries manufacturing means of production for the food industry

In spite of good conditions for development, the food industry does not belong to the well developed part of industry in our country. The technical potential of the food industry lies in the electromotive, fuel-and-energy, metallurgical, chemical, mineral, and wood-and-paper industries, as well as in light industry and others. A certain degree of underdevelopment in the food industry did not induce the industry producing for it to develop. Development of the agri-food industry demands that the energy industry, the industry producing machines and equipment for agri-food companies, and firms providing technology do not fall behind in development. An important role is played by the industry producing packing

¹⁰See: Sokołowska, S., *Produktywność gospodarstw indywidualnych w okresie dochodzenia do gospodarki rynkowej*, Opole, 1994.

material for final products in the food industry. In the market economy the packing industry has gained enormous importance. In the shortage economy every product originating from the food industry found its buyer independent of quality and presentation, but this situation has changed diametrically in the market economy. Concern about the consumer means that the producer by necessity has to care both for the product and the way of presenting it.

The subsystem of agribusiness discussed only employs 0.3% of the total number of people working in agribusiness, and uses only 0.3% of the fixed production assets. These industries produce 0.6% of the total product and about 1% of the value added in agribusiness as a whole.¹¹

As mentioned before, the industries producing supplies for the food industry are not modern, inefficient, and characterised by obsolete technologies. This as a consequence means that the produce of the food industry is expensive, which makes it unattractive for consumers. This subsystem of agribusiness demands a thorough restructuring. Transformation of ownership has been taking place in the industries supplying the food industry for many years. Together with the change of form of ownership, changes in production technologies are demanded, which is connected with the necessity of future owners to possess an appropriate amount of capital. Large financial barriers exist for the purchase of new, modern, and competitive, in relation to the West, production technologies. Improvement of the situation is still a matter of time and money.

3.3. Agriculture as a subsystem of agribusiness

Agriculture is one of the oldest basic branches of physical production in which food and other primary products for industry are produced by the cultivation of plants and breeding of animals. Agriculture is a human activity which, by using land, steers biological processes with the aim of producing food and other products.¹² In the process of the development of societies the share of agriculture in total production declines in relation to other branches of the national economy. Technological progress causes the intensification of vegetable production and animal breeding, while labour productivity in agriculture increases. This means an increase in productivity in terms of units of land and animals counted per worker or per capita. Economic development causes changes in tech-

¹¹Data quoted from A. Woś, op. cit, p. 63.

¹²See: *Encyklopedia ekonomiczno-rolnicza*, Warszawa, 1984, p. 646.

niques and applied technology, as well as changes in the organisation and production structure in agriculture. Agriculture becomes more and more dependent on other parts of the national economy – industries manufacturing means of production for agriculture, industries manufacturing means of production for the food industry, and so on.

Poland belongs to the group of countries in which a very large amount of the geographical surface is used for agriculture (60%) and the productivity is low. In 1994 agriculture had 18,648 thousand hectares at its disposal,¹³ 14,977 thousand hectares belonging to individual farms while 1868 thousand hectares belonging to state farms. In 1993 3,704 thousand people worked in agriculture, making up 27% of all the people working in the economy. At the same time it used 22% of gross fixed assets functioning in the national economy as a whole. During the same period 23 people were employed per 100 hectares of arable farmland, while this number for family farms amounted to 25. The workers in agriculture only produced 6.3% of GDP. According to the latest statistics, these numbers have not changed significantly. In 1997 agriculture had 18,457 thousand hectares at its disposal, 15,293 thousand hectares being used by individual farms. Workers in agriculture, hunting, and forestry made up 26.2% of total employment in the economy.¹⁴ The average amount of land per farm increased from 6.9 to 7.8 hectares.

Polish agriculture as a branch of the national economy, has experienced huge structural and organisational changes since 1990, mainly concerning the resources of former state farms.¹⁵ In the years 1986-1990 the state sector still possessed about 19% of arable lands, accounted for about 18% of total agricultural production, nearly 18% of gross final production, and about 31% of goods production. In 1991 the share of this sector in the centralised buying of agricultural products amounted to about 65% of rape seed, 38% of cereals, about 31% of potatoes, 24.5% of pork, 20% of cattle, over 14% of milk, and 13.5% of sugar beet. State farms produced seeds on mass scale.

The peak of the crisis was at the turn of the 1990s. Continually worsening financial results, low productivity, large debts and an unfavourable political atmosphere around state farms ended in the parliamentary

¹³ *Rocznik Statystyczny 1995*, GUS, Warszawa, 1996, p. 334.

¹⁴ *Rocznik Statystyczny Rzeczypospolitej Polskiej 1998*, Warszawa, 1998, pp. 122, 123, and 328 ff.

¹⁵ See: Dzun, W., "Dostawywanie się państwowych gospodarstw rolnych do warunków gospodarki rynkowej", *Więś i Rolnictwo* 1993, no. 2 and Zgliński, W., "Przekształcenia państwowych gospodarstw rolnych i ich wpływ na więś i rolnictwo", *Więś i Rolnictwo* 1995, no. 1.

act of 19 October 1991 which stated that before 31 December 1993 state farms had to be liquidated. This is how the liquidation process started.

The possessions of state farms were taken over by the Agricultural Property Agency of the State Treasury (*Agencja Własności Rolnej Skarbu Państwa*), which from 1 January 1992 had to carry out ownership transformations in agriculture. A basic condition for the realisation of the transformation of the state sector in agriculture became the restructuring and privatisation of these possessions. The final results of the decisions taken several years ago can only be verified by analysing the economic results in the years to come.

As mentioned before, one of the basic reasons that state farming was unsuccessful was the inadequate financial system. One of the basic reasons for low productivity in private farming was an inadequate agrarian structure, the structure which during last 20 years slowly changed in the positive direction. An indication of this is the fall in the number of farming households from 2138 thousand in 1990 to 2008 thousand in 1997.¹⁶ A. Woś estimates that by 2020 the number of farming households will have decreased to 1650 thousand, while the average farm size will have increased to 8.1 hectares. He further estimates that in 2020 42% of all farms may be larger than 10 hectares with their share in total arable land being 47%.¹⁷ Such a quick improvement in the agrarian structure will transform farming households into economic enterprises linked to the market, becoming business farms with a high output of goods and strong demand for agricultural means of production. Farms that cannot manage to deal with the changing circumstances will be eliminated from the market or transformed into small plots functioning besides farms within a multifunctional rural system.

Apparently agriculture as a subsystem of agribusiness has most problems to be solved. One would hardly disagree with Antoni Leopold, who writes that "we stand before the fundamental problem of the burden of the excessive share of labour in agriculture on society and the economy, while efficiency is a fraction of that in other sectors, with at the same time strong limits on the opportunities to change this situation. However, it appears that one cannot accept such a mediocre utilisation of the labour supply of a considerable part of society, not only stratifying the economic situation but also life-opportunities of agricultural families."¹⁸

¹⁶ *Rocznik Statystyczny Rzeczypospolitej Polskiej 1998*, Warszawa, 1998, p. 330.

¹⁷ Woś, A., op. cit., p. 68 ff.

¹⁸ Leopold, A., *Rolnictwo w procesie przemian i rozwoju gospodarki*, PWN, Warszawa, 1997, p. 155.

3.4. Purchasing of primary agricultural products and their storage

The purchase of farming products concerns the quantity and value of agricultural products (e.g. vegetables, animals) purchased by economic subjects directly from the producer. In 1994 the purchase of agricultural products per hectare of arable land, measured in the cereal unit dt (decatonne), amounted to 12.6 dt (state farms 15.9 dt, private farms 12.5 dt, and agricultural production co-operatives 17.5 dt).¹⁹ In that year the total area of arable land amounted to 18,648 thousand hectares, so it was necessary to purchase about 235 mln tonnes of cereal. In the same year the average value of output per hectare arable land was 872 zlotys (state farms 727 zlotys, private farms 920 zlotys, agricultural production co-operatives 1181 zlotys²⁰).

The numbers presented show that the purchase of agricultural produce is a great organisational problem. Inadequate organisation can lead to huge material and financial losses.

Difficulties in selling agricultural products did not exist in the centrally directed economy. The state bought all agricultural products produced by state farms, while the sale of the products from co-operatives and private farms was also guaranteed. Each of these sectors sold its produce via its own channels and more importantly, a buyer could be found for all commodities independently of their quality. In the absorptive market for goods and services buyers could be found for everything. The only barrier was the supply of agricultural products. In the centrally planned economy the state guaranteed farmers the purchase of their products. Farmers complained about the unavailability of machines, tools, fertilisers, and herbicides, which were rationed and not accessible to everyone.²¹ This situation completely reversed in the period of the change of the centrally directed economy towards a market economy.²² For the first time in the post-war period farmers faced a situation in which a buyer could not be found for every commodity. The state stopped guaranteeing the purchase of agricultural produce. The general crisis evoked by the process of system transformation deeply affected Polish agriculture. The reasons for this situation were manifold. The decreasing demand for agricultural products due to impoverishment of the population and the competition with West-

¹⁹ *Rocznik Statystyczny 1995*, p. 335.

²⁰ *Ibid.*

²¹ Sokołowska, S., *op. cit.*

²² See: Sokołowska, S., "Ocena wpływu polityki rolnej państwa na zachowania produkcyjne rolników", *Organizacja i Kierowanie* 1993, no. 3.

ern agricultural products meant that many farmers could not cope with the new reality of the market. On the one hand they felt a lack of assistance from the state, which until that time had been buying all the production, while on the other hand the new situation led to a lack of financial means for buying machines, fertilisers, and herbicides now available in abundance. The new systemic conditions meant that all economic subjects in agriculture had to begin to adapt to the new environment, a transformation that is still going on. The situation presented above also led to the necessity of changes in the area of the purchase of agricultural output.

3.5. Forestry and hunting

Forestry is a branch of physical production satisfying society's demand for forest products and fulfilling functions beyond production (protection, recreation, landscape creation, and so on).²³ In Poland there are 9029 thousand hectares of forest and woodlands, making up 28.8% of the total area of the country.²⁴ From the point of view of agribusiness this branch is only interesting as a provider of forest products. It is important to keep in mind that forests will gain more and more meaning in the multifunctional development of the countryside and the development of agritourism.

The raw materials originating from the forest are products of the undergrowth (whortleberries, blackberries, raspberries, and mushrooms), herbs, and timber. The first two have relatively little importance in production for the market, while timber is an essential raw material used in the construction and packing industry. Timber and other similar products are raw materials that originate from forestry and the timber industry and are supplied to agriculture, the food industry, and other branches indirectly related with agribusiness. The importance of forestry to agribusiness is difficult to assess due to the lack of statistics.

The biggest sales of timber are realised by state firms exploiting state forests (*Państwowe Gospodarstwo Leśne Lasy Państwowe*). The volume of sales has increased from 17,107 cubic decametres in 1990 to 20,528 cubic decametres in 1992, 20,446 in 1993, and 20,756 in 1994. The value of sales increased from about 426 mln zlotys in 1990 to 656 mln zlotys in 1992, 815 in 1993, and 1211 in 1994. Also in this period the price of timber increased very quickly.²⁵

²³ *Encyklopedia...*, p. 370 ff.

²⁴ *Rocznik Statystyczny 1998*, p. 329.

²⁵ *Rocznik Statystyczny 1995*, p. 371.

Forestry as a branch of physical production is inseparably connected with hunting, an activity which may play a significant role as a subsystem of agribusiness and be an important source of income for the national economy. For years the price of game on the world market has been more than twice the price of farm animals. A modern way of managing hunting could be very profitable. One should remember that in the last 25 years much has been done for the development of hunting. Many hunting centres subordinated to the Ministry of Agriculture, Forestry, and Food (*Ministerstwo Rolnictwa, Leśnictwa i Gospodarki Żywnościowej*) and the Polish Hunting Association (*Polski Związek Łowiecki*) came into being. Furthermore, research concerning hunting (biology and protection of wild animals) is conducted within the framework of a centrally co-ordinated research programme.

The basic direction of modern hunting is the protection of game on open hunting grounds. This protection relies on preventing and fighting diseases, fighting poaching, prohibition of hunting during certain periods, and applying ethical methods of hunting.

Hunting brings immediate economic advantages in the form of game, skins, furs, and hunting trophies mainly destined for exportation. Poland also exports game for breeding aims. A separate and very profitable form of obtaining revenue from hunting is the organisation of hunting for foreigners, which could lead to a situation, where hunting becomes an important element of the development of agritourism in our country.

3.6. Fishery and fish farming

After forestry and hunting, fishery and fish farming are the next subsystem of agribusiness. Fishery is defined as a branch of the economy embracing the catching of fish as well as other animals (e.g. lobsters, shrimps, oysters) from the sea, lakes, and rivers for consumption and production.²⁶ Inland fishing is a branch of the economy engaged in breeding fish in natural (rivers, lakes) and artificial (ponds, special devices) aquatic habitats.²⁷

Polish fishery and fish farming has of course a limited and well defined range. However, it is an important natural resource and fishery could become an important element in the development of angling and recreation, which in turn could influence the development of national agritourism. Sea and freshwater fish are an important element in the

²⁶ See: *Encyklopedia powszechna PWN*, Warszawa, 1976, vol. 4, p. 96.

²⁷ See: *Encyklopedia ekonomiczno-rolnicza...*, p. 670.

food supply, while fishery and fish farming themselves are the basis for the development of the fishing industry and everything in the production chain it is connected with. This subsystem of agribusiness certainly has a large development potential. However, increasing its importance will demand large financial resources.

3.7. Food industry and processing of agricultural raw materials

The food industry and the processing of agricultural raw materials belong to a very large subsystem of agribusiness. Generally speaking, this branch is engaged in the production of food products from edible primary products originating from agriculture or the sea by means of proper processing and conservation methods.²⁸

In the literature this subsystem is divided into (primary) primitive processing and industrial processing.²⁹ Primitive processing relies on simple operations carried out on farms, or by the purchaser of agricultural primary products, and its aim is to prepare the agricultural product for commercial and consumption purposes. Industrial processing most often relies on a complete physical change of the primary product in the process of transforming it into a final product.

Primitive processing activities do not need further explanation, as more explanation should be given to industrial processing. Industrial processing transforms primary food products (bought directly from the farmer or from the enterprise's own production) into units of final food products for resale to wholesale, retail trade, or other manufacturers. This processing takes place in specialised firms from the food and agricultural industry.

Industrial processing as a part of the agri-food processing subsystem of agribusiness is a result of the social division of labour in the food business. The characteristic features of industrial processing are: concentration of production processes, use of the means of production of industrial origin or from other industries being subsystems in agribusiness, increasing capital intensity, decreasing labour intensity, and what has to be emphasised, a high degree of interaction with the market.

Within agri-industrial processing different levels of processing can be distinguished. So-called deep processing is one of the most important, embracing the production of preserves, the production of instant food, or

²⁸ Ibid., p. 617.

²⁹ See: Woś, A., op. cit., p. 74.

semi-manufactured food products demanding only limited preparation in households or in culinary enterprises, as well as commercial processing, i.e. making the use of the product easier for trade and final consumers.

The sector of agri-industrial processing is developing quite dynamically. Besides the large companies in this branch which already existed under the centrally directed economy and which experienced organisational and ownership transformations under the market economy, a large number of small- and medium-size firms have come into existence. Some of these small- and medium-size firms were established by individual farm owners, while other have their base in the primary products originating from purchase and make use of other subsystems of agribusiness. The dynamic development in agri-food processing is, among other things, connected with the shorter time that it takes to recover investments, compared with other subsystems of agribusiness.

3.8. Wholesale and retail trade of food

The economic transformation after 1989 has had a very large impact on the organisation of wholesale and retail trading of food. The collapse of many state or co-operative warehouses and covered markets caused a sudden filling in of these gaps by the arising of, at the beginning, innumerable number of small shops and stalls offering goods at lower prices. In a collective work edited by Roman Urban *Przemysł spożywczy po czterech latach przekształceń* ("The food industry after four years of transformation") it was estimated that between 1990 and 1993 the number of individuals in the retail trade increased by a factor of 1.7, while the number of shops increasing by a factor of 1.6.³⁰ The authors estimate that in 1992 there were 93,520 shops in the countryside. The total number of shops in 1993 amounted to about 380 thousand, 40% of which were shops selling food, which in total employed over 300 thousand people. The number of grocery shops in the countryside increased by a factor of 2.3, while the number of shops selling industrial goods, including agricultural means of production and building materials, increased by more than a factor of 4.

The structural changes touched both the organisation of wholesale and retail trade. Wholesale trade experienced an even greater transformation. Huge warehouses of state firms and co-operatives were liquidated. However, above all, the 'philosophy of storing' changed. An expression of success in the shortage economy was the size of the storage area and the vol-

³⁰ Quoted in Woś, A., op. cit., p. 77 ff.

ume of accumulated goods. In the market economy the limiting of both the storage area and the volume of goods in store started. The maintenance of warehouses and the storage of commodities is expensive. The stock of consumer goods in commercial warehouses and the stock of products of producers have begun to decline.

One of the problems raised recently by economists is the large scale establishment of large supermarkets, a trend coming from Western Europe, which are slowly eliminating small shops and stalls. At the moment it is difficult to foresee the speed of development of this form of trade and to what extent it will eliminate the traditional forms of trade. However, it already stirs anxiety. During a conference entitled "Farming policy – an element of Polish economic development policy" (*Polityka rolna – element polityki rozwoju gospodarczego Polski*), organised in Warsaw by the Polish Economic Association (*Polskie Towarzystwo Ekonomiczne*) on 12 November 1996, professors Wiktor Herer and Władysław Sadowski estimated that in the course of the next few years this form of trade will eliminate a considerable number of jobs.

3.9. Services connected with the functioning of agribusiness as a whole

Services are a very important subsystem of agribusiness. The efficiency of the other branches of agribusiness depends, to a large degree, on the quality of services. Until 1990 productive services in the countryside were mainly realised by state organisations and the "Spółdzielnie Kółek Rolniczych" (SKRs – *Co-operatives of Farming Circles*). In reality, in particular the latter was a monopolist on the market for services, carrying out about 90% of agri-chemical services connected with the mineral fertilisation of soils and plant protection with the aid of chemical compounds, while also carrying out other chemical operations. A large proportion of the services was spreading of chemical fertilisers. The SKR also provided tractor and machine services. In spite of the large involvement of the state in the development of agricultural co-operatives, the expectations of individual farmers, for whom they were developed were not fulfilled.

After 1990 serious changes took place in the organisation of agricultural productive services and the accessibility of these services. The liquidation of state subsidies to the SKRs meant that these had difficulties coping with the new situation. Some were liquidated while other were privatised by selling assets or by way of workers' co-operatives buying the property.

Artificial insemination and veterinary services are very important productive services for agriculture. Until 1990 artificial insemination centres were in the hands of stations for the breeding and insemination of animals subordinated to the Central Station for Animal Breeding (*Centralna Stacja Hodowli Zwierząt*). In the period of systemic changes in agriculture, most of the artificial insemination centres were privatised. According to A. Woś a considerable growth of demand connected with insemination services can be observed. Many significant changes can also be observed in veterinary services in the countryside. The liquidation of many state farms, which went together with a decreasing demand for veterinary services caused the liquidation of a considerable number of veterinary clinics. Many veterinarians and veterinarian technicians lost their jobs. So far the first often found employment by establishing a private veterinary clinic, while the technicians often changed their professional qualifications. The latest statistics show that over 90% of veterinary institutions are private. However, specialised veterinarian services are still performed by state institutions, to which the following belong: sanitary inspection, organisations which carry out official inspection of animals and meat, food laboratories, and others.

Besides the productive services for agriculture described above, there is a whole range of services realised by organisations belonging to the social infrastructure of agriculture. An example is institutions providing advisory services concerning agricultural progress. Their task is to train and give advice in the field of modern vegetable production, modern farm animal breeding, rational investment decisions, and the operation of agricultural machines. It should be noticed that the new political circumstances have created the need for new advisory services – economic advisory services. Farmers want to manage their farms in a professional manner, which makes it necessary to draw business plans, possess skills in assessing the efficiency of production planning, and establish efficient farming in the long term. This causes an increasing demand for such services by farmers.

3.10. Agritourism

Rural tourism is becoming a more and more important subsystem of agribusiness. The development of agritourism could be a huge opportunity for developing a multi-functional countryside, under the condition of a certain level of infrastructure being attained. An average Polish village is characterised by underdevelopment of technical and social infrastructure, which is the basic barrier against the development of rural tourism. On the other hand, it should be emphasised that the development of

infrastructure creates many opportunities to reduce rural unemployment. In the case of development of agritourism, peasant families could earn from renting housing and providing food for tourists. The preparation of villages for agritourism will improve their economic situation. Money from private, communal, and state sources is needed for such investment.³¹

When writing about agritourism as a subsystem of agribusiness, it is necessary to consider the long-term state policy concerning the development of the countryside. Jerzy Wilkin distinguishes three stages in which the state policy towards the countryside has evolved.³²

The first stage lasted from the end of 1989 until the first half of 1991 and was characterised by price liberalisation, together with the opening of the Polish economy to foreign competition, the liquidation of subsidies on agricultural and food products, and a sudden decrease in the range of support for agriculture.

The second stage (the second half of 1991 until 1994) was characterised by increasing protection of Polish agricultural producers from foreign competition and the establishment of three organisations, with the aid of which the state influences agriculture: the Agency for the Agricultural Market (*Agencja Rynku Rolnego*), the Agricultural Property Agency of the State Treasury (*Agencja Własności Rolnej Skarbu Państwa*), and the Agency for the Restructuring and Modernisation of Agriculture (*Agencja Restrukturyzacja i Modernizacja Rolnictwa*). During this period, agricultural policy was a policy of protection of agricultural producers, and to a lesser extent, a policy of development of agriculture.

The third stage started in 1994 and has continued up to the present day. This period is characterised by a widening of the policy aims of the state towards the countryside and agriculture, while agricultural policy has started to be understood as a part of the broader concept of countryside policy. The beginning of the change was the announcement of the "Strategy for Poland" (*Strategia dla Polski*) in 1994, followed by the programme of the Ministry of Food and Agriculture entitled "Foundations of socio-economic policy for the countryside, agriculture, and food supply until the year 2000" (*Założenia polityki społeczno-gospodarczej dla wsi, rolnictwa i gospodarki żywnościowej*).

³¹ See also Marciniak, T., "Aktywizacja wiejskich społeczności mazurskich", *Wies i Rolnictwo* 1996, no. 3.

³² Wilkin, J., "Problemy obszarów wiejskich w polityce rozwoju gospodarczego Polski", a paper presented at the scientific conference entitled *Agricultural policy – an element of the Polish economic development policy*, Warsaw, 12 November 1996, p. 11 ff.

In the opinion of J. Wilkin the beginning of the conversion of agricultural policy into rural policy has not yet brought the formation of an integrated programme indispensable for the realisation of the aims set. However, the first steps have been made. Examples of such steps are the popularisation of the slogan of multifunctional development of the countryside, increasing the accessibility of credit for projects connected with rural infrastructure, as well as the popularisation of and support for agritourism by agricultural advisory organs. The advance in the development of the Polish countryside, especially the bridging of the developmental gap between the city and the countryside, cannot take place without a great deal of state support, since one cannot expect that the problem will be solved by the market mechanism itself through economic growth.³³

No additional argument is needed to prove which opportunities the introduction and development of agritourism may bring to Polish villages. Specialists in this field suggest that "in the planning of the introduction of agritourism, one should be meticulously considering the indicators determining the socio-natural utilisation of the environment, to which the following belong:

- physical efficiency (endurance), determining the number of tourists that will not disturb the environmental equilibrium;
- ecological efficiency, indicating the admissible burden on the natural environment which does not cause destruction of flora and fauna;
- socio-psychological efficiency, determining the burden on the inhabitants of the region that will not cause the destruction of families and local communities;
- infrastructural efficiency, determining the admissible burden on communal recreational resources which will not cause their accelerated de-capitalisation."³⁴

As mentioned before, there is no doubt that agritourism creates a good opportunity for Polish villages in their multifunctional development. In the long-run, it will contribute to an inhibition of unemployment, the promotion of development of the countryside, the necessity of increasing qualifications, and most of all the decrease of the gap between the city and the countryside in the level and accessibility of education. However, to attain this, financial resources and time are needed. The introduction and development of agritourism will be a long-lasting process for some areas. For some, because there are areas in Poland where rural tourism has already functioned for decades, being a source of income and development

³³ Ibid., p. 12.

³⁴ Quoted from Maciąg, J., "Źródła i perspektywy turystyki wiejskiej. Od wyczasów do agroturystyki", *Więś i Rolnictwo* 1996, no. 3, p. 17.

for the inhabitants of the villages (for example alpine tourism). Some seaside villages during the last years are an example of the new developmental opportunities. However, the introduction of modern agritourism also demands the breaking of many psychological barriers from the side of the inhabitants of the villages, as well as tourists themselves. How long-lasting the process will be depends on the already existing traditions and the degree of infrastructural preparation of the village in question.

It follows from what has been presented that the management of agribusiness in itself contains various problems on the micro- and macroeconomic level. All these problems should be solved in a systemic way, by reconstructing the whole agribusiness as a subsystem of the national economy. To do this, however, state intervention is necessary – the establishment of a strategy for agriculture and the countryside, as this subsystem will have the greatest difficulties in adapting before entering the structures of the European Union. The remaining subsystems of agribusiness face many problems, although there are also many opportunities for development. To solve these problems, it is necessary to stimulate entrepreneurship in the countryside through an improvement in the education of farmers and inhabitants (mainly working-class) of villages and small towns, especially there where enterprise is most needed.³⁵ The development of education and economic and agricultural advisory services is a necessary condition for the development of the countryside. Investment in education, in the long term will cause the development of agribusiness, from which active and modern subsystems of the national economy could arise. This demands, however, time, money, and intelligent political decisions.

³⁵See also: Klepacki, B., "Między ciągłością a zmianą – centralizacja czy regionalizacja", [in:] *Roczniki Naukowe Stowarzyszenia Ekonomistów Rolnictwa i Agrobiznesu*, Rzeszów, 1999, vol. I, book 1, p. 23.