MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

AGRICULTURE AND FOOD ECONOMY IN POLAND

WARSAW, 2006

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AGRICULTURE AND FOOD SECTOR IN POLAND

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Ladies and Gentlemen!

I would like to present to you a new edition of "Agriculture and Food Sector" study. Releasing this publication – as every year – coincides with the opening of POLAGRA-FOOD and POLAGRA-FARM fairs.

This publication is targeted to both domestic and foreign recipients and it presents the basic information about the situation in agriculture, food processing, fishery, international trade in food and agricultural products, rural areas development and policy towards agriculture. Information on changes which took place in recent years, especially after Poland's accession to the European Union, is presented in an objective way and on the basis of official statistic data and reporting.

It is now two years since Polish economy joined the single European market. There have been a lot of concerns about the competitiveness of our agricultural sector after Polish and European markets opened wide, especially in the light of unequal initial status and unequal condition which were created for the new Member States. I would like to say with great satisfaction that in this new economic situation Polish food and agriculture sector leads the whole of the national economy and makes the best use of the opening of the European markets and access to almost all export and production support mechanisms, which the European Union offers to its member states.

It must be stressed at this point, that the difficult situation of rural areas caused by years of neglect and mistakes in agricultural policy will not improve immediately. The gap which divides the welfare of European and Polish farmers cannot be filled over such a short period.

The opening of large and well developed European market with over 400 million consumers showed the high competitiveness of Polish food and agricultural production. High quality and excellent taste of Polish food, the skill in utilizing the competitive edge and combating non-economic barriers in entering foreign markets resulted in a dynamic growth of exports and increasing share of the agricultural economy of the whole of the European Union.

The overall balance of Polish foreign trade is still negative, though the situation is improving. The turnover in food and agricultural products with all countries increased in both 2004 and 2005 doubling the positive balance from year to year; from 445,5 million in 2003 to 835,7 million EUR in 2004 and 1.628,2 million EUR in 2005. The results in trade with the European Union were even better, in 2005 the positive balance was at 1795,9 million EUR and was almost four times bigger than in 2003. (450,7 million EUR). Fast modernization of the production potential was undoubtedly a factor which contributed to the commercial success of the food and agriculture sector. Investments implemented in the pre-accession period resulted in thorough modernization of production and ensured conformity with the EU requirements, which was the condition of entering the common market. High quality of our product was appreciated.

Poland's membership in the European Union considerably increased the level of aid for agriculture, fisheries and rural development, though our farmers still do not enjoy the benefits of all the instruments of the Common Agricultural Policy and will not do so in the next few years. Though this situation invites protests, especially because some of the instruments reduce the possibility to fully utilize the production capacity (e.g. in milk sector), it must be acknowledged that the funds directed to agriculture, fisheries and rural development in 2005 are much bigger. The increase was influenced mostly by EU funding. In 2005 they constituted 53,3% of the overall support for agriculture, fisheries and rural development (14.936,7 million EUR) against 13,8% in 2003 (5.080,5 million)

Agricultural and rural development will be the government's priority in the following years. Basis will be established for our full utilization of European Union funds, with the necessary co-financing from the State budget, in order to improve the production and increase incomes. Rural Development Plan 2007-2013 will be an important instrument of support.
I encourage you to visit POLAGRA-FOOD and POLAGRA-FARM fairs. They are the perfect showcase to present the achievements of our agriculture and food industry against the background of foreign exhibitors. Lesser industrialization of our agriculture ensures that we produce the foods of high health value in one of the most natural environments in Europe.

This year's fair will see the third edition of "Try Fine Food" awards, the brand given to products of the highest quality.

Andrzej Lepper

Minister of Agriculture and Rural Development

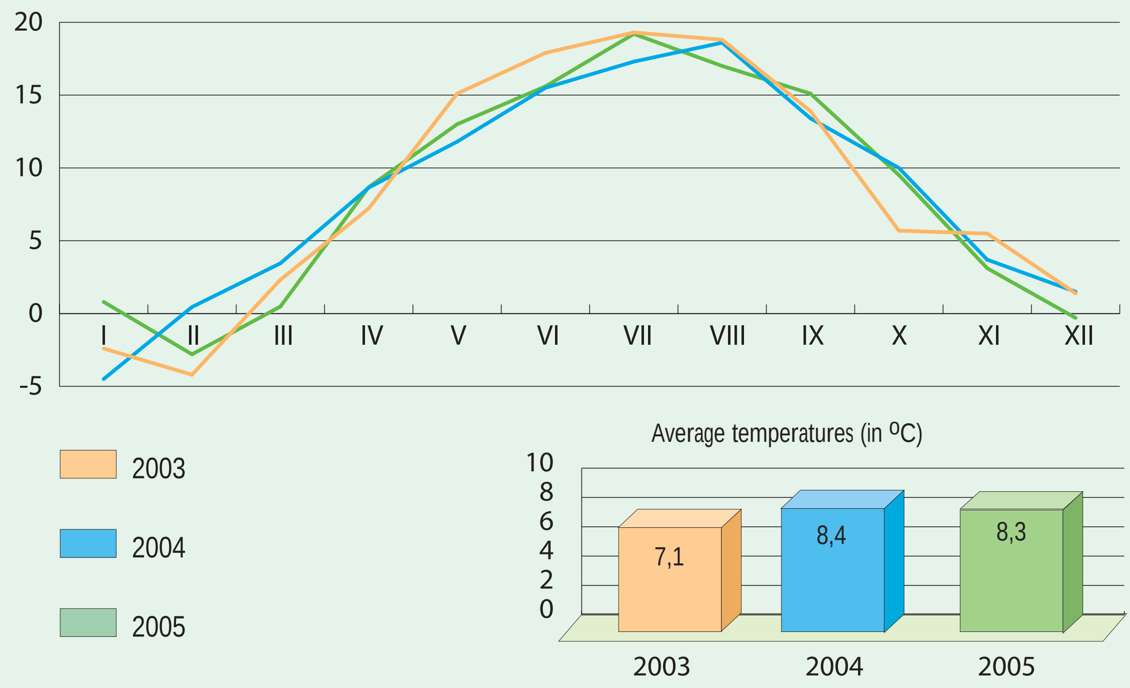
General information about Poland

Poland is a country situated in the central part of Europe, with a total area of 312,7 thousand square kilometers and the population of 38,2 million. In terms of area Poland ranks 6th in the new European Union (25 member states) and 69th in the world, in terms of population 6th in the EU and 32nd in the world.

From 1st May 2004 Poland is a member of the European Union (EU). Within the EU Poland borders Germany, Czech Republic, Slovakia and Lithuania; the borders with Russia, Belarus and Ukraine are the external borders of the European Union.Poland occupies 7,9% of the total area of extended EU; its population constitutes 8,4% of the population of EU.

Poland is characterized by a large variety of natural conditions in its regions, which makes it an attractive tourist destination.

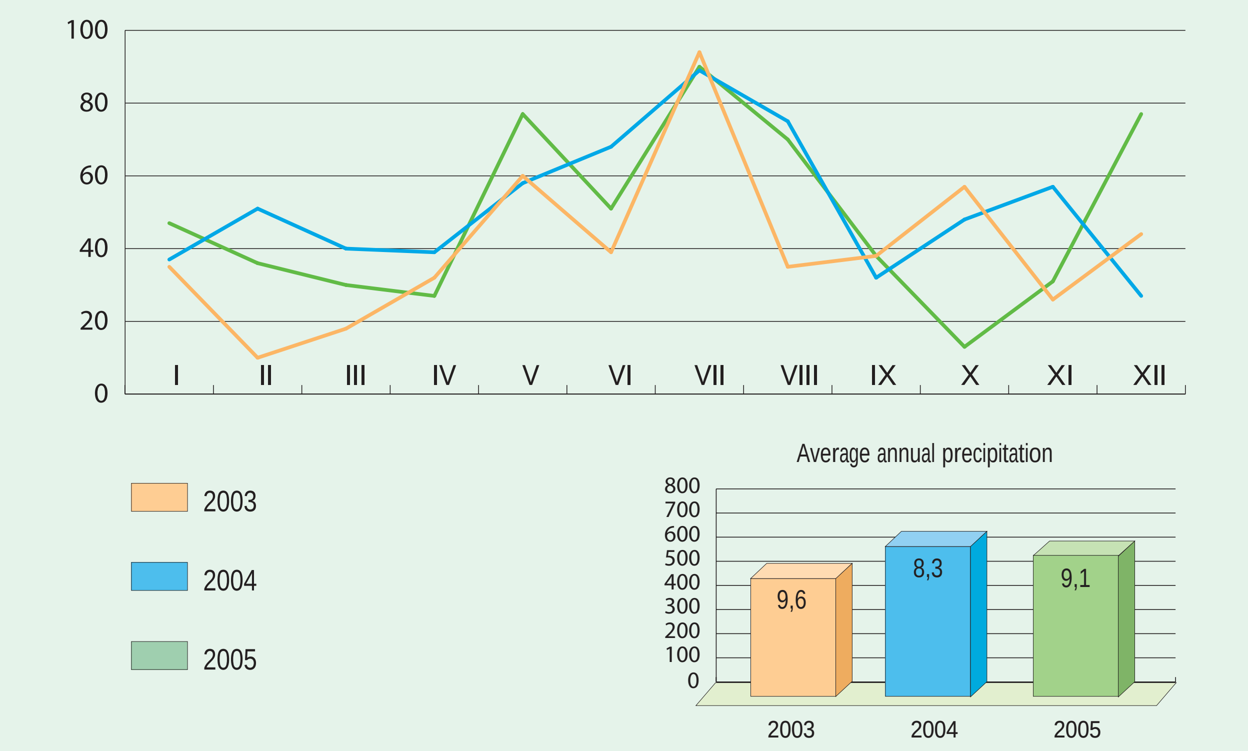
Figure 1. Average monthly temperatures in Poland (in °C)



Source: Rolnictwo w 2005r. (Agriculture in 2005) GUS, Warsaw 2006, based on the data provided by the Institute of Meteorology and Water Management.

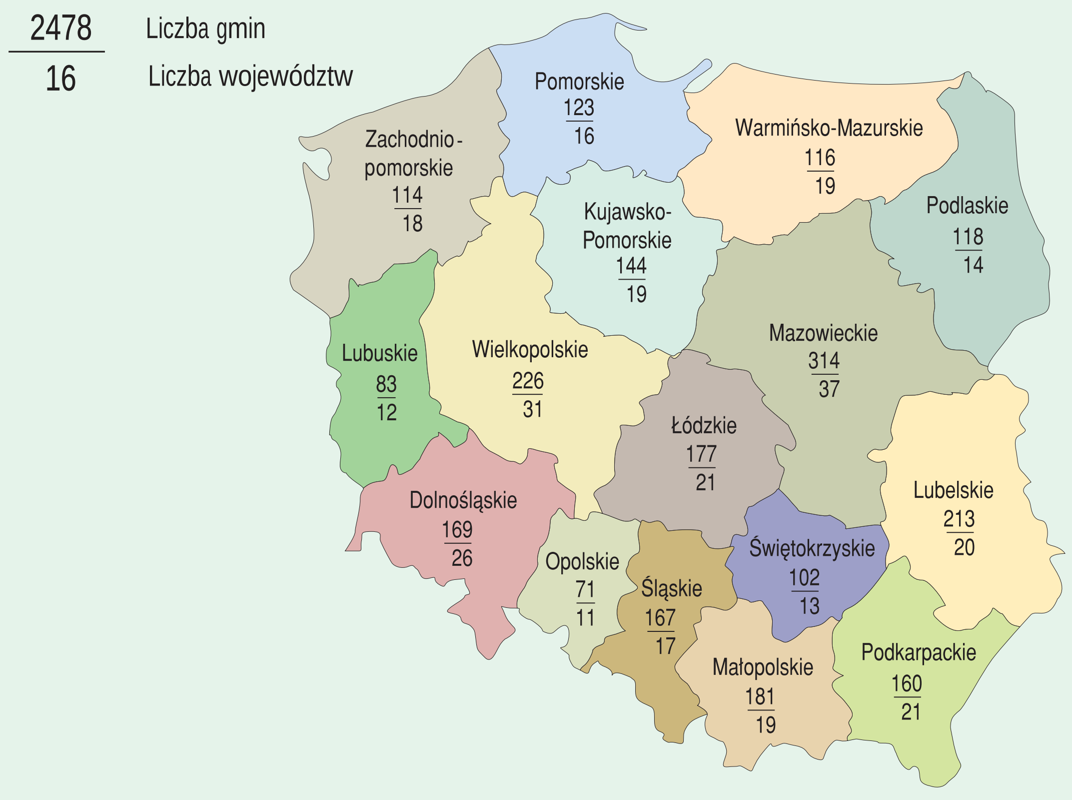
In the North it borders the Baltic Sea; in the South there are two mountain ranges: the Carpathians with the highest mountains the Tatra mountains (the highest peak Rysy – 2499 metres above the sea level) and the Sudeten with the Karkonosze mountains (the highest peak Śnieżka – 1602 metres above the sea level). In the interior of the country there are the Świętokrzyskie mountains (with the highest peak Łysica – 612 metres above the sea level).
Poland has many rivers (the longest one is the Odra – 742 km in Poland and the Vistula - 1047 km) and lakes (the deepest one is Hańcza – 108,5 m, and the largest one - Śniardwy - 113,8 km2), as well as canals and artificial reservoirs. Water quality tests indicate a steady increase in the purity of underground waters, as well as rivers, lakes and canals.
Polish agriculture has a significant potential although the soil and climatic conditions are unfavourable when compared to most of European countries. In 2005 15.9 million ha of land i.e. 50.9% of the area of the country were used for agricultural purposes. Poland has a leading position in the EU in terms of the area of agricultural land (after France, Spain and Germany and with the area similar to that in the United Kingdom), but the quality of soils is low.
Poland has a moderate climate with changeable weather. The summer lasts from 60 days in the lake districts up to 110 days in the Silesia Lowland, with fluctuations in particular years. Within the last 3 years the average air temperature varied between 7,1 and 9,1 ^{0}C.
The South-Western part is the warmest and the North-East is the coldest one.
Precipitation is the main source of our water resources. Poland is divided into 16 voivodships, 314 districts and 2478 communes. There are 65 towns with the district status. The auxiliary units in communes are, among others, the so-called solectwa, the number of which is more than 40 000. Rural areas are inhabited by 14.733 thousand people, i.e. 38,6% of the population.

Figure 2. Average monthly precipitation in Poland (in milimeters)



Source:Rolnictwo w 2005. (Agriculture in 2005) GUS, Warsaw 2006, based on the data provided by the Institute of Meteorology and Water Management.

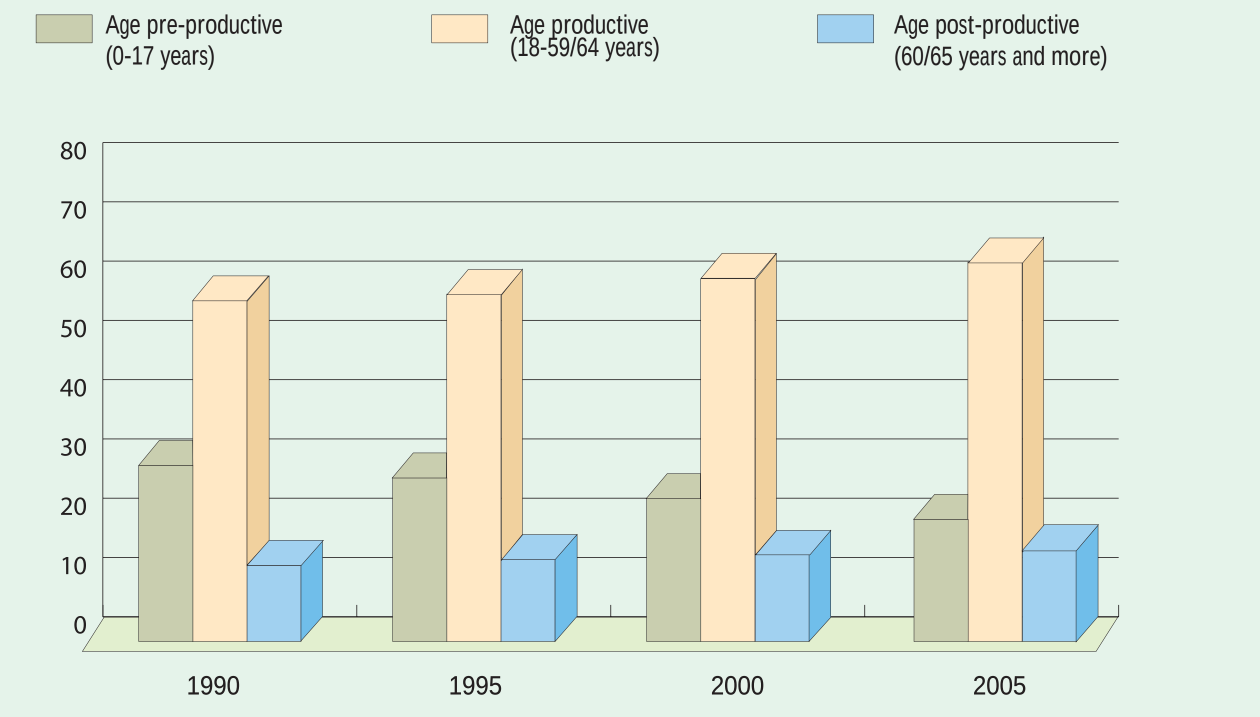
Figure 3. Units of territorial division in Poland in 2005



Źródło: Mały Rocznik Statystyczny 2006r., str. 83

In comparison to other European countries, Poland's population is demographically young. However, for the past two years the population growth rate has been decreasing. Children aged below 15 make up nowadays 16,2% (in rural areas 18,9%) of the total population, against 25% in 1990 and 21,2% in 2000.

Figure 4. Population in 1990-2005 (%)



Source: Concise Statistical Yearbook, GUS, 2005, Population, status and structure in territorial aspect, GUS Warsaw 2006

General characteristics of Polish agriculture

Polish agriculture is characterised by a large fragmentation of holdings, a large number of people employed, the prevalence of soils with average or low usefulness for agriculture and by relatively low use of industrial means of production. Polish agricultural products are characterised by high health values which is a result of the clean environment, methods of production applied and limited use of chemicals in agricultural production.
Despite this fact, Poland is an important European and global producer of a number of agricultural and horticultural products as well as products of animal origin.

Table 1. Market share and position of Polish agriculture in the world and EU-25 (%)

Specification	share		rank	
	world	EU	world	EU
Crops:				
wheat	1,6	7,2	16	4
rye	24,0	43,5	1	1
potatoes	4,3	21,2	6	1
sugar beet	5,1	9,8	7	3
Livestock:				
cattle	0,4	6,1	43	7
pigs	1,8	11,2	7	3
Production:				
meat	1,2	7,6	14	5
milk	2,3	8,3	11	4

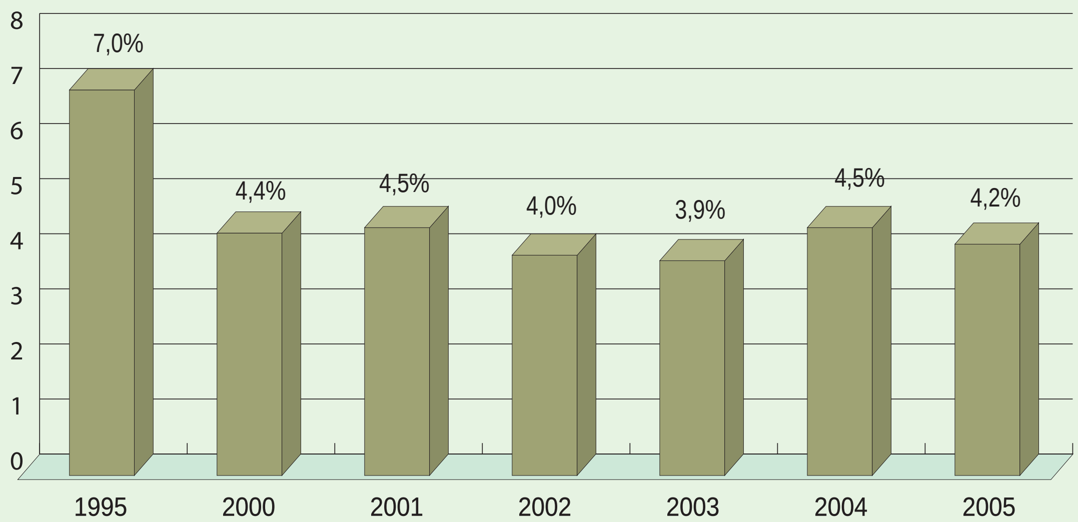
Source: Statistical Yearbook of Agriculture and Rural Areas, GUS 2005, data for 2004

Vegetable crops constituted 8,9% of the total EU-25 production (4th place), and fruit crops 5,4% (6th place).
Poland is a leading producer of berries, mainly strawberries, raspberries and currants as well as one of the largest producers of onions, cabbages, cauliflowers and apples (number one in the EU).
Poland is among the countries with large biodiversity and has varied habitats and natural landscapes. A significant part of farmers, especially those who own small holdings, carry out the production using traditional methods and use their products for the self-supply of their families. Animal production is usually conducted with low intensity of breeding which has a positive impact on the environmental protection.
Soil and climatic conditions, as well tradition determine the specialization in particular regions. Potatoes, rye and grassland dominate in central, eastern and northern Poland. Orchards and berry-fruit plantations are located in Mazovia, in Lubelskie voivodship, in the area near the town of Sandomierz, as well as in Wielkopolska and in Lodzkie voivoidship. Following voivod-

ships lead the field in breeding of livestock: Wielkopolskie, Mazowieckie i Podlaskie (cattle and pigs) as well as Kujawsko-Pomorskie and Pomorskie (pigs). The largest number of sheep is kept in Malopolskie and most of poultry in Wielkopolskie and Slaskie voivodships.

In the years preceding the EU integration, low profitability of agricultural production and difficulties in selling agricultural products contributed to a growing tendency to leave agricultural land fallow or idle. According to the General Agricultural Census conducted in 2002, the total area of arable land left fallow or idle was 2,3 million ha, which constituted 17,6% of the total arable land. In 2004 the area of fallow or idle land has decreased to 1,3 million ha, which is - to a large extent - related to the implementation of the Common Agricultural Policy in Poland. Direct payments, dependant on maintaining the agricultural character of the land, as well as the possibility to receive financial aid from structural funds for the development of farms, are conducive to the improvement of agricultural economy. Reduction of plant production and disadvantageous price relationship of agricultural products resulted in a systematic decrease of the share of agriculture in GDP. In 2005 production results in agriculture were poor when compared to a very good 2005, which caused the reduction of the share of agriculture in GDP.

Figure 5. Share of agriculture, forestry and hunting in the Gross Domestic Product



Source: Statistical Yearbook 2005 – data verified in comparison to Statistical Yearbooks published in previous years

Land resources and the structure of utilization

The area of agricultural holdings amounted to 18.3 million ha i.e. 58.7% of the total area of the country which is 31.3 million ha. In 2005 the area of agricultural holdings diminished by 242,2 thousand ha (by 1,3%), and the total arable area amounted to 15,9 million ha and was smaller than in 2004 by 421,4 thousand ha (by 6,2%) Until 2003 the UAA acreage had been systematically decreasing, mainly due to its allocation for housing purposes and the infrastructure accompanying the housing estates.

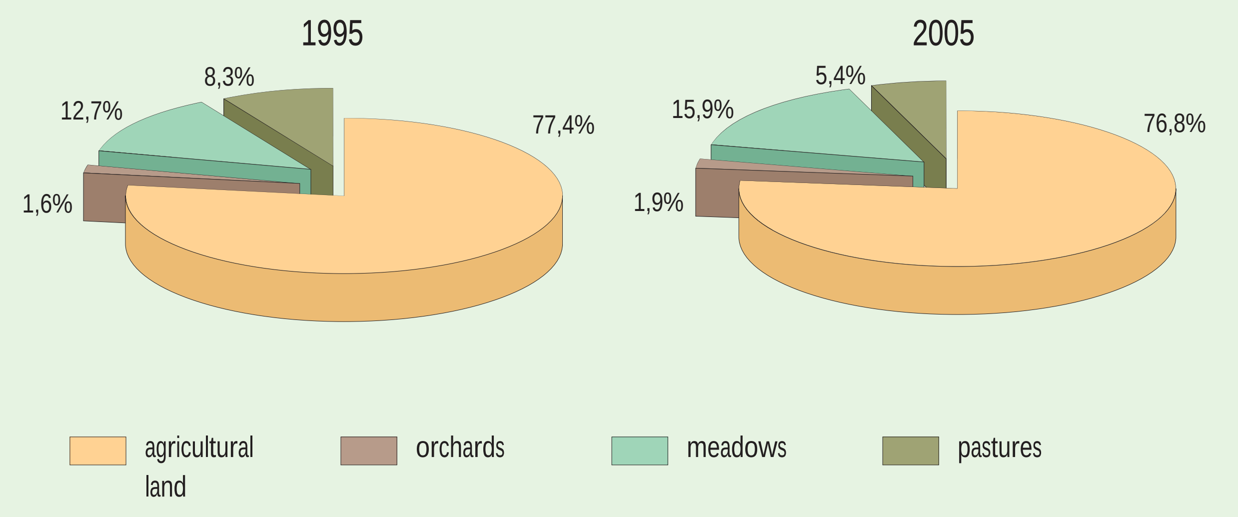
In 2005 the area used for the purpose of food production, as expressed in acreage of utilized agricultural area per capita, is high as compared with the EU average and is equal to 0,43 ha/person.

The quality of utilised agricultural area in Poland is rather poor as evidenced by a relatively low soil quality index of 0,82 on average. Very good and good soils constitute only 11,5%, and poor and very poor quality soils – more than 34% of the total arable area. Soils of particularly low quality are characteristic for grassland, where land of very good and good quality (quality class 1 and 2) constitutes just 1,5%, whereas soils of very poor and poor quality (quality class 5 and 6) - over 42%.

Lower quality soils, together with accompanying climatic conditions, worse than in the Western European countries, result in Polish agriculture occupying - in terms of agricultural area valorization - one of the last places in Europe.

Currently the farmland is utilized by many entities, varying with regard to ownership, farm size as well as type and scale of production. Almost 96% of agricultural land is used by the private sector, including 88% used by individual agricultural holdings (family farms). The public sector which uses slightly more than 4% of agricultural land consists of the State Treasury holdings and the holdings of state legal persons and the holdings partly owned by the State Treasury.

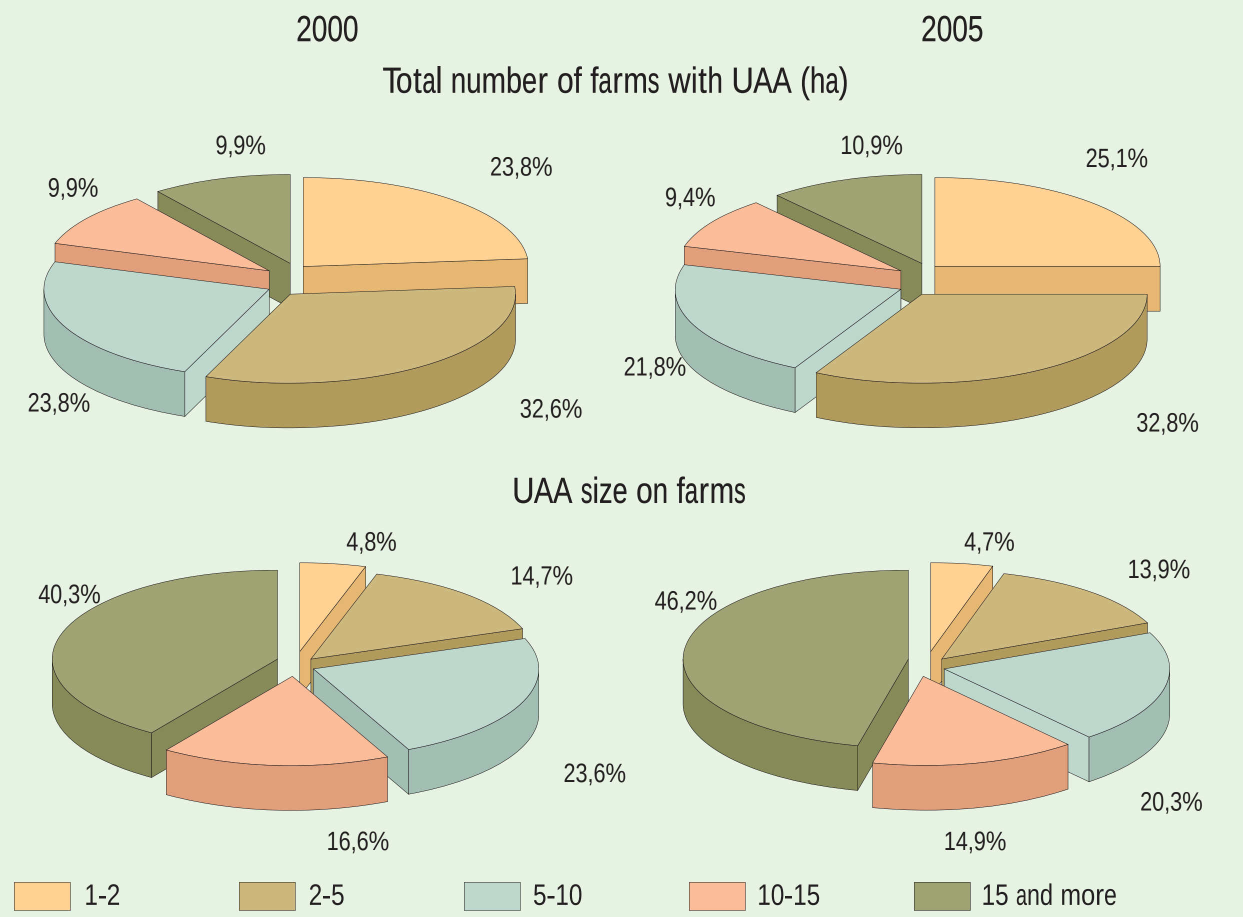
Figure 6. Structure of agricultural land in 1995 and 2005 (%)



Source: agricultural land, orchards, meadows, pastures CSO 2005, Warsaw.

A characteristic feature of Polish agriculture is a significant diversity of the size of agricultural holdings: from 1 ha to several thousand ha. The latter are both in the private and the public sector. The largest agricultural holdings were created on former state-owned farms.

Figure 7. Structure of individual farms according to UAA size in 2000 and 2005



Source: Agriculture 2005, CSO, Warsaw 2006

The problem of farm fragmentation occurs only in the family farm sector. In 2004 there were 1 852 000 family farms. The average size of an individual agricultural holding is 7,5 ha of UAA with significant regional differentiation. In southern Poland an average farm size is 3,3 ha of UAA (malopolskie voivodship), in the northwest – over 26 ha of UAA (zachodniopomorskie voivodship) In 2000 in the EU-15 there were 6,8 million agricultural holdings, most of them in Italy (over 2 million), Spain (nearly 1,3 million), Greece (approx. 0,8 million) and in France (0,6 million). The average farm size in the EU was 18,7 ha, but in some EU countries there it was even smaller than in Poland: in Greece (4,4 ha UAA) and in Italy (6,1 ha UAA). After 1990 the number of agricultural holdings has been going down steadily, mainly at the sacrifice of medium-size farms, while the number of the smallest and the biggest farms has been going up.

Although farms of over 10 ha constitute only 20% of all the holdings, they use more than 60% of UAA. The size of agricultural holdings systematically increases which is supported by preferential loans.

Since 2003 an interest in agricultural land purchases has been increasing, which is related mainly to the expectations of improvement of agricultural production profitability after the implementation of the Common Agricultural Policy.

Table 2. Average prices of arable land and of meadows in private trading in 2000 and 2005 (price per

Specification		in PLN	in dt	
			rye	slaughter pigs
Arable land on average	2000	4786	115,3	13,3
	2005	8244	237,8	21,1
good quality (wheat-beet)	2000	6712	161,7	18,6
	2005	11001	317,3	28,1
average quality (rye-potato)	2000	4920	118,5	13,7
	2005	8603	248,1	22,0
poor quality (sandy)	2000	2725	65,6	7,6
	2005	5843	168,5	14,9
Meadows of good quality	2000	4883	117,6	13,6
	2005	6144	177,2	15,7
poor	2000	2753	66,3	7,6
	2005	4003	115,5	10,2

Source: Agriculture 2005, CSO, Warsaw 2006

Despite an increase, the prices of land are still low in Poland. In 2004 the average price of arable land was 1463 EUR/ha (1981 EUR/ha for good quality arable land), and the average price of good quality meadows -1273 EUR/ha.

The rules of trade in land are statutorily regulated in Poland.

Real estate acquisition by foreigners is also provided for by an act which places an obligation on foreigners to obtain a permit issued by the Minister of Internal Affairs and Administration for the purchase of property, and in case of agricultural land – an additional permit from the Minister of Agriculture and Rural Development.

Value of agricultural production and price relationship

In 2005, the value of the total agricultural production was 64,5 billion PLN (16 billion euro) and it was by 2,5% lower than in 2004 , and more than 5% lower than in 1990. The decrease was observed in plant production and it amounted to 8,9% compared to 2004, while the value of animal production was up by 5,4 % in the period in question.

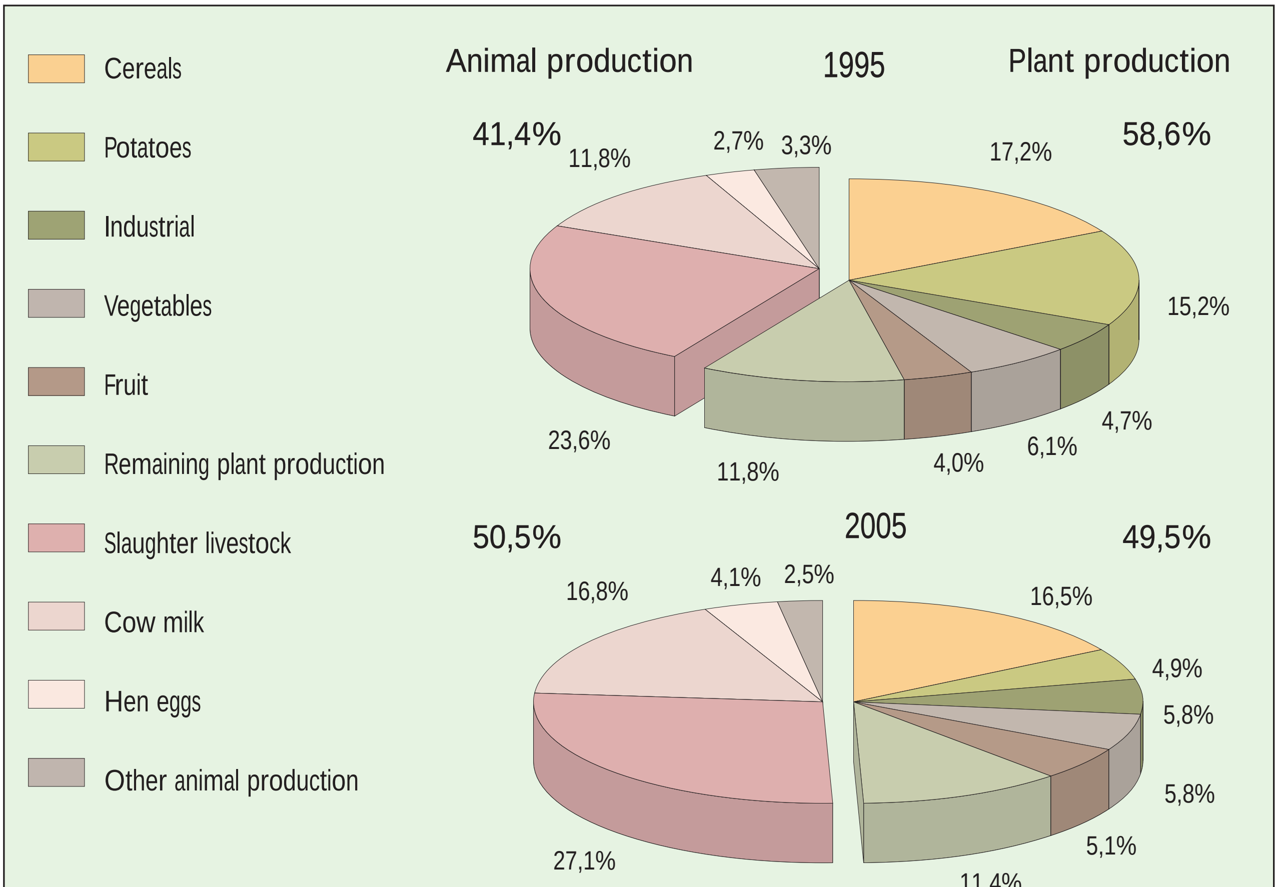
Table 3. Dynamics of total agricultural production (in comparable prices)

Specification	2001	2002	2003	2004	2005		
	previous year = 100					1995=100	2000=100
Total agricultural production	105,8	98,1	99,2	107,5	97,5	102,8	107,9
of which: plant production	108,6	93,3	94,3	116,4	91,1	92,9	101,5
animal production	102,5	103,4	104,8	97,3	105,4	114,3	113,9
Commercial production	102,9	104,2	105,2	103,3	98,6	125,3	114,9

Source: Agriculture 2005, CSO, Warsaw 2006

After the transfer of agriculture to market conditions in 1989 (among others, release of agricultural prices, introduction of free trade in agricultural products in domestic and foreign trade), commercially oriented agricultural production fluctuated from 62,5% in 1990 to 50,1% in 1995, 59,8 % in 2004 and 68,6% in 2005.
These fluctuations were caused by limited options to sell agricultural products at profitable prices. With insufficient demand, excess supply or too low prices, internal utilization for the purposes of self-supply and animal feedstuffs was increased, thus ensuring an increase in the number of domestic animal herds.

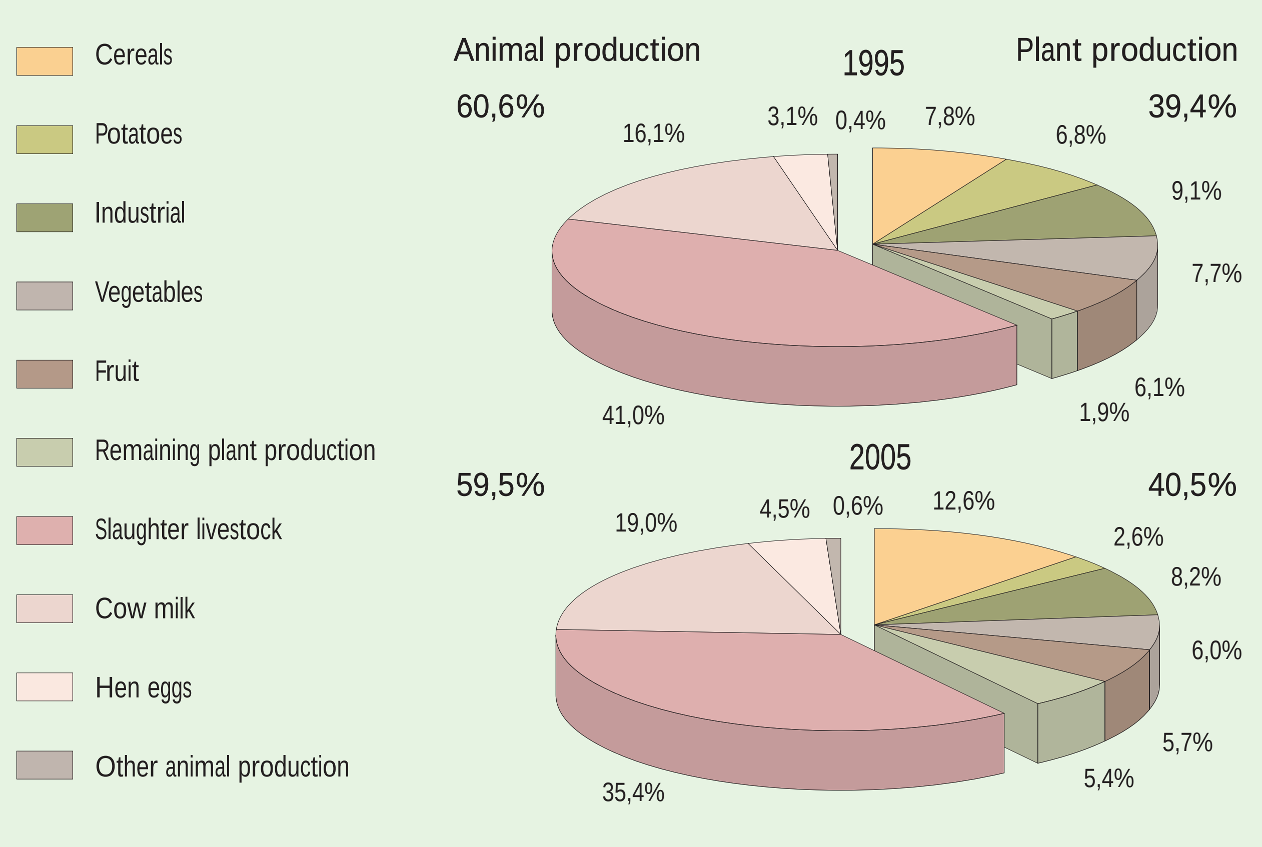
Figure 8. Structure of total commercial agricultural production in 1995 and 2005



Source: Agriculture 2005, CSO, Warsaw 2006

The decrease of plant production in 2005 resulted in the reversal of its domination in the total production, which lasted for many years. 2005 saw the dominating share of animal production, as is the case of commercial production. The biggest increase of share was in milk production, which is mainly the result of milk prices increase.
The volume of production and the level of agricultural product prices influence the value of agricultural production. For many years, prices of agricultural products have shown a downward trend and an unfavourable relationship when compared to prices of other products. The improvement of the situation in 2004 was not a permanent trend. In 2005 the market refused to accept the increase in food prices which resulted in prices going down in spite of decrease in production volume and considerable increase of exports.
Within the whole period from 1990 to 2005 very rarely did agricultural product prices show an upward trend in real terms. This was observed during both the first years of socio-economic

Figure 9. Structure of total commercial agricultural production in 1995 and 2005



Source: Agriculture 2005, CSO, Warsaw 2006

transformation characterised by a high inflation rate, and also in recent years when the inflation rate was considerably lower (in 1990 - 585,8%, in 1995 - 27,8%, in 2000 - 10,1%, in 2005 - 2,1%). The increase of prices of products sold by agricultural holdings and improvement of price relations in 2004 was incidental and was related to Poland's accession to the EU and the trend to match prices with the EU.

Table 4. Relationship between prices of agricultural products and prices of goods and services purchased by agricultural holdings

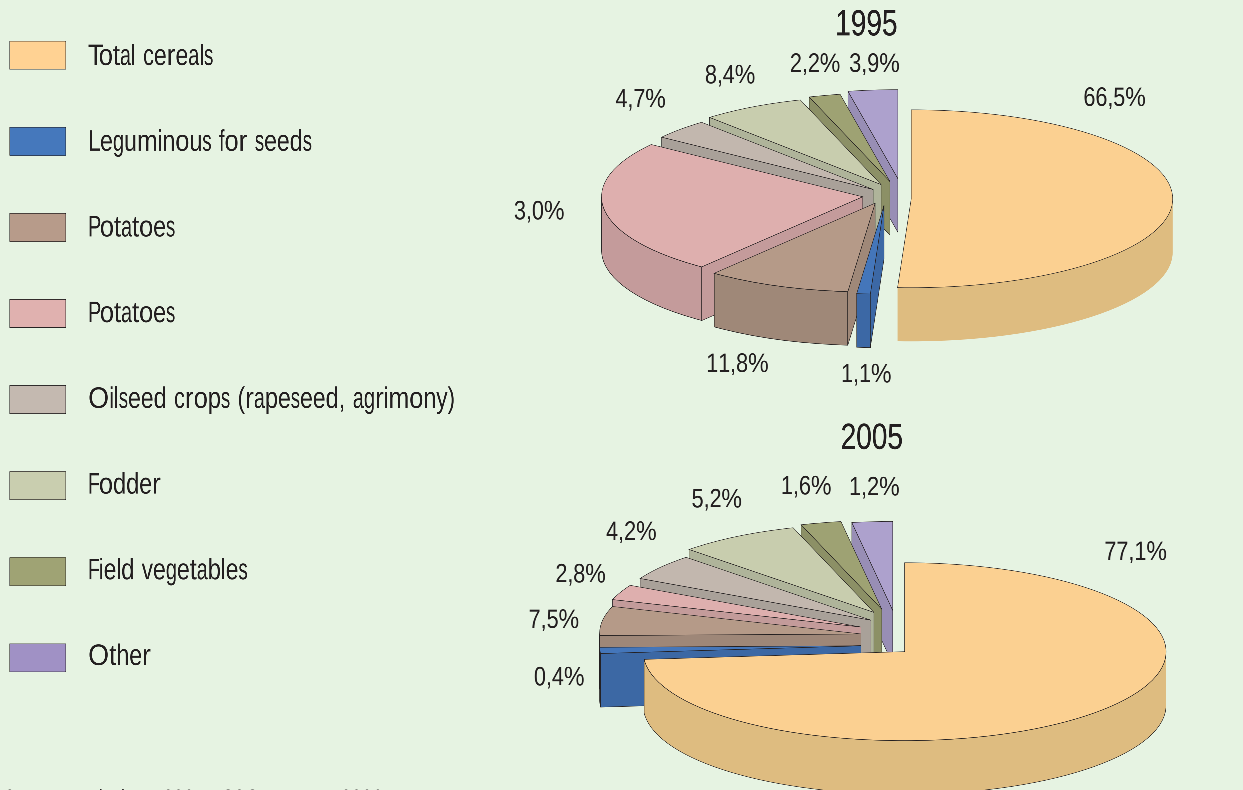
Specification	2001	2002	2003	2004	2005		
	previous year = 100					1995=100	2000=100
Agricultural products	**103,8**	**92,6**	**99,5**	**111,4**	**97,9**	**712,1**	**148,9**
plant	95,9	99,8	106,2	93,1	94,8	626,7	123,7
animal	108,0	88,8	95,6	122,3	99,7	756,4	162,8
Goods and services purchased	**106,5**	**101,9**	**102,1**	**108,6**	**102,0**	**1133**	**221,0**
consumer goods	104,6	101,3	100,5	104,1	102,1	1080	204,2
goods for current agricultural production	106,9	101,9	102,2	108,9	101,8	1184	224,0
investment goods	104,9	102,5	101,9	110,9	106,8	968,5	208,7
Price ratio "price squeeze" (1:2)	**97,5**	**90,9**	**97,5**	**102,6**	**96,0**	**63,1**	**67,4**

Źródło: Rolnictwo 2005 r., GUS, Warszawa 2006 r.

Plant production

The total planted area in 2005 was 11,2 million ha and it was smaller by 0,9 million ha (0,8%) compared to the previous year. The cropping system is dominated by cereals which constantly increase their share while the share of potatoes and fodder plants systematically decreases.

Figure 10. Structure of individual crops in 1995 and 2005 (%)



Source: Agriculture 2005r, CSO, Warsaw 2006

The areas of particular crops were adjusted to sales possibilities and profitability of particular types of agricultural production.
In terms of agro-climatic conditions, 2005 was not favourable for plant production. In consequence the yields of almost all arable crops were lower than in 2004. As a result of the drought the crops in 2006 will probably be lower than in 2005 and their quality will be worse.

Table 5. Area, yields and production of major crops in 1996-2004

Crop type		1996-2000	2003	2004	2005		
						1996-2000 = 100	2003=100
Total cereals							
area	A	8796	8163,3	8377	8329	94,7	99,4
yield	B	28,6	28,7	35,4	32,3	112,9	91,2
harvest	C	25189,4	23390,8	29635	26928	106,9	90,9
Total wheat							
area	A	2576,8	2308	2311	2218	86,1	96
yield	B	34	34	42,8	39,5	116,2	92,3
harvest	C	8772	7858,2	9892	8771	100	88,7
Rye							
area	A	2275,4	1479,3	1550	1415	62,2	91,3
yield	B	22,7	21,4	27,6	24,1	106,2	87,3
harvest	C	5160	3172,2	4281	3404	66	79,5
Total barley							
area	A	1142,6	1016,1	1014	1113	97,4	109,8
yield	B	29,9	27,9	35,2	32,2	107,7	91,5
harvest	C	3420	2831,5	3571	3581	104,7	100,3
Oats							
area	A	590	526,9	520	539	91,4	103,7
yield	B	24,4	22,4	27,5	24,6	100,8	89,5
harvest	C	1437,5	1181,6	1430	1324	92,1	92,6
Total triticale							
area	A	663,4	985,6	1058	1195	180,1	112,9
yield	B	30,2	28,5	35,2	32,7	108,3	92,9
harvest	C	2006	2811,6	3723	3903	194,6	104,8
Potatoes							
area	A	1292	765,8	713	588	45,5	82,5
yield	B	183	179	196	176	96,2	89,8
harvest	C	23620	13731,5	13999	10369	43,9	74,1
Total rapeseed and agrimony							
area		409,6	426,3	538	550	134,3	102,2
yield	B	20,7	18,6	30,3	26,3	127,1	86,8
harvest	C	846,7	793	1633	1450	53,1	88,8
Sugar beet							
area	A	395,4	286,3	297	286	72,3	96,3
yield	B	377	410	428	410	87,5	95,8
harvest	C	14920,1	11739,5	12730	11731	78,6	92,1

Source: Plant production results in 2005, CSO, Warsaw 2006 A - area in thousands of ha, B - yield from ha in dt, C - crops in thousands of tons

Despite a high share of cereals in the cropping system, Poland has been a net importer of cereals for many years.
Imports do not only include rice and high-gluten varieties of wheat, for the cultivation of which there are no appropriate agro-climatic conditions, but also fodder grains (especially maize) and malting barley.
In 2005 saw the reversal of this tendency. Exports of cereals dominated at the level of 1.354,4 thousand tons with imports at only 491,9 thousand tons against 289,2 thousand tons and 844,1 thousand tons respectively in 2004.
In 2004 and 2005 the yields of cereals considerably exceeded the referential yields established during the accession negotiations in the amount of 3,0 t/ha.
The production limits agreed with the European Commission during the negotiation process for Poland's accession to the EU were not exceeded in any crops.
The number of cultivars increased considerably in 2005 to 1189, of which – as in 2004

Table 6. Area, yields and production of major field vegetables in 1996-2005

Crop type		1996-2000	2003	2004	2005		
		in absolute numbers				1996-2000 = 100	2003=100
Total	**A**	**243,6**	**198,4**	**207,8**	**222**	**91,2**	**106,9**
	C	5345,7	4419,5	4916,1	4785,3	89,5	97,3
Cabbage	**A**	**48,6**	**31,8**	**32,3**	**35**	**71,9**	**108,2**
	B	380	389	424	377	99,2	88,9
	C	1846	1236,7	1371	1320	71,5	96,3
Cauliflowers	**A**	**13**	**10,4**	**10,2**	**11,1**	**85,8**	**108,8**
	B	191	182	201	18,3	95,8	91
	C	248	188,8	205,7	204,3	82,4	99,3
Onion	**A**	**33,8**	**32,5**	**36,5**	**34,7**	**102,7**	**94,8**
	B	203	209	237	206	101,5	96,9
	C	684,4	678,3	865,7	714,1	104,3	82,5
Carrots (edible)	**A**	**31,8**	**30,3**	**30,4**	**33,2**	**104,4**	**109,3**
	B	279	276	305	280	100,4	91,8
	C	887,7	834,6	927,9	929	104,6	100,1
Red beets	**A**	**21**	**13,5**	**14**	**14,9**	**71,1**	**106,4**
	B	240	247	255	239	99,6	93,7
	C	503,1	333,5	356,9	356	70,8	99,8
Cucumbers	**A**	**27,6**	**20,2**	**19,9**	**20,6**	**74,5**	**103,4**
	B	129	143	129	125	96,9	96,9
	C	357,3	289,7	255,9	257,5	72,1	100,6
Tomatoes	**A**	**22,7**	**11,4**	**12,1**	**13,2**	**58,2**	**109**
	B	128	205	176	176	137,5	100
	C	290	234,1	212,7	232,7	80,1	109,3
Other[2)]	**A**	**45,1**	**48,3**	**52,3**	**59,4**	**131,7**	**113,6**
	B	117	129	138	130	111,1	94,2
	C	529,2	623,9	720,4	772,1	145,9	107,2

Source: Plant production results in 2005, CSO, Warsaw 2006r 1) annual average, 2) parsley, leek, celeriac, radish, salad, rhubarb, asparagus, dill and other

– 45,2% were foreign varieties.
The imprortance of varieties from the EU list, not registered in Poland, is continuously growing (up to 5% share in seed plantations) The share of certified seeds is still low. Average share of certified cereal material in 2005 was at 9,8%, and share of certified seed potatoes 3,5%.
Vegetable and fruit crops are of great significance in some regions of the country.
In 2005, an increase of the planted area was recorded, at the same time the yields of basic field vegetables dropped. The area of vegetables under cover also decreased, though to a small extent.

Table 7. Area and yields of vegetables under covers in 2005

Type of product	of which:							
	Total vegetables		Tomatoes		Cucumbers		Other	
	in thousands	2004=100	in thousands	2004=100	in thousands	2004=100	in thousands	2004=100
Area total	**54293**	**99,3**	**23.861**	**98,6**	**13.209**	**100,9**	**17.222**	**99,1**
Greenhouses	21262	99,1	11.242	98,2	5.568	102	4.452	98
Plastic-covered greenhouses1[1/]	32621	99,5	12.619	99,1	7.573	100,2	12.428	99,5
Hotbeds	410	98,3	x	x	68	98,9	342	98,1
Crops total	**672,5**	**99,8**	**368,3**	**99,7**	**211**	**101,5**	**93,2**	**96,9**
Greenhouses	349,9	99,2	216,9	98,5	107,9	100,1	25,1	100,6
Plastic-covered greenhouses1[1/]	320,8	100,5	151,4	101,3	102,5	103	66,9	95,5
Hotbeds	1,8	103,5	x	x	0,6	99	1,2	106,1

Source: Plant production results in 2005, CSO, Warsaw 2006

1) over 1,5 m in the highest point

In 2005 the total number of registered vegetable varieties amounted to 1152, of which 59,5% were foreign.
Agro- climatic conditions were not favouvable for the vegetation of basic field vegetables, except for thermophilic tomatoes, the yields of which remained at the 2004 level, and the crops were higher than in the previous vegetation season due to the increase in the planted area.
In Poland, vegetables grown under covers are mainly tomatoes and cucumbers, constituting together 68,2% of the total area of crops under covers.
Flowers are also grown under covers, on total area of 6906,5 thousand sq. meters (11,9% more than in 2004, including 3.665,3 thousand sq. meters in greenhouses (3,9% more than in previous year), 3.212,6 thousand sq. meters in plastic-covered greenhouses (22,7% more) and 28,6 thousand sq. meters in hotbeds.
In spite of lower crops of vegetables in 2005, exports of both fresh and processed vegetables increased. There were 598,2 thousand tons of fresh vegetables exported, i.e. 20% more than in 2004, and 591 thousand ton of processed vegetables – 8,8% more than in previous year. The value of exports was 296,2 million EUR and 366,2 million EUR respectively (23% and 10,3% more) 85% of the total value of exported fresh vegetables and 63% of processed veg-

etables were exported to EU-25.Onions led the field in fresh exported vegetables, while frozen vegetables dominated in processed exports.
Total harvested vegetables amounted to 2921,5 thousand tons, which is 600 thousand tons less than in 2004 (17% less).
Lower production resulted from the reduction of area of fruit tree plantations and lower productivity of fruit trees.

Table 8. Area, yields and production of fruit trees in 2004-2005

A. Plantation area **B. Yield from ha in dt** **C. Harvest in thousands of tons**		**2004**	**2005**	**2004=100**
Total	**A**	**273,4**	**254,1**	**92,9**
	C	3019	2421,6	80,2
Apple trees	A	175,2	169,7	96,8
	B	144	122	84,7
	C	2521,5	2075	82,3
Pear trees	A	14,5	12,6	86,9
	B	60	47	78,3
	C	87,3	59,3	67,9
Plum trees	A	25,4	20,8	82,1
	B	52	44	84,6
	C	132,6	91,4	68,9
Cherry trees	A	39,1	34,4	88,1
	B	52	41	78,8
	C	201,7	139,9	69,3
Sweet cherry trees	A	10,9	9,5	87,8
	B	45	39	86,7
	C	48,4	37,5	77,4
Peach trees	A	3,7	3,3	88,9
	B	39	29	74,4
	C	14,3	9,6	66,9
Apricot trees	A	1,7	1,5	85,4
	B	28	21	75
	C	4,9	3,2	64,9
Walnuts	A	3	2,3	77,8
	B	27	25	92,6
	C	8,2	5,8	71,3

Source: Plant production results in 2005, CSO, Warsaw 2006

The crops harvested from fruit bushes nad berry plantations were only slightly lower as the decrease in productivity was compensated by the increase in the area of plantations.
Production of tree fruit is dominated by apples, which constitute over 85% of the total production. The cultivar structure of apple trees does not change considerably from year to year. For many years the dominating variety has been Idared (ca. 16% share). New varieties, which

Table 9. Area, yields and production of fruit from bushes and berry plantations in 2004-2005.

A. Area in thousand ha B. Yield from ha in dt C. Harvest in thousands of tons		2004	2005	2004=100
Total	**C**	**502**	**499,9**	**99,6**
Strawberries	A	52,4	55,1	105,2
	B	35	33	94,3
	C	185,6	184,6	99,5
Raspberries	A	14,2	17,8	125,4
	B	40	37	92,5
	C	56,8	65,5	115,2
Currants	A	38,9	47,1	121,1
	B	50	40	80
	C	194,5	186,8	96
Goosberry	A	3,6	3,1	86,1
	B	55	53	96,4
	C	19,9	16,7	84
Other	A	7,8	9,7	124,8
	B	58	48	82,8
	C	45,2	46,3	102,4
including:				
Aronia	A	4,5	5	110,9
	B	83	74	89,2
	C	37,5	36,8	98,1
Bilberry	A	1	1,3	137,9
	B	41	35	85,4
	C	3,9	4,6	118,7
Hazelnut trees	A	1,7	2,6	159,8
	B	14	12	85,7
	C	2,3	3,1	134,3

Source: Plant production results in 2005, CSO, Warsaw 2006

have been introduced relatively recently, such as Jonagold, Champion and Golden Decious are becoming more and more important achieving 25,4% share in the area and 23,6% share in production.

In 2005 – as in the case of vegetable – fruit exports were higher than in 2004 in both fresh and processed fruit. Fresh fruit export amounted to 636,6 tons and was 2% higher and its value totalled 232,5 million EUR, i.e. 10% more than in the previous year. Most of the fruit – 54% - were sold to former Soviet republics, exluding those which are now EU members.

Exports are dominated by apples, which constituted 67% of total exports.

Sales of processed fruit amounted to 695,3 thousand ton, almost 15% more than in 2004, its value reaching the level of nearly 606 million EUR, also 15% higher.

Processed fruit was exported mainly to EU-25 (88%)

Animal production

In Poland the breeding of cattle, sheep and horses has been reduced for over 20 years. There are periodical variations in pig stock, which are related to the supply and prices of fodder, profitability of production and the market capacity. The decrease in population resulted in the fall of animal density per 100 ha of utilised agricultural area. In 2005, animal density was as follows:

- cattle – a decrease from 54 head in 1990 to 34,5 head/100 ha of UAA
- pigs – an increase from 104 heads in 1990 to 113,9 heads/100 ha of UAA
- sheep – a decrease from 22,2 heads to 2,0 heads/100 ha UAA respectively
- horses – a decrease from 5,0 heads to 2,0 heads/100 ha UAA in 2005

Table 10. Livestock population – as of June (in thousands)

Specification	1990	1995	2000[1/]	2003[1/]	2004[1/]	2005[1/]
Cattle	**10049**	**7306**	**6083**	**5489**	**5353**	**5483**
of which cows:	4919	3579	3098	2897	2796	2795
Pigs	**19464**	**20418**	**17122**	**18605**	**16988**	**18112**
of which sows	1837	1875	1577	1782	1659	1813
Sheep	**4159**	**713**	**362**	**338**	**318**	**316**
of which ewes	2564	450	223	185	200	
Horses	**941**	**636**	**550**	**333**	**321**	**312**

Source: Agricultural land utilization, planted area and livestock population in 2005 CSO 2005, Warsaw.

1/ population of pigs as of end of July

The sanitary and veterinary adjustments to the EU requirements accelerated the concentration of the slaughter animals and dairy cows breeding and as a result eliminated small producers from the market. It was especially visible in the case of dairy cattle breeding where small farms resigned from breeding one or two cows.

Despite the increase of the concentration of farm animals breeding it is still low and does nto pose a threat to the environment.

In 2005 only 11,4% of livestock were kept in holdings breeding 50 heads or more, in case of cows 3,7% respectively. 24,8% of pigs were kept in holdings breeding 200 heads or more.

Poland joined the EU as a significant meat and milk producer with a stable market for those products. The integration with the EU allowed to increase the profitability of beef and milk production.

As a result of attractive prices on the Community market, the export of live cattle to the EU-15 in 2005 increased by almost 60% in terms of size and by 147% in terms of value as compared to 2003.

The export of red meat to the EU-15 increased even further, by 223% in terms of quantity and by 252% in terms of value, over the last two years. In 2004-2005 the geographic structure of milk products exports has changed. In 2005 77% of milk products export was directed to EU countries against 41% in 2003. Total value of milk products export to all countries in 2005 amounted to 880 million EUR and was higher by 169% than in 2003.

Productivity of meat and dairy cattle in Poland is much lower than the EU-25 average and the productivity of pigs is similar; this is the result of different conditions of cattle breeding (low share of industrial feeds in feeding in Poland).

According to the 2004 data, the yield of beef per head of cattle was, on average, 268 kg in the EU and 160 kg in Poland, that of pork: 87 kg and 85 kg in the EU and Poland respectively, while the milk yield per cow was 5880 litres in the EU and 4204 litres in Poland.

Progressing, though slow, concentration of cow rearing resulted in an increase in milk yield per cow. In 2005 an average annual milk yield per cow went up to 4147 litres, i.e. by 65 litres more, as compared to 2004, and by 479 litres against 2000. Average number of eggs per laying hen also increased, from 182 per year in 2000 to 198 in 2004 and 208 in 2005.

Meat production in Poland constituted 7,6% of EU production in 2004, of which beef and veal was 3,9%, pork 9,1% and poultry 8,6%. We produce 8,7% of cow milk, and 8,2% of hen eggs.

Table 11. Production of major animal products in 1990-2004

Type of product	Unit of measurement	1990	2000	2003	2004	2005
Total slaughter animals, by live weight,	**1000 tonnes**	**4493**	**4112**	**4776**	**4565**	**4699**
of which:						
pigs	1000 tonnes	2341	2501	2833	2538	2540
cattle	1000 tonnes	1428	635	591	611	599
calves	1000 tonnes	105	83	76	59	61
poulrty	1000 tonnes	474	834	1228	1309	1452
horses	1000 tonnes	37	45	30	35	34
sheep	1000 tonnes	96	7	6	6	5
Milk	**million**	**15371**	**11543**	**11546**	**11477**	**11575**
Eggs	**million**	**7597**	**7621**	**9168**	**9250**	**9640**
Wool	**tons**	**14783**	**1320**	**1218**	**990**	**998**

Source: CSO

Poldanor SA

Provision of the agricultural sector with means of production

Price relations unfavourable to the agricultural sector – increase in prices of means of agricultural production is higher than the increase in prices of agricultural products – contributed to the lower demand for means of production, especially for agricultural machines and equipment of higher unit prices.

The use of mineral fertilizers (NPK) for 2005 crops was only slightly (0,4%) higher than in 2003/2004 and totaled 1.628,4 thousand tons. 102,4 kilograms of NPK were used per 1 ha of UAA, i.e. 3,1% more than in the previous year. There were 56,3 kilograms of nitrate fertilizers used (2,7% more), 20,4 kilograms of phosphorus fertilizers and 25,7 kilograms of potassium fertilizers (3,6% more).

There is still a big regional differentiation in the use of fertilizers, from 66,1 kilograms/ha of NPK in Podkarpackie to 141,8 kilograms in Opolskie

The use of calcium fertilizers remains low, despite the needs in this respect. 91,5 kilograms of CaO were used per 1 ha of UAA for 2005 crops, i.e. 2,1% less than for the crops in the previous year.

The use of plant protection products in 2005 was relatively low – as in previous years – and totaled 9 thousand tons in equivalent of active substance.

0,70 kilogram was used per 1 ha of arable land and orchard, which is one of the lowest levels in the EU. Plant protection activities were performed on 19,8 million hectares of protected area. Low level of pesticides use in Poland results from selective rather than general use. Forecasting monitoring of threats allows for timely elimination of diseases and pests in case of local outbreaks and threats.

In Poland the market on the supply side offers more than 600 model groups of agricultural machines and equipment, which fully satisfies the demand and needs of the agricultural sector for basic technologies applied in agriculture. The following factors determine the demand for agricultural machinery: changes in production technologies, growing specialization and concentration of production in developing agricultural holdings, the quantity and quality of existing equipment and price relationships influencing the economic situation in agriculture.

In 2005 average prices of various agricultural machinery and equipment increased by between 6 and 53% in comparison to 2004.

The demand for tractors dropped with sales 20% lower than in 2004 as well as the demand for machinery used for potato production and container milking machines, which are going out of use and are replaced by multiunit milking machines with milk lines.

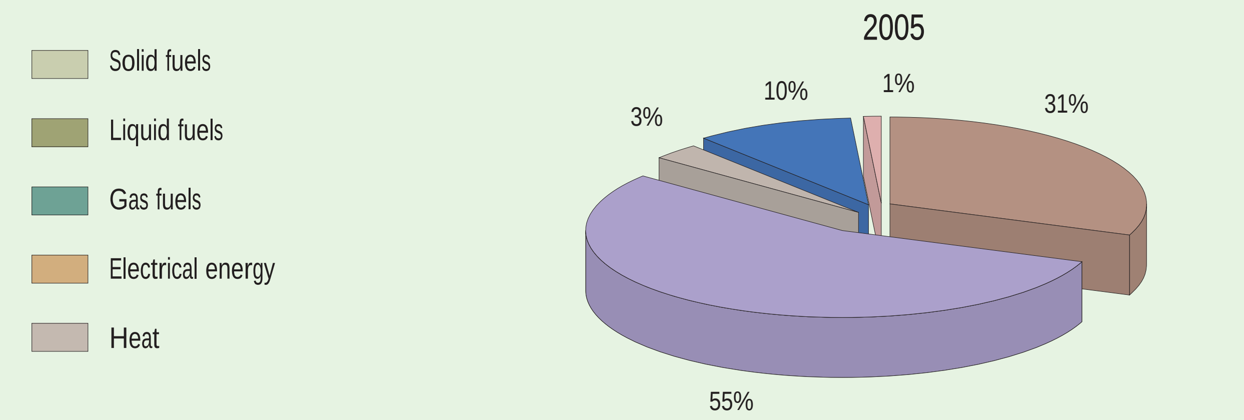
As far as agricultural services - the prices of which increased in 2005 in relation to 2004- are concerned, the demand for mechanization services dropped, while the demand for services related to animal production increased. The number of service companies increased to 23,3 thousand (5,1%) in 2005; there were 10,1 thousand mechanization service bases (11% more), 1,9 thousand repair shops (3,6% more) and 2,9 thousand zootechnical units (7% more) Then number of veterinary practices dropped to 8,3 thousand (by 1,3%) while at the same time the expenditure for veterinary services increased.

In total the expenditure related to services in 2005 constituted 22,5% of overall expenditure of agricultural holdings for production, against 23% in 2004.

The use of solid fuels in agriculture was reduced by 1,3%, among which the use of coal was smaller by 2,3%. Electrical energy consumption was reduced by 2,3%. The consumption of gas fuels increased by 0,8%, while the consumption of liquid fuels remained at the 2004 level.

Total energy consumption in agriculture in 2005 amounted to 155,5 petajules (PJ)

Figure 11 Energy consumption structure in agriculture in 2005 (in %)



Source: Agricultural means of production and services market. IAFE, ARMA, MARD – based on CSO data Warsaw, March 2006

Agriculture in regions

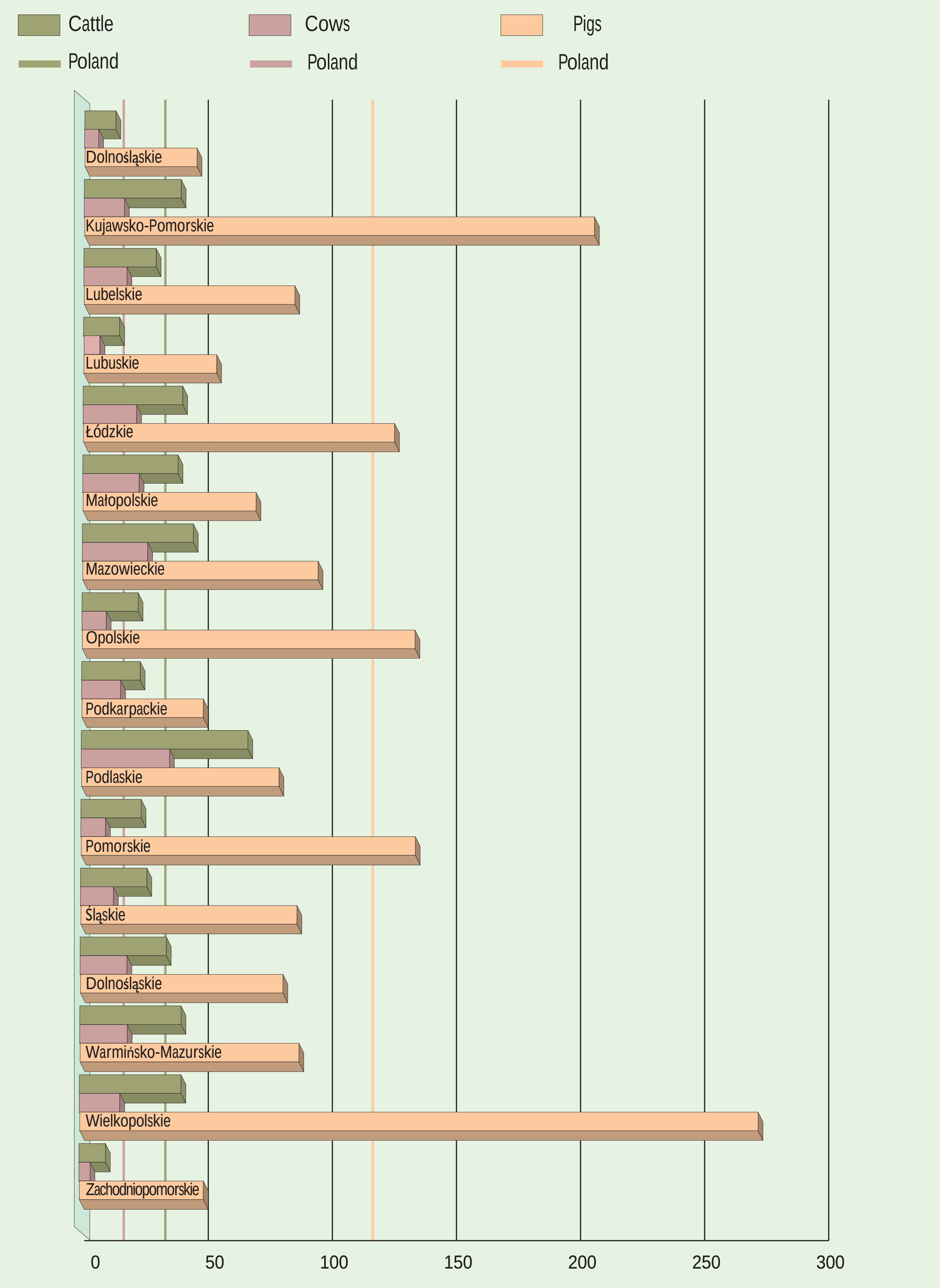
Agro- climatic conditions, tradition, proximity of processing plants, urban agglomerations and state borders are the reasons behind regional differences in the level and kind of agricultural production. Soil quality as well as different levels of industrial inputs determine the intensity of plant production.

Table 12. Yields of cereals and potatoes against the selected factors of plant production in 2005

Voivodships	Cereal yields	Potatoe yields	Consumption of fertilizers	
	from ha in dt	from ha in dt	mineral NPK per 1 ha of UAA in kgs	Natural per 1 ha of UAA in dt
Poland	**32,3**	**176**	**102,4**	**39**
Dolnośląskie	43,9	216	98,8	14
Kujawsko-Pomorskie	32,4	170	132,3	45
Lubelskie	29,6	174	99,8	34
Lubuskie	32,9	189	115,5	17
Łódzkie	27,2	160	117,9	44
Małopolskie	33,3	178	93,8	42
Mazowieckie	27	160	78,7	48
Opolskie	48,6	213	141,8	28
Podkarpackie	29,7	164	66,1	29
Podlaskie	26,8	172	87,1	64
Pomorskie	32,3	183	124,9	30
Śląskie	34,7	204	101,5	30
Świętokrzyskie	27,2	170	84,2	36
Warmińsko-Mazurskie	27,9	179	90,3	42
Wielkopolskie	35,4	180	114,6	52
Zachodniopomorskie	34,9	203	117,8	13

Source: Plant production results in 2005, CSO, Warsaw 2006

Figure 12. Stock of cattle, cows and pigs per 100 ha of UAA by voivodship in 2005 (in heads)



Source: Agriculture 2005, CSO, Warsaw 2006

1/ Cattle and cows as of June 2005; pigs as of July 2005.

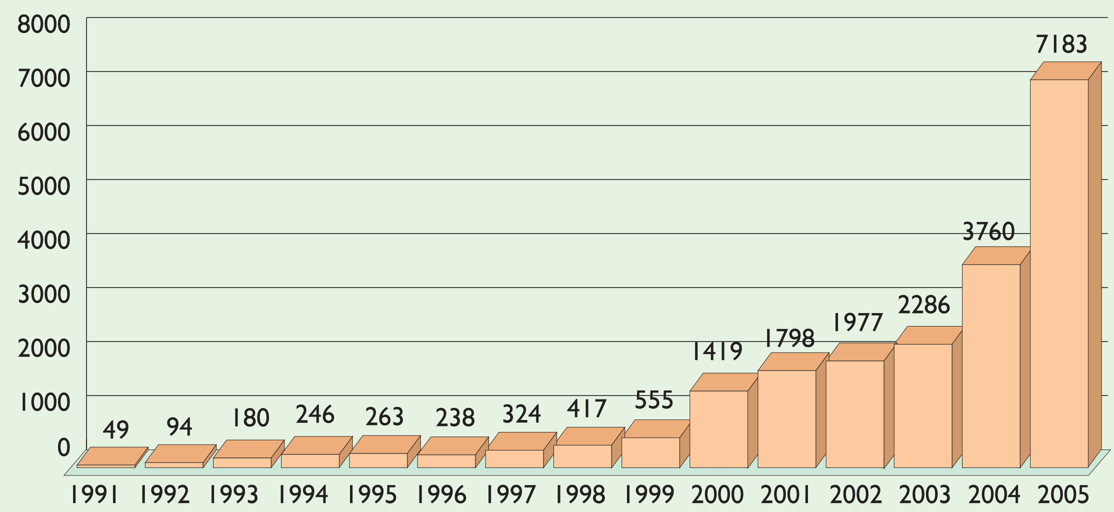
There is a distinct concentration of production in the cultivation of some specific plants like e.g. buckwheat, millet, hop, and tobacco. Over 50% of buckwheat crop was collected in Lubelskie and Dolnolsaskie voivodships; 60% of millet was produced in Swietokrzyskie voivodship. Hop plantations are situated mainly in Lubelskie and Wielkopolskie voivodships, and tobacco is grown in Lubelskie, Malopolskie, Swietokrzyskie, Podlaskie and Podkarpackie voivodships.
Potatoes, whose crops rank Poland sixth in the world and third in Europe, are cultivated in most agricultural holdings. They are, however, mostly grown in eastern and central regions, which is related to farm fragmentation, pig-rearing intensity, as well as the possibility of potato exportation to the East.
The situation looks different, as far as the cultivation of sugar beets is concerned. They are scarcely grown in the southern region and mostly grown in northern, northwestern and eastern regions, where there are sugar factories.
Vegetables, cultivated for commercial purposes, are located mostly in eastern and central regions, and also around large urban agglomerations.
Mazowieckie, Lodzkie, Malopolskie and Wielkopolskie voivodships have the highest share in the crops of field vegetables
Orchards and berry-fruit plantations are located in Mazovia (around the town of Grojec), in Lubelskie voivodship, in the area near the town of Sandomierz, as well as in Wielkopolska and in Lódzkie voivoidship.
Animal production is also subject to regional differences. 44% of cattle and cow stock was in Mazowieckie, Podlaskie and Wielkopolskie voivodships in 2004.
Most of the pigs are bred in Kujawsko-Pomorskie, Mazowieckie and Wielkopolskie voivodships - 46,5% of stock.
The criterion of intensity of domestic animal rearing in particular voivodships is animal density per 100 ha of utilised agricultural area.
Sheep stock, whose number in 2004 is only 8 % of that in 1990, (318 thousand heads in the end of 2005 against 4159 thousand heads in 1990), is most numerous in Małopolskie and Wielkopolskie voivodships Sheep density per 100 ha of UAA fluctuated from 0,3 head in Opolskie voivodship to 13 heads in Małopolskie voivodship in 2004.


J. Czarnecki

Organic farming.

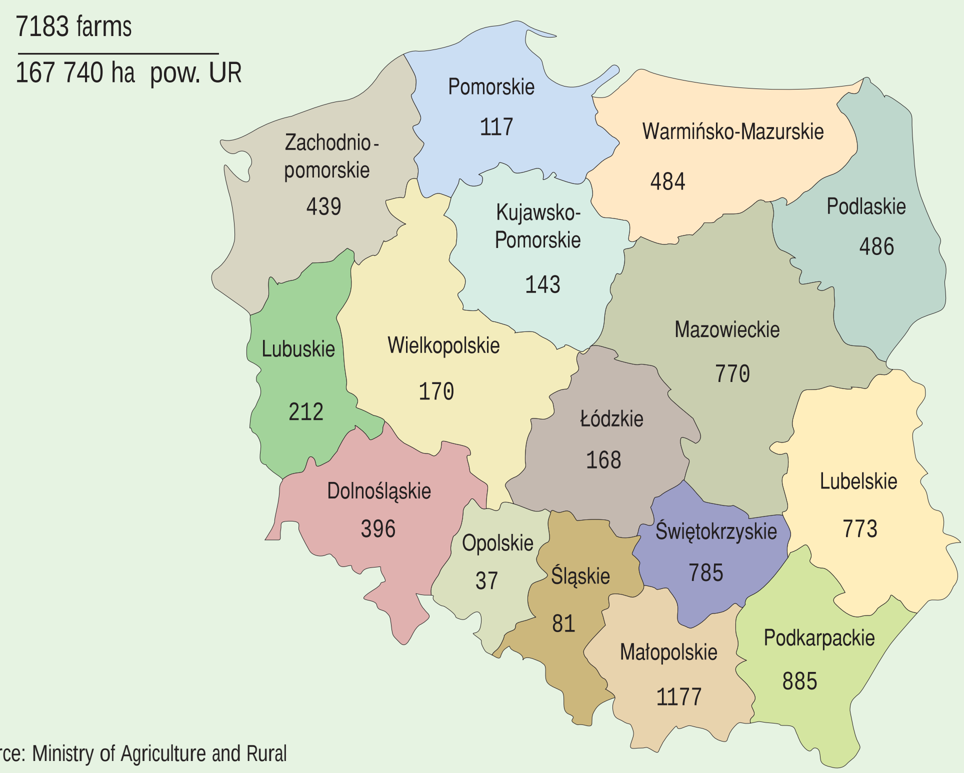
Organic farming is a system of farming which involves balanced plant and animal production. The basic principle of such farming is elimination of chemicals such as mineral fertilizers, pesticides, antibiotics, growth hormones etc.

Figure 13. The number controlled organic farms in Poland in 1990-2005



Source: Ministry of Agriculture and Rural Development

Figure 14. Organic farms in Poland



Source: Ministry of Agriculture and Rural

Organic farming is the most environmentally friendly method of agricultural production which increases fertility of soil and allows to maintain biological and landscape diversity.

In order to increase biological activity and soil fertility crops are appropriately rotated; it is an obligation to plant crops which enrich the soil, such as papilionaceous plants. Planting material used on an organic farm must be produced by organic methods.

Recent years stand out in agricultural as dynamic growth in the interest in the organic food production in the world and in particular in the EU. The area of organic farms in the world exceeds 31 million ha, of which one quarter within the EU member states.

Poland – despite favorable conditions – does not match the rest of the EU in the average share and area of organic farms. Average share of organic farms in the total number of holdings in the EU in 2003 was 1,99% and they represent 3,51% of arable land, in Poland these indicators are 0,11% and 0,30% respectively.

The basic document which lays down the organic farming principles in the EU is the Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs (OJ 198, 22.07.1991r, as amended); these regulations apply to all Member States.

As a consequence of Poland's accession to the EU the Act of 20 April 2004 on organic farming (Dz. U. No 93, item 898) was accepted, which lays down the tasks and competences of the authorities and organizational units in respect of organic farming is the currently binding legal act.

Control and certification of the production process are important elements of organic production system Polish system of control and certification was created on the basis of article 3 of the organic farming act.

In 2006 control and certification is provided by 7 authorized certification bodies:

- EKOGWARANCJA PTRE Sp. z o. o., 20-834 Lublin, ul. Irysowa 12/2ID number RE-01/2005/PL
- Jednostka Certyfikacji Produkcji Ekologicznej (Organic Production Certification Unit) PNG Sp. z o. o. in Zajączkow, 26-065 Piekoszów; ID number: RE-02/2005/PL;
- COBICO Sp. z o. o., 31-203 Kraków, ul. Lekarska 1 ; ID number: RE-03/2005/PL;
- BIOEKSPERT Sp. z o. o., 00-621 Warszawa, ul. Boya-Żeleńskiego 6, lok. 34 ; ID number:E-04/2005/PL;
- BIOCERT Sp. z o. o., 31-503 Kraków, ul. Lubicz 25 A ; ID number: RE 05/2005/PL;
- Polskie Centrum Badań i Certyfikacji Biuro ds. Badań i Certyfikacji Oddział w Pile, (Polish Testing and Certification Centre, Office for Testing and Certification, Branch in Piła) , 64-920 Piła, ul. Śniadeckich 5, ID number: RE-06/2005PL;
- AGRO BIO TEST Sp. z o. o., 02-787 Warszawa, ul. Nowoursynowska 166 ; ID number: RE-07/2005PL

Financial support for organic farming in Poland – as in other member states - is provided from two sources:

1) from the state budget, which can co finance:

- organic farming testing, including analyses for substances, application of which is not allowed in organic farming
- cost of control of agricultural holding, which produce with the use of organic methods
- promotional activities in organic farming, including participation in national and international trade shows

2) from the European Union budget.

- support of ecological farming on a per hectare basis against the application for payment related to supporting agricultural and environmental activities as well as improvement of animal welfare. The details of co financing are included in the Rural Development Plan Producers who want receive such support are obliged to subscribe to agricultural and environmental program and choose a package called ORGANIC FARMING – S02.

In 2005 the number of Polish agricultural holdings producing by organic methods doubled. In 2005 there were 7183 holdings (91% more than in 2004) with the area of 161,7 thousand ha and 99 processing plants (4 times more than in 2004) included in the system of control and certification. It is expected that by 2010 the nuber of organic farms will increase to 20 thousand.

The agri-environmental conditions in Poland are quite favorable for the development of organic farming. The use of chemical means of production in agriculture was always lower in Poland than in the majority of European countries, which means that the environmental quality of the production area in agriculture and its biodiversity is one of the best in Europe.

In 2003 the National Center of Organic Farming was created in Radom. Its main tasks include coordination of advisory services' activities related to organic production methods and dissemination of information on organic farming to potential producers.

The number of organic farms is subject to territorial differentiation. Most of the farms are located in the south east of Poland, where holding are small and family run.

RURAL AREAS

General description of rural areas

Rural areas in Poland cover 93.4% of the area of the country and are populated by 14.7 million people, i.e. 38.6% of the whole population. In the middle of 2005 23,7% of the European Union population lived in rural areas, in old member states – 21,4%, in new 35,9%. Polish rural areas are characterized by a dispersed settlement network, which makes the development more difficult, increases the costs of infrastructure construction and very often makes it impossible for the population to undertake non-agricultural business activity. There are 53 thousand rural localities, including 42,8 thousad villages and 10,2 thousand colonies and settlements There is an average of 277 inhabitants per one rural locality.

On average, population density in rural areas, i.e. the number of people per 1 km2 of the country's area, was 50 people, against 122 people on average in Poland and 1116 in towns and cities.

The biggest spread of rural settlement areas – below 120 localities per 1000 km2 – is in northeastern and southeastern regions as well as in Opolskie voivodship

On the other hand, the greatest density is in central Poland – above 225 localities per 1000 km2. In more than 80% of rural localities the number of inhabitants is 500 or less, in 15% it is less than 100.

Making use of natural and environmental value, rural areas develop rural tourism and agrotourism. In Poland there are 23 national parks with the area of 317,4 thousand ha and 1385 natural reserves with the area of 162,4 thousand ha, there are also 120 scenic parks with the area of 2603,7 thousand ha. There are also many protected landscape areas and monuments of nature. Well preserved biodiversity, low level of agriculture chemization and good condition of the environment increase the attractiveness of rural areas as a place for living and leisure.

In 2005 over 8,5 thousand agricultural holdings provided agro tourism services (less than 600 in 1990) offering around 130 thousand beds, standards ranging from apartments to camp

sites. The recreational offer is becoming more and more attractive, combining the expectations of tourists with regional possibilities. There is both active leisure offer, such as scenic wandering, horse-riding, hunting, fishing, mushroom picking etc., as well as passive leisure offer, enabling the tourists to take advantage of spa treatment, try regional cuisine specialties, and get to know traditions and culture typical of particular regions of Poland. The quality of agrotourism and tourism services is improving, and the offer becomes more and more interesting.

Rural and agricultural population

The population in rural areas gradually increases since 2001. This is a result of many factors, e.g. settlement of more and more urban dwellers in rural areas, limitation of the migration of rural residents to cities in search of employment, return of persons loosing their jobs back to rural areas. People living in rural areas are on average younger than those living in towns Out of the total number of 14.733 thousand people living in rural areas, 23,8% (18,6% in towns) are aged below 18, and 15,4,1% (15,5% in towns) are in post-productive age (women over 60 and man 65 or older.
As regards education, the rural population lags behind the urban population, although the improvement is more and more visible.
The education level is much too low and very often constitutes a barrier for taking up activity in other professions than agriculture, including self-employment. Young people in rural areas, far more frequently than in towns, choose vocational school education. The reasons are first of all economic (more difficult income situation of rural population, commuting expenses etc.) Despite the difficult situation in the labor market, less and less persons earn their living in agriculture.

Figure 15. Population structure by source of income in 2002

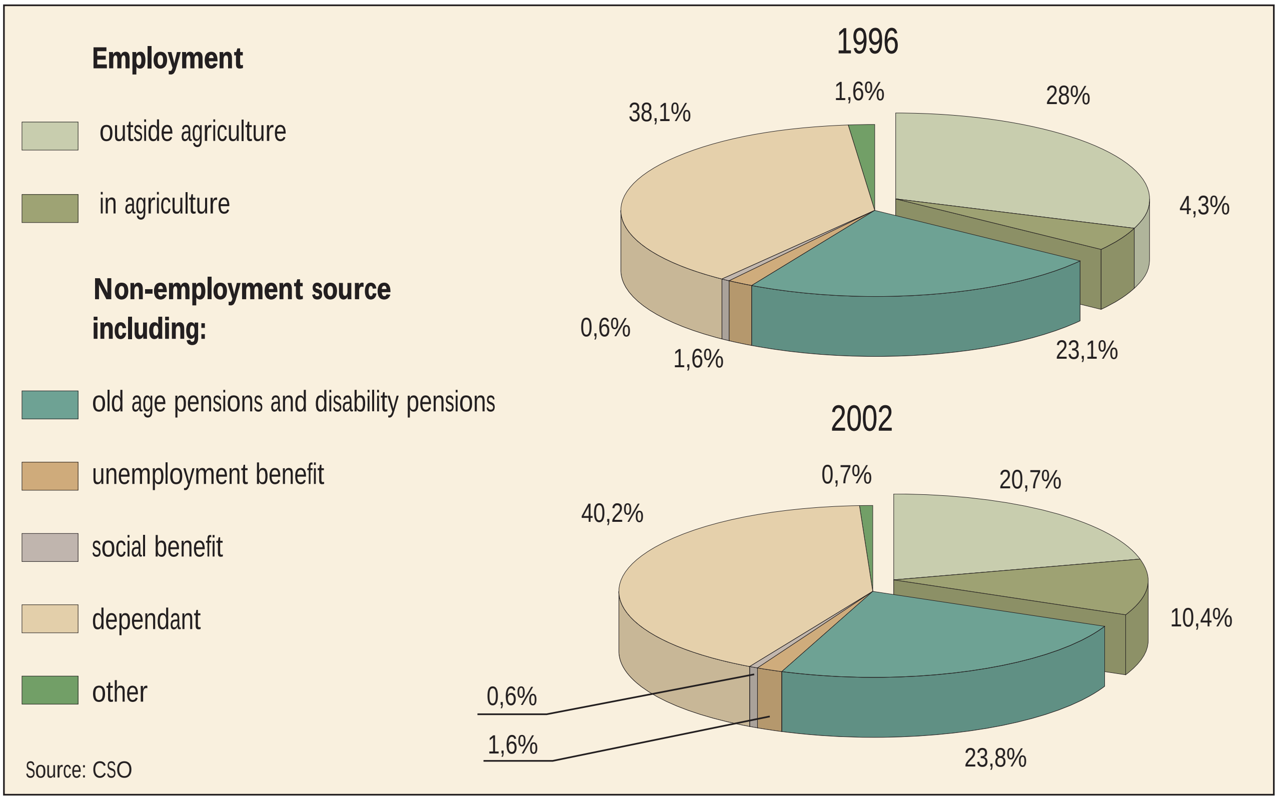


Table 13. Population at the age of 15 and more, by education level and place of residence in 1988, 2002 and 2004 (%)

Specification	Years	Wykrztałcenie				
		Higher	Secondary and post-	Primary vocational	Primary completed	Primary not completed
Total	**1988**	**6,5**	**24,7**	**23,6**	**38,8**	**6,5**
	2002	**9,9**	**31,5**	**23,2**	**29,8**	**5,6**
	2004	**13**	**33**	**23,3**	**28,1**	**2,6**
urban areas	1988	9,4	31,8	23,2	32,3	3,3
	2002	13,2	37,3	20,4	23,9	5,2
	2004	17,5	38	21,3	21,2	2
rural areas	1988	1,8	13,1	24,2	49,2	11,7
	2002	4,2	21,5	28	39,7	6,6
	2004	5,4	24,5	29,4	37,7	3

1/ including persons with no school education or with undetermined education; 2/ in 1988 - population at the age of 15 or more, in 2002 – 2004 - population at the age of 13 or more

Source: Report from National Census results 2002, CSO, Warsaw 2003, Demographical Yearbook 2005, Warsaw 2006

There is a considerable - and still growing - share of persons living of old-age or disability pensions and person who are supported, mainly children. According to 2002 National Census, out of the total number of people living in agricultural households only 12,3 % earn their living solely from work in agricultural holdings, while 1,5% make their living mainly from work in agriculture, and up to 21,2% - solely or mainly from work outside agricultural holdings.

Professional activity and unemployment in rural areas

population at the age of 15 or more, in 2002 – 2004 - population at the age of 13 or more.
The employment rate is also higher. It results from including persons in agricultural holding to the active and employed, even if they work in a very small extent.
According to the GUS, in 2005 employment in the agriculture, hunting and forestry sectors

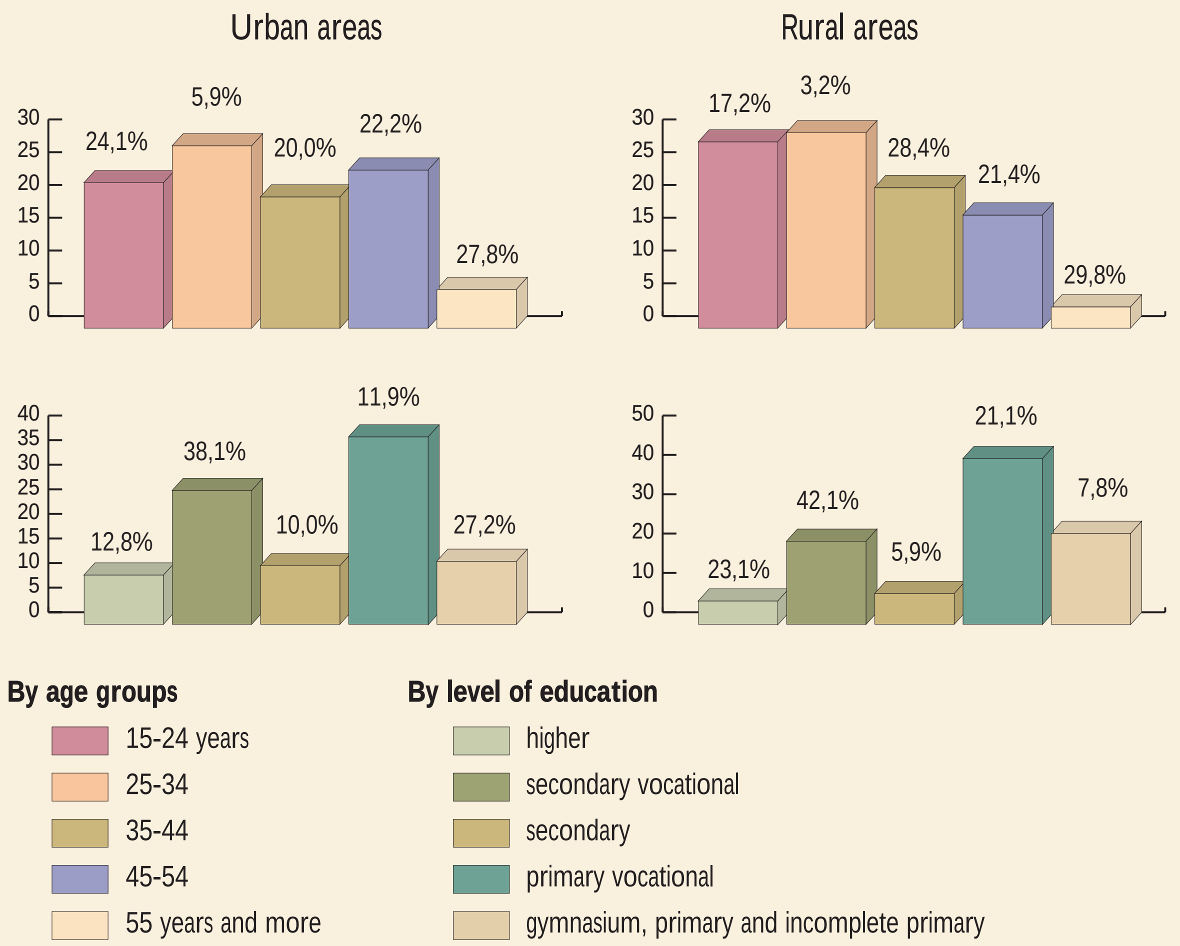
Table 14. Economic activity of people aged 15 and older in 1995-2005 (%)1/

Specification	1995	2000	2004	2005
Professional activity rate:				
Total	**58,4**	**56,4**	**54,9**	**55,2**
of which: urban areas	57,2	55,8	54,1	54,5
rural areas	60,5	57,5	56,3	56,2
Employment rate:				
Total	**50,7**	**47,4**	**45,1**	**45,9**
of which: urban areas	49,3	46,3	43,8	45
rural areas	53,1	49,3	47,2	47,4

Source: CSO

1/ in 1995 – November data, in 2000, 2004 and 2005 – data for the fourth quarter

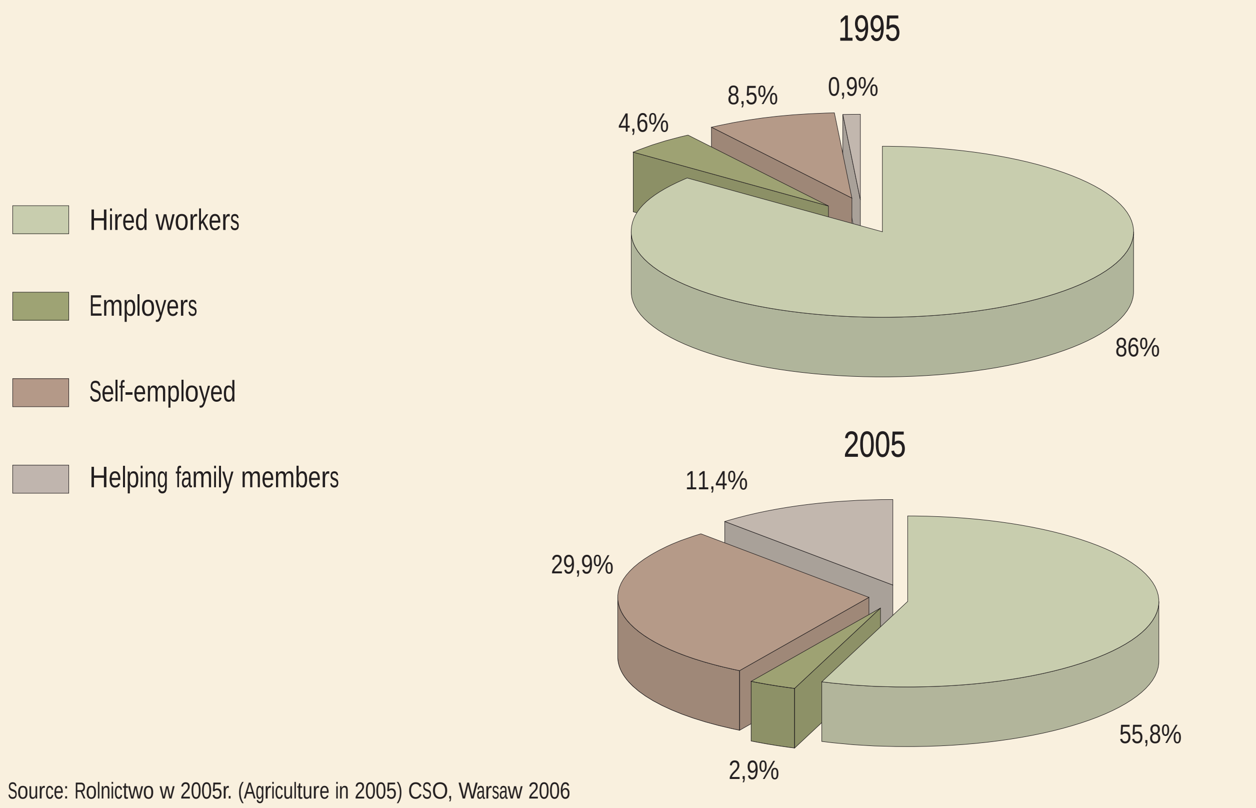
Figure 16. Unemployment rate – according BAEL – in 4th quarter of 2004 by age groups and level of education (%)



Source: Economic activity of Poland's population – 4th quarter 2005, CSO, Warsaw 2006

amounted to 16.2% of the total employment. Hired workers are relatively small group with 8,4% share, 65,5% are employers and self-employed, 26,1% are helping family members.
Rural areas and cities differ in the proportions of the occupational status of employees. In cities hired workers are a majority, while in rural areas self-employed and employers prevail, especially in agriculture.
At the end of 2005 there were 2.773 thousand unemployed and the unemployment rate (according to the number of unemployed registered with Labor Offices) was 17,6% against 19% in 2004. According to the Survey of Economic Activity of the Population (BAEL- proportion of the number of the unemployed to the number of the professionally active), a midyear unemployment rate in the rural areas was 16,2%, and 17% in 4th quarter.
Both in towns and in the countryside, the largest group of the unemployed are young people. The share of unemployed people by level of education looks slightly different.
Although the unemployment in rural areas is lower in towns, it is more difficult to combat, because of a smaller number of businesses, particularly in small rural localities. Moreover, there is hidden unemployment in agricultural holdings. Comparing the level of human resources

Figure 17. Working people by employment status and place of residence in 1995 and 2005 (%)



Source: Rolnictwo w 2005r. (Agriculture in 2005) CSO, Warsaw 2006

in Poland and in EU States, the excessive labour employed in agriculture is quite visible. The share of professionally active persons in agriculture amounts to almost 11% as compared to 1.9% in the EU. The age structure among farmers is much better in Poland than in the EU. Ca. 17% of farmers in Poland is less than 34 years old, against only 8-9% in the EU.

Rural infrastructure

Rural areas are characterised by lower availability of basic technical infrastructure facilities than in urban areas; it must be remembered that the expenditure for that purposes dramatically increases. Numerous programmes, which were implemented after 1990 were supported both by national and self-government budgetary funds, environmental protection funds, foundations active in the agricultural sector and in rural areas, as well as EU support and World Bank and European Investment Bank loans. The main body distributing the funds supporting the building of infrastructure was the Agency for Restructuring and Modernization of Agriculture, which since its creation in 1994 provided aid within the ASAL-300 program co financed by the World Bank.
Currently the development of infrastructure in rural areas is supported with EU funds, which are managed by the Ministry of Regional Development.
85.2% of villages are provided with collective water supply system network and 13,6% of villages are provided with collective waste water disposal system.
Large funds are going towards building of communal and district roads, as well as access roads to fields. The problem lies not only in the unsatisfactory density of roads, but also in the necessity to modernize and rebuild existing roads, which are in bad technical condition.
2005 saw further improvement in availability of telecommunications to rural population; at the same time the number of landlines dropped in favour of dynamically developing cellular network.
The number of people using gas networks in rural areas considerably differs in comparison to towns About 20% of rural population has uses the gas network, whereas in towns about 80%. The availability of bottled gas is increasing.
Rural electrical energy networks provide electricity to over 5 million recipients of low voltage power and 10 thousand recipients of medium voltage.

Magdalena Rogosz

General information on food industry

Over 19,000 companies works in food industry, covering the production of foodstuffs and beverages as well as tobacco products. Approximately 18,000 companies are micro- and small enterprises, employing 9 persons on the average. The value of sold production coming from these companies constitutes 23% of the total value of food industry and they employ 36,6% of workforce.

In 2005 companies employing 50 or more people sold food production worth 93,5 billion PLN, i.e. 16,4% of the total sold production of whole industry, and they employed 17,3% of all people working in industry.

Privatisation of food sector is actually completed. Stated owned companies in 2004 represented only 0,5% of all food industry businesses, and their share in employment and sales was less than 4%. There has been important changes going on in the ownership structure of food industry since 2002, the process of consolidation and acquisitions of companies by foreign and domestic strategic investors – either from within the business or financial – is continuing. At the same time redundant production means are reduced, production becomes specialized and companies functions are concentrated. The level of investment is also high, aimed at modernisation of the processing potential and at construction of new processing plants. The group of large and medium enterprises is growing, whereas that of micro- and small enterprises is decreasing, as they have worse possibilities of functioning accordin to EU requirements.

European integration had a great impact on the production volume in food sector. Development in this sector already accelerated in the months preceding Polish accession to the EU (2003) and continued in the following years. Such a growth mainly resulted from the development of exports – the share of which in total sales of food industry increased from 14,1% in 2003 to 19,3% in 2005 - and from the accelerated industrialisation of the processing of agricultural products in relation with sector adjustment necessary for EU integration.

The role of domestic market was of minor importance, since the growth in demand for food was very slight. Such a situation resulted from a significant stratification of population, high unemployment rate and low and decelerating rate of pay rises.
In companies employing 50 or more persons the increase of sales was accompanied by slower growth of employment and average remuneration.

Table 15 Production sold 1/, average employment and remuneration in 2005
in companies employing 50 or more persons

Sections, subsections and groups	Production sold		Average employment		Average gross monthlu remuneration	
	in	2004=100	in	2004=100	in PLN	2004=100
Industrial processing	**466858,4**	**104,7**	**1595**	**102,6**	**2366,6**	**102,9**
Manufacturing of food products and beverages	**90049,6**	**105,2**	**283,6**	**100,5**	**2202,9**	**102,4**
manufacturing, processing and preservation of meet and meet products	23336,3	109,4	87,1	104,1	1597	101,9
fish processing and preservation	2748,6	114	10,5	114,7	1621,3	99,6
fruit and vegetable processing	8738,2	111,3	31,6	98,4	2181,4	104
manufacturing of animal and plant fats and oils	2343,3	106,4	2,8	110,2	3582,8	102,2
milk product manufacturing	15874,3	105,5	41,1	97,6	2228,2	104,6
manufacturing of cereal milling products, starch and starch products	2372,7	103,7	7,2	111,1	2446,7	100,4
manufacturing of ready animal feedstuffs	5520,4	100,6	6,2	101,1	4535,3	106,2
manufacturing of other food products	18084,0	104,2	72,4	98,1	2277	102
beverage manufacturing	11032,0	94,5	24,8	94,3	3539,4	105,1
Manufacturing of tobacco products	**3469,1**	**96,8**	**6,2**	**98,6**	**4629,3**	**103,7**

Source: Inputs and outputs of industry 2005, CSO, Warsaw 2006

1) current prices, dynamics in constant prices

Global enterprises play a more important role in Polish food industry. In 2004 approximately 40 branches of transnational corporations were active in this sector. Although they constituted only 0,2 % of all business entities in food industry, their participation in the value of revenue from sales of all food industry equaled about 20%.

The greatest concentration of production evidenced by the decrease in the number of companies accompanied by the increase in the value of production sold and sometimes the increase in employnment took place in meat, milk and cereal processing, pasta, fodder and bread production, sugar and pastry production, non-alcoholic beverages production, as well as spirit and brewing industry. The number of producers in the last two years increased only in poultry, fruit and vegetable processing and oil and margerine manufacturing sectors.

After Polish accession to the EU and after the large and well-developed European market, with over 400 m consumers, opened for Polish producers, exports of Polish food rose dynamically and the situation of Polish food producers in the enlarged EU improved.

Table 16 Food industry sectors with highest share of export value in total sales (over 20%) in 2005

Sector	Percentage of foreign trade results in the value of food industry sales (in base prices)		
	Export	**Import**	**Balance**
Fish and fish products	58	65,7	-7,7
Potatoe products	41,2	29,5	11,7
Fruit and vegetable juices and drinks	39,7	13,6	26,1
Fruit and vegetable products	35,9	15,6	20,3
Domestic animal feeds	38,4	22,8	15,6
Long-life confectionery and cakes	58,8	15,9	42,9
Cocoa, chocolate and other sweets	28,6	25,5	3,1
Tea and coffee	61,5	111,3	-49,8
Herbs and spices	26,4	25,6	0,8
Nutrition formulas and dietary foods	51,1	23,9	27,2
Poultry meat and meat products	23,6	6,8	16,8
Milk and milk products	22	3,6	18,4
Sugar	20,5	2,6	17,9

Source: IAFE calculations based on CSO and FTDC data

1apreliminary data

Economic situation of food industry

After the integration, situation of Polish food industry improved, which confirmed that the sector was well prepared for carrying out business on the Community market. In 2004, net profit of food industry nearly tripled (by 3 billion PLN) and net profitability increased to 3,9%. The industry was almost as profitable also in 2005. Profitability level of food industry is already high, and the profit became the main source of cash incomes.

Table 17 Financial results of food industry 2000-2005

Specification	2000	2001	2002	2003	2004	2005
Profitability indicators (in % of net revenue)						
gross profit	1,32	2,58	3,03	2,58	4,77	4,41
net profit	0,24	1,19	1,99	1,56	3,87	3,54
accumulation of capital	3,58	5,2	5,47	5,11	7,18	7,05
operational surplusb [a]	8,08	10,75	8,87	8,47	9,59	9,25
Net profit in million PLN	216	967	1926	1599	4650	4366
Financial costs (in % of net revenue)	3,42	4,2	2,36	2,34	1,5	1,33
Liquidity ratioi[c]	1,19	1,2	1,19	1,19	1,22	1,27
Investment rate[d]	1,39	1,28	1,15	1,36	1,63	1,37
Share of profit making companies in %						
in total number of companies	65,3	69,4	72,1	74,4	78,9	78,4
in industry revenue	70,9	73,6	78,3	79	83,3	85,8

Source: IAFE calculations based on CSO data on financial results of companies employing more than 9 persons

a net profit + amortization; b gross profit + amortization + financial costs; c current assets / short term liabilities; d investment / amortization; e refers to entities employing 50 or more persons.

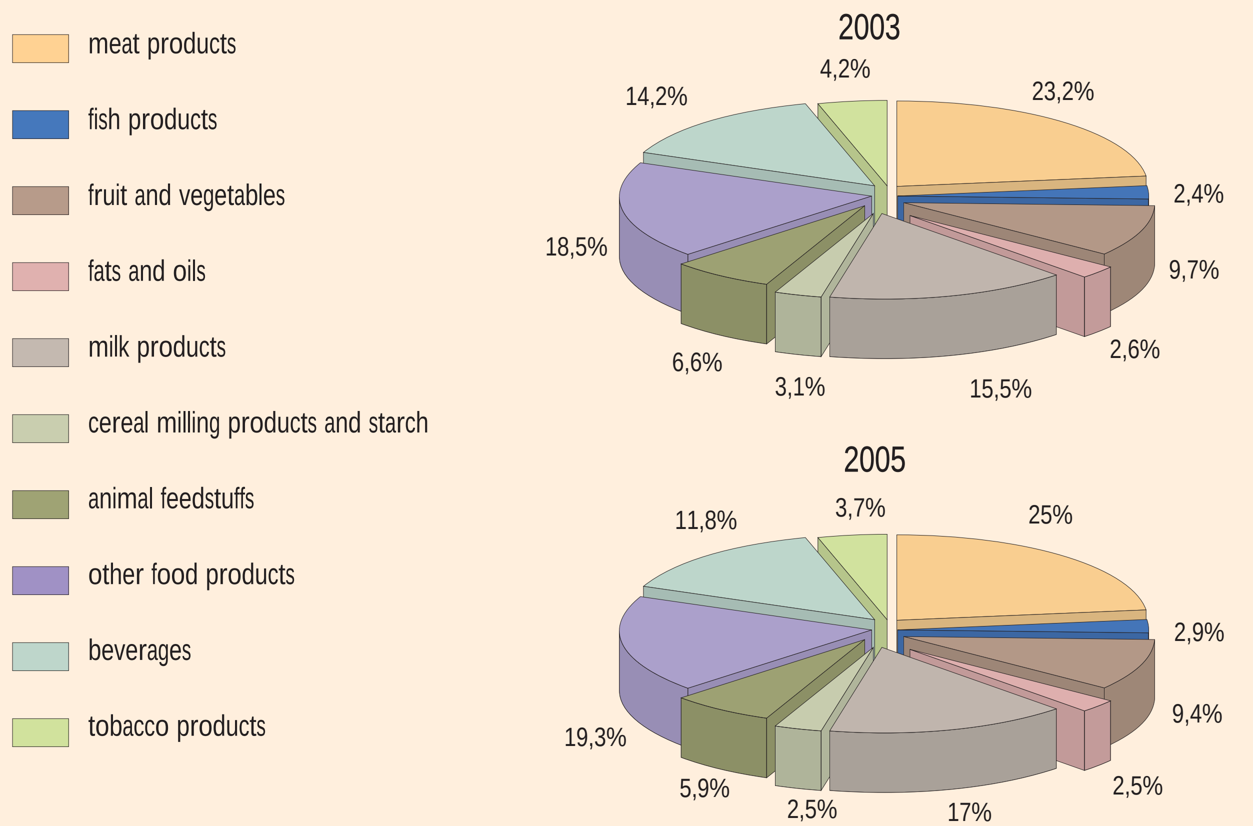
Cash incomes from profit and amortization (so called accumulation of capital) increased to almost 9 billion PLN and were 50% higher than in 2003. Current liquidity ratio also improved in 2003-2005 (from 1,11 in 2003 to 1,27 in 2005).

Economic results improved in privately owned companies. The profitability of few existing state-owned companies was globally negative.

Food industry output

In the case of sales structure in food sector, meat, beverages and milk industries prevail since many years.
In 2005 there was an increase of the output in almost all product groups. Beverages and tobacco products were an exception.
The largest growth, and thus, share, in sales structure, was observed with respect to fish products, milk processing and meat products.

Figure 17 Sales structure of product groups in food industry 2003 and 2005 (%)



Source: Inputs and outputs of industry 2003 and 2005, CSO, Warsaw 2004 and 2005

Consumption of food products

Incomes of the population, which determine the demand for food, are a derivative of the growth in GDP, which in 2005 – according to preliminary data- increased by 3,2% in comparison to 2004. The total food consumption increased by 2,4%, the average remuneration in the enterprise sector increased in real terms by 1,2 % gross , the average old-age and disability pensions from the non-agricultural social insurance system - by 0,3%
In 2004-2005 household expenditure for food increased, mainly as a result of the increase in prices of agri-food products (on average by 6,3% in 2004 and 2,1% in 2005)

The consumption of particular products fluctuated depending on their prices, which were obviously determined by supply and possibility of exporting products at profitable prices, as well as by import.

In 2005 in comaprison to 2004 the biggest price increases were that of vegetables (4,2%, potatoes 17,2%), fish (3,0%), fruit (2,7%) and meat (2,6%). The price of beef continued to increase (16,5%), however poultry meet prices dropped (0,8%) Milk and cheese became more expensive (4,2% and 2,9% respectively) and egg prices dropped (9,1%)

In 2005 there was a continuation of changes from previous years: there was less beef and more poultry consumed.

Table 18 Annual consumption of basic food products per capital 1995-2005
(in kilograms per head)

Specification	2001	2002	2003	2004	2005
Cereal products	120	119	120	119	119
Potatoes	138	132	130	129	126
Vegetables	120	120	110	111	110
Fruit	40,9	51,1	54,5	55	54,1
Meat and edible meat offal	63,4	65,4	72,4	71,8	71,6
of which: meat total	59,4	61,4	67,7	67,3	67,1
pork	39,1	38	41,2	39,2	39
beef	8,7	6,8	5,8	5,3	3,9
poultry	10,2	14,1	19,7	21,5	23,5
Edible fats					
by commercial weight	25,3	28,4	29,2	30,5	.
of which: animal	7,2	6,6	6,9	6,6	6,6
plant	14,4	17,6	17,6	19,5	.
butter	3,7	4,2	4,7	4,4	4,2
Cow milk (in liters)	195	191	181	174	174
Hen eggs (in pcs)	154	186	214	211	215
Sugar	41,9	41,2	40,5	37,6	40,6
Vodkas, liquers other alcohol beverages					
converted to 100% alc. In liters	3,5	2	2,4	2,5	2,4
Cigarettes made of tobacco in pcs	2591	1954	1920	1927	1959

"Concise Statistical Yearbook of Poland" GUS, Warsaw 2006

Consumption of various products differs among main socio-economic groups of households, though an average energy and nutritious value of a daily food intake differs insignificantly. There is also a difference depending on family size, the education level, the place of residence, etc. There are considerable differences in the consumption level of basic foodstuffs between Poland and the EU, and also between particular EU Member States.

The consumption of main products in Poland, excluding fruit, beef, fish and milk, is on the EU levels. The consumption of the products mentioned above is considerably lower , mainly due to their relatively high prices or to the culinary habits in Poland. The consumption of eggs, vegetables oils, animal fats and meat is also lower, with the exception of pork, the consumption of which is higher.

Try Fine Food Programme

On 1 May 2004, upon the decision of the Minister of Agriculture and Rural Development, a new programme entitled Try Fine Food was launched, replacing the former Fine Polish Food programme.

The main purpose of the Programme is providing information on the high quality food products. The Programme is voluntary and open for entrepreneurs from EU Member States.

The Try Fine Food mark is assigned only to products which meet criteria developed by the Scientific Committee for the Quality of Food Products, composed of independent experts. Marking with the Try Fine Food mark provides information to consumers, helping them to select most appropriate products. At the same time, the Community food policy objective is achieved, concerning the extension of high-quality food and food diversity area on the Common Market.

POZNAJ DOBRĄ ŻYWNOŚĆ

The mark also enhances consumer confidence towards the product through information on its high and stable quality.

The only entities entitled to submit applications for awarding the Try Fine Food mark are producers. The application is free of charge.

The Programme covers the following groups of products:

1) meat and meat products
2) eggs and egg products
3) milk and milk products
4) fruit and vegetable (including potatoes), mushrooms and their respective products
5) cereals and their products, including breadstuff
6) fish and seafood and their respective products
7) non-alcoholic beverages
8) mineral waters
9) honey
10) confectionery and pastry products
11) herbs and spices
12) edible fats
13) beers and spirits
14) mixed and high-processed products based on the abovementioned raw materials

Foto

Products awarded the Try Fine Food mark are controlled by the Scientific Committee for the Quality of Food Products through independent monitoring units. In order to ensure a stable and very high level of quality of the marked products and reliability of the origin of raw materials, the Programme assumes maximum validity periods of the mark:

awarded for the first time, for no longer than 3 years

awarded for the subsequent time, for no longer than 5 years.

Prior to the expiry of the mark, producers may apply for its renewal, which would result in products undergoing renewal procedure. The mark can be revoked by the Scientific Committee before the expiration date, should the product fail to meet quality criteria.

The Try Fine Food marks were awarded for the first time on 21 September 2004 during the International POLAGRA-FOOD Fair. Currently, the mark has been awarded to 600 products from 70 agri-food enterprises.

Detailed information and application form with all necessary annexes are available on the Ministry of Agriculture and Rural Development website: www.minrol.gov.pl. Further information is also available from the Programme technical committee: tel. (+48-22) 623-20-69, fax (+48-22) 623-16-08, e-mail: pdz@minrol.gov.pl

Regional and traditional products

Poland began the implementation of EU policy related to the improvement of agri-food products quality by means of protection of unique products of specific geographic origin or produced in a traditional manner. Unique nature of such products may be attested through registration, protection and award of the symbols: Protected Designation of Origin, Protected Geographical Indication or Traditional Specialty Guaranteed.

Since March 2006, new regulations related to the registration and protection of geographical and traditional names are in force in the European Union. These regulations include:

Council Regulation (EC) No 509/2006 of 20 March 2006 on agricultural products and foodstuffs as traditional specialities guaranteed;

Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

System of registration of regional and traditional products have been established in Poland by the Act on registration and protection of names and indications of agricultural products and foodstuffs and on traditional products. Pursuant to this Act, Ministry of Agriculture and Rural Development is competent for issues related to the designations of origin, geographical indications and names of special nature.

The introduced system of control guarantees the unchanging high quality of the final product. Consequently, consumer confidence is growing with respect to certain products, which in turn results in an increased demand for those products. Graphic symbols attesting the regional or traditional nature of a product are recognised in Europe by millions of consumers. Information and promotion activities are carried out, co-financed from EU funds and targeted at producers of unique specialties and at consumers – e.g. Polish action “Originality protection” featuring celebrity chef Robert Makłowicz.

By July 2006, Poland has forwarded 9 applications for the registration of the names of regional and traditional products to the European Commission.
Those products include:

1) Oscypek (cheese; application for Protected Designation of Origin)
2) Bryndza podhalańska (cheese; application for Protected Designation of Origin)
3) Andruty kaliskie (wafers; application for Protected Geographical Indication)
4) Kiełbasa lisiecka (sausage; application for Protected Geographical Indication)
5) Miód wrzosowy z Borów Dolnośląskich (heather honey; application for Protected Geographical Indication)
6) Staropolski miód pitny „półtorak" (mead; application for Traditional Specialty Guaranteed)
7) Staropolski miód pitny „dwójniak" (mead; application for Traditional Specialty Guaranteed)
8) Staropolski miód pitny „trójniak" (mead; application for Traditional Specialty Guaranteed)
9) Staropolski miód pitny „czwórniak" (mead; application for Traditional Specialty Guaranteed)

Moreover, the Polish Act provided for the possibility to make a List of Traditional Products. Registration procedure is much easier than in the case of product registration on the EU level.

Graphic symbols attesting the regional or traditional nature of a product:

Protected Designation of Origin

Protected Geographical Indication

Traditional Specialty Guaranteed

The List may include wines and spirits.
Pursuant to the Act, a product may be considered eligible provided it has been produced since at least 25 years.
By July 2006, the List of Traditional Products counted over 150 products.
Detailed information on registration procedures for selected products and profits related to the participation in the product name protection system is available on the Ministry of Agriculture and Rural Development website (www.minrol.gov.pl). Further information is also available from the Geographical Indications Division: tel. (048 22) 623 27 07, e-mail: oznaczenia@minrol.gov.pl.

General information on fisheries in Poland

Polish fisheries cover Baltic and deep sea fisheries, as well as inland fisheries. The share of Polish sea and inland catches in global fisheries is minimal, equalling 0.3%. Catches per 1 inhabitant are over two times smaller in Poland than the global average.

The coastal zone of the Baltic Sea covers 36 municipalities in 18 poviats in the following voivodships: Pomorskie, Zachodniopomorskie and partly in Warmińsko-Mazurskie (a part of the Vistula Lagoon). The Polish coastline is 528 km long. There are 59 landing places, ports and localities with the fishing port status, out of which 10 ports support cutter operations. Polish sea areas include internal waters, territorial waters and the exclusive economic zone. Polish sea areas cover 32.4 thousand km2, including territorial sea of 8,628 km2. The Baltic Sea is desalinated and its average salination falls as distance from the Danish straits grows. Polish sea areas are considered to have rich fish resources. Fisheries productivity equals on average 35.9 kg per ha, whereas the average sum for all Baltic Sea equals 18.5 kg per ha. Polish fishing tradition is several generations old and constitutes an important element of national economy.

Poland is a country with a relatively large number of lakes; there are 7,000 reservoirs larger than 1 ha and their total surface exceeds 280,000 ha. Inland fishing also covers ponds and rivers.

In 2005, sea fisheries were limited, while the level of domestic supply of fish for consumption was maintained due to the growth in imports.

The main reason for the drop in catches was their low economic viability, caused by low prices of fish and high prices of fuel, prolonged ban on cod fishing and high number of stormy days.

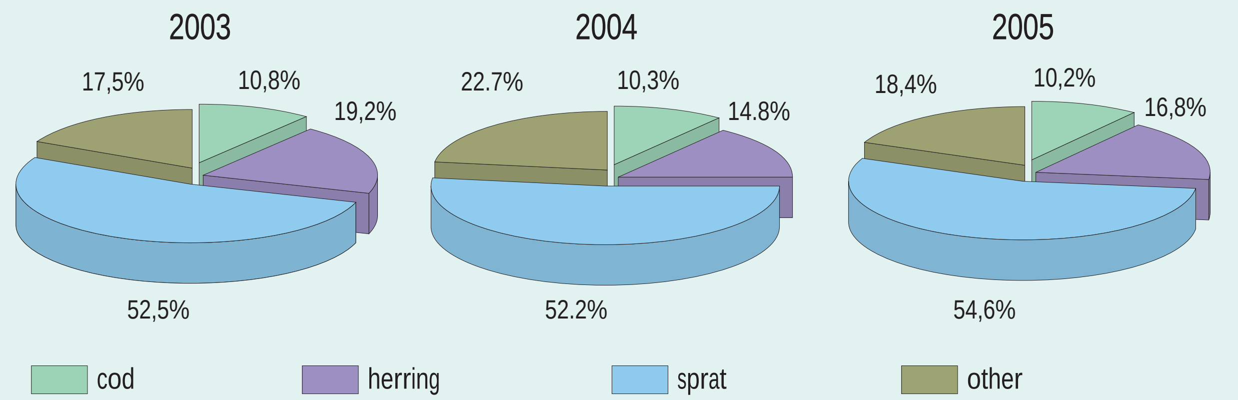
Table 19. Fish balance in Poland in years 1995-2005 in thousands of tons (live weight)

Specification	**1995**	**2000**	**2004**	**2005 S**	**2005**		
					1995=100	**2000=100**	**2004=100**
Sea fisheries	405,2	220,5	173,6	136,3	33,6	61,8	78,5
of which Baltic catches	129,6	141,1	153,8	124,3	95,9	88,1	80,8
- non-consumption fisheries	.	.	38,0	30,5	x	x	80,3
- deep sea fisheries	275,6	59,0	19,8	12,0	4,4	20,3	60,6
Fresh water fisheries and aquaculture	45,0	55,0	53,0	54,1	120,2	98,4	102,1
Total consumption fisheries	450,2	275,5	188,5	159,8	35,5	58,0	84,8
Imports	316,1	456,2	481,5	521,5	164,9	114,3	108,3
Eksports	327,6	249,8	236,4	273,2	83,3	109,4	115,6
of which:							
exports - DES	196,8	86,7	31,7	22,0	11,2	25,4	69,4
exports - DEQ	130,8	163,1	204,7	251,2	192,0	154,0	122,7
Supply of consumption fish on domestic market	438,7	481,9	433,4	408,1	93,0	84,7	94,2

Source: data of the Sea Fisheries Institute and estimate of the National Research Institute of Agricultural and Food Economics (IERiGŻ–PIB) on the basis of the data of the Inland Fisheries Institute

S - estimate

Figure 18. Structure of sea catches by most important fish species



Source: Sea Fisheries Institute and MARD

Implementation of the fisheries potential reduction programme (a so-called scrap programme) was an additional factor that limited the Baltic catches. Lake and angling catches also decreased, whereas aquaculture catches increased.

In 2005 fish consumption in Poland equalled 11.43 kg/person, which was one of the lowest rates in the EU – it was by over 50% lower than the EU-15 average and over 30% lower than EU-25 average. Sea fish prevail in consumption (86% of total fish consumption in Poland). In 2005 the leading species of fish changed. The most popular fish in Poland was walleye pollock, whereas until 2005 it was herring.

Fishing fleet

Fishing fleet restructuring programme, implemented after the accession, resulted in the scrapping by the end of 2005 of 297 Baltic vessels with the capacity of 12.6 thousand GT and one deep sea vessel (Acamar) with the capacity of 3.7 thousand GT. In 2005 Polish fishing fleet also incorporated new vessels, e.g. two deep sea vessels.

Reduction of the fleet continues. It is presumed that Polish fishing fleet will count another 100 vessels less by the end of 2006, which means that, as compared to the figures as of 1 May 2004, it will decrease by approx. 45%.

Sea fisheries

Both Baltic and deep sea fisheries dropped in 2005. In fact, in the case of all fish species whereof the catches are subject to restrictions, the quota have not been fully used.

In 2005, sea fish catches on Baltic Sea constituted 92% of total sea catches, as compared to 88.6% in 2004 and 32% in 1995.

The largest share in deep sea fisheries are catches of krill and rockfish (56.5% in total in 2005, 60.4% in 2004).

Table 20. Polish fishing fleet

Specification	1.5.2005		31.12.2005		change (%)	
	quantity	thousand	quantity	thousand	quantity	thousand
Total fleet	**1280**	**47,3**	**975**	**30,3**	**-24**	**-35**
deep sea fleet	6	10,3	3	9,4	-50	-41
Baltic fleet						
of which: cutters	411	32	249	19,8	-39	-38
boats	863	5	723	4,3	-16	-15

Source: MARD - fishing vessels register

Table 21. Allowable fishing quota on Baltic Sea and their use in years 2003-2005 (in thousands of tons)

Species	2003	2004	2005	2005 2003=100
Sprat				
quota	80,2	110,9	141,3	176,2
catches	84,1	90,6	74,4	88,5
used in %	104,9	81,7	52,6	x
Herring				
quota	29,3	28,9	33,8	115,4
catches	30,7	25,5	21,8	71
used in %	105	88,3	64,5	x
Cod				
quota	15,9	15,8	13,1	82,4
catches	16	16,4	12,8	80
used in %	100,7	103,6	97,6	x
Baltic salmon				
quota (in thousands of fish)	42,4	28,4	28,3	66,7
catches (in thousands of fish)	35,2	25	21,9	62,2
used in %	83	88,1	77,4	x

Source: Sea Fisheries Institute and MARD

Inland fisheries

Production of fresh water fish in 2005 equalled 54.1 thousand tonnes and rose with respect to 2004 figures by 2%.In 2005 the process of reduction of fish catches in natural inland reservoirs continued. However, aquaculture catches rise, whereas carp production drops significantly, although carp catches prevail in fresh water fish catches. As regards breeding ponds, production of trout rises, trout being the second most often caught species. Also, production of sturgeon, tench and catfish increases.

Table 22. Production of fresh water fish (excluding stocking material in years 2004-2005, in thousands of tonnes).

Specification	2000	2003	2004	2005x/	2005	
					2000=100	2004=100
Aquaculture						
total	**36,4**	**35**	**34,8**	**36,4**	**100**	**104,6**
of which:						
carp	23,5	19,5	18,3	18,3	77,9	100
trout	11,2	13,5	14,6	16,2	144,6	110,9
Professional lake catches	3,38	3,44	2,89	2,8	82,8	96,9
Angling	18	18,3	15,4	14,9	82,8	96,7
Total:	57,8	56,8	53	54,1	93,6	102,1

Source: Inland Fisheries Institute and National Research Institute of Agricultural and Food Economics (IERiGŻ)

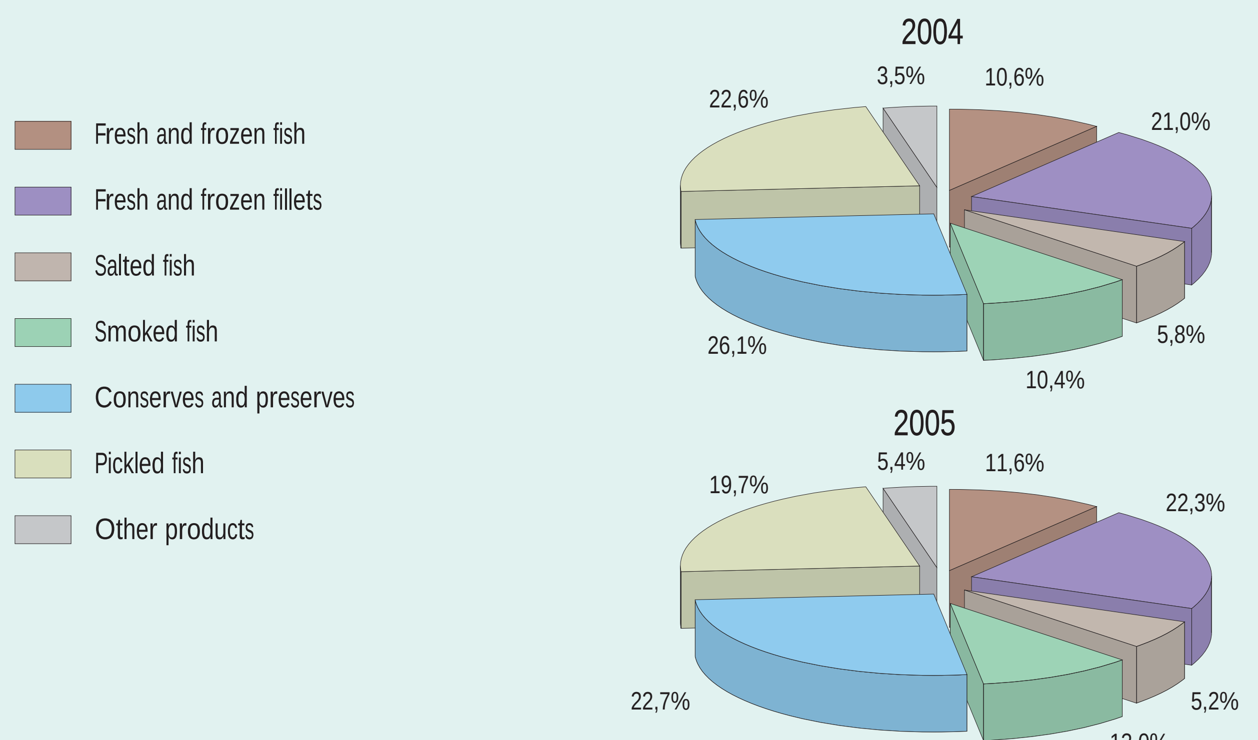
x/IERiGŻ estimate

Polish aquaculture (mainly carp and trout ponds) differs from that of other EU Member States, where marine aquaculture prevails, whereas inland aquaculture covers mainly trout.
Poland is one of the largest carp producers in Europe.

Fish processing

At the end of February 2006, 195 processing plants authorised to trade in fish products within the area of the EU were entered into the General Veterinary Inspectorate register . 39 fish processing plants are covered by transitional period with respect to adjustment to EU requirements, whereas approx. 50 plants are authorised to carry out a so-called direct sales on local markets.
In 2005 production in all product groups increased, equalling 8 to 9% for fresh and salted fish and up to 93% for fresh fillets. Production of tinned and pickled fish also increased, yet the rise was not as significant as in the former cases. Total final production in fish processing industry on land attained 325,000 t in 2005 (5.5% more than in 2004) and was valued at PLN 3,150 (10.5% more than in 2004).
Fish processing industry has a safe financial standing, generates cash equalling nearly 4% of net revenue and has financial liquidity, including quick ratio (over 0.5). Since 2003, fish processing industry enjoys a rise in investments. In years 2004-2005 the amount of inputs was twice as high as that of depreciation. Fish processing plants, supported with funds from EU aid schemes, initiated a number of modernisation investments to adjust production process to the EU sanitary, veterinary and quality requirements.

Figure 19. Structure of fish processing production in plants employing at least 50 persons (%)



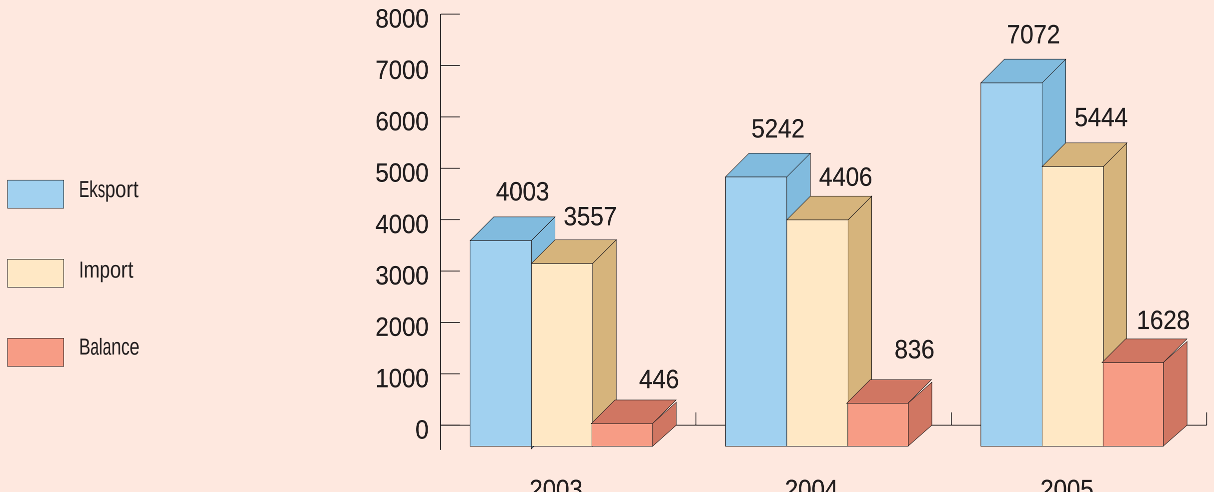
Source: Sea Fisheries Institute

MRiRW

General information on foreign trade of agri-food products

In 2005, the process of dynamic growth of the Polish agri-food export was on-going. The second year in a row, the positive trade balance with foreign states almost doubled.
Exports value exceeded EUR 7 billion i.e. it was increased by 35% as compared to 2004, whereas imports reached EUR 5.4 billion i.e. it was 24% higher than in 2004.

Figure 20. Foreign trade balance as regards agri-food products in years 2003-2005 (in millions of EUR)



Source: Foreign Trade Data Centre

2005 was profitable for the Polish foreign trade in all goods. Export rate was growing faster than imports. However, the growth of trade in agri-food products was higher than in the case of other goods, which contributed to an increase in its share in general exports and imports value.
The export potential of the agri-food sector was so large that it allowed for dynamic growth despite unequal competition conditions comparing to the EU-15 Member States.

Table 23. Share of agri-food products in Polish foreign trade

Share of agri-food products in	**2000**	**2003**	**2004**	**2005**
- total exports	8,4	8,4	8,7	9,9
- total imports	6,5	5,9	6,1	6,8

source: Foreign Trade Data Centre (CIHZ)

Geographical structure of trade in agri-food products

In 2005, the importance of EU Member States as trade partners of Poland increased. Over 74% of exports and 63% of imports in agri-food industry were exchanged within the EU. The fastest growth was observed in exports to new EU Member States.

Table 24. Foreign trade balance as regards agri-food products in years 2004-2005 by groups of states (in millions of EUR)

Specification	Eksport			Import			Balance	
	2004	2005	%	2004	2005	%	2004	2005
EU	3782	5238	138,5	2764	3442	124,5	1018	1796
of which: EU-15	2988	4086	136,7	2396	2978	124,3	592	1109
EU-10	794	1152	145,1	368	464	126,1	426	687
CIS	685	861	125,7	91	139	152,7	594	722
NAFTA 1/	195	194	99,5	110	110	100	85	83
EFTA 2/	60	63	105	178	230	129,2	-118	-167
Other	521	716	137,4	1264	1522	120,4	-743	-806
TOTAL:	**5242**	**7072**	**134,9**	**4406**	**5444**	**123,6**	**836**	**1628**

Source: Foreign Trade Data Centre (CIHZ)

1/ USA, Canada, Mexico 2/ Norway, Switzerland, Iceland, Liechtenstein

One third of Polish exports to the EU was addressed at German market. A vast spectrum of products was sold in Germany, including certain exporting specialties. Nearly a half of fruit products exported from Poland was targeted at German market, while in the case of fish products the figures exceeded 50% and poultry meat equalled 50%. German market was also predominant as regards plant oil exports. It also received approximately 20-30% of Polish exports of powdered milk, confectionery products, vegetable products, as well as fresh fruit and vegetable.

The share of Germany in imports from EU Members States exceeded ¼. Among the imported products, the most important included confectionery products, coffee, tea and spices, feed ingredients, plant oils and pork.

Positive balance of trade with Germany equalled EUR 906 million in 2005, i.e. rose by over EUR 211 million (30%) as compared to 2004.

The second Member State to Germany was the Netherlands, although the balance of trade was negative for Poland (-EUR 106.6 million). The main products exported to the Netherlands were fruit products, fresh vegetables, milk and meat, while imported products included feed ingredients, flowers, chocolate, meat, fish and vegetables.

The top five EU trade partners also featured Italy, Czech Republic and Denmark. The balance of trade is positive with respect to Italy and Czech Republic, whereas negative as regards Denmark.

Products exported to Italy covered mostly animal products, and imported products mainly included fresh fruit, wines, olive oil and confectionery products. Exports to Czech Republic included confectionery, horticulture and milk products, whereas imports covered malt, confectionery and cereals.

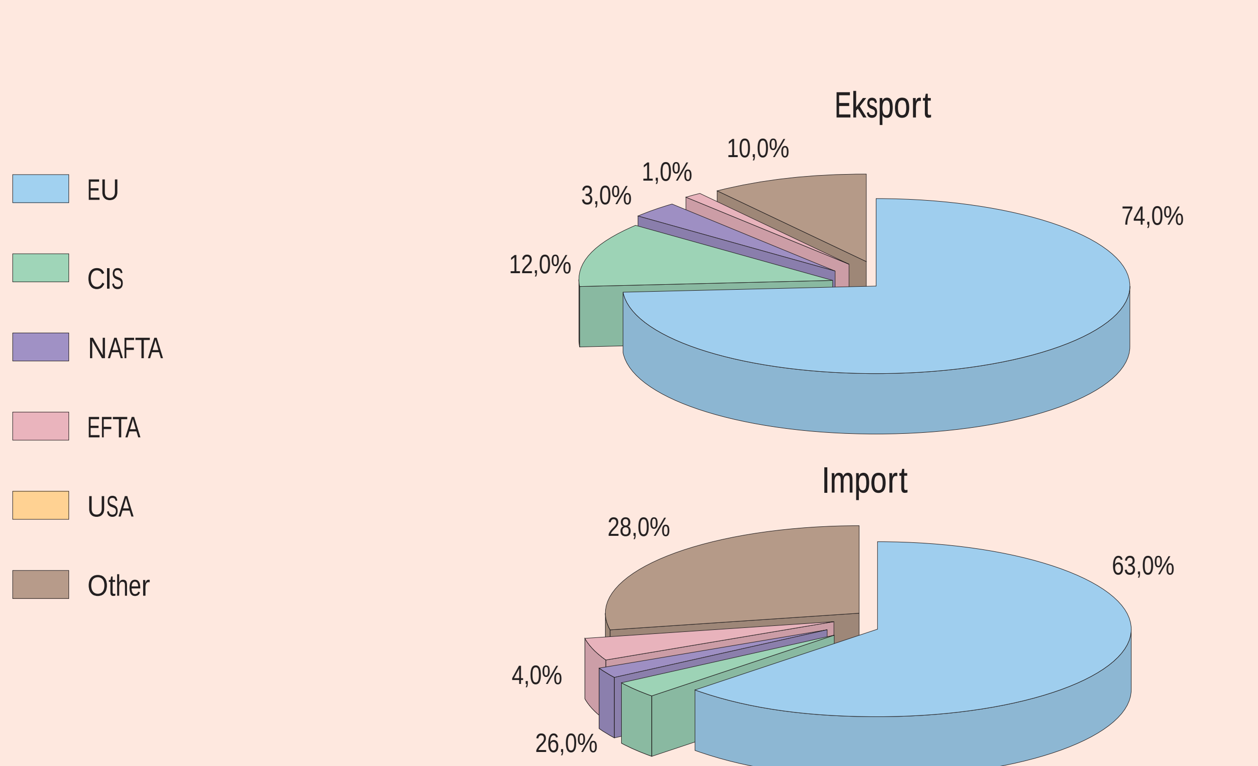
Imports from Denmark covered mainly meat, fish and feed ingredients, while exports included fish, meat, cheese and confectionery.

Trade with Russia, which is our largest trade partner outside the EU, mainly covered exports, the value of which exceeded EUR 0.5 billion. Imports from Russian were ten times lower, which resulted in the positive balance of trade in the amount of EUR 453 million. Exports mainly covered horticulture products, whereas imports mostly included fish products. Russia was the fifth largest Polish trade partner with respect to agri-food products and the second sales market with a 7% share in our exports.

Subsequent countries outside the EU were no higher than in the second ten of Polish trade partners in respect of the value of trade. The most important were Argentina and the USA. Imports prevailed in trade with Argentina, concerning mainly soy pellets, fruit and fish. Balance of trade deficit amounted to EUR 325 million, which was the highest figure among Polish trade partners.

Over the half of exports to the US covered meat products, alcoholic beverages and confectionery. Tobacco, wines, fruit and fish constituted an important part of imports. Positive balance of trade amounted to EUR 67.4 million, yet it was lower than in 2004 (EUR 73.2 million). Among the agri-food markets most important for Poland, Ukraine, Norway and China prevail, yet only Ukraine was of importance as a sales market, whereas China and Norway mainly supplied goods to Poland.

Figure 21. Geographical structure of agri-food trade in 2005 (%)

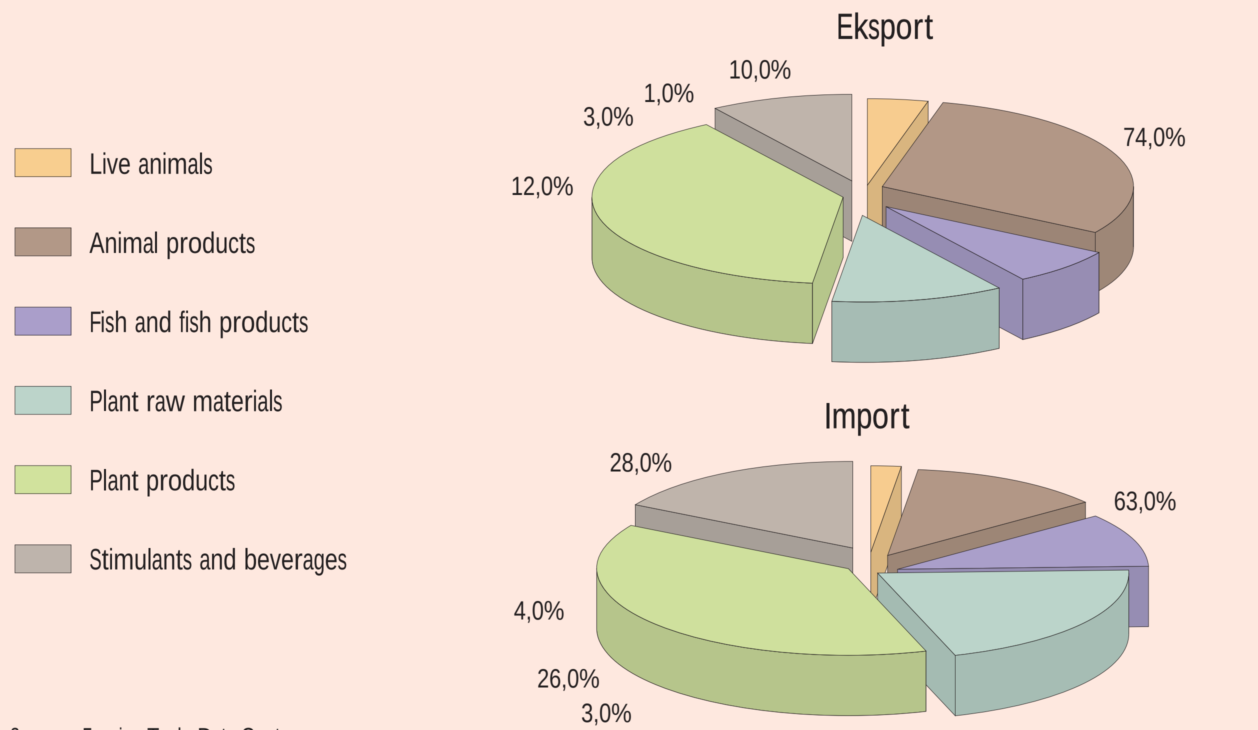


Source: Foreign Trade Data Centre

Commodity structure of agri-food trade

In 2005 Poland witnessed a rise in trade in all groups of agri-food products, both in the case of exports and imports. Similarly to previous years, exports mainly covered plant and animal products (the total of 69% in 2005), while imports included plant products and raw materials, as well as stimulants and beverages (77%).

Figure 22. Commodity structure of agri-food trade in 2005 (%)



Source: Foreign Trade Data Centre

In 2005 the value of exports increased by EUR 1.830 million, of which over EUR 700 million is a growth in the value of sales of animal products, e.g. milk products (mainly powdered milk) and red and poultry meat. Another group of products with high exports growth are processed plant products (growth by approx. EUR 540 million).

Table 25. Foreign trade balance as regards agri-food products in years 2003-2005 by groups of products (in millions of EUR)

Group of products	Eksport				Import			
	2003	2004	2005	% of growth 2005 2004=100	2003	2004	2005	% of growth 2005 2004=100
Live animals	151	221	288	130,3	39	66	95	143,9
Animal products	1041	1433	2146	149,8	295	493	685	138,9
Fish and fish products	263	371	478	128,8	326	393	538	136,9
Plant raw materials	453	609	792	130	843	1003	1124	112,1
Plant products	1810	2194	2735	124,7	1432	1712	2099	122,6
Stimulants and beverages	286	413	633	153,3	621	740	902	121,9
TOTAL:	**4003**	**5242**	**7072**	**134,9**	**3557**	**4406**	**5444**	**123,6**

Source: Foreign Trade Data Centre (CIHZ)

Animal products, i.e. live animals and meat (mainly pork) and fish had the largest share in the growth in imports value.

In 2005 there was a dynamic growth in exports of cereals (from 289.2 thousand tonnes in 2004 to 1,354.4 thousand tonnes), which resulted in a positive balance of trade (+ EUR 30.7 million), as compared to the deficit in previous years (- EUR 41.7 million in 2003 and – EUR 144.3 million in 2004).

Although the growth in exports was mainly related to agri-food products, products with highest share actually remained unchanged. Changes in imports were more significant, although soy cakes remained in the lead.

Table 26. Top ten products with largest share in exports and imports.

Products	Eksport			Products	Import		
	2004	2005	Share in 2005		2004	2005	Share in 2005
1. Poultry meat	242	345	4,9	1. Soya oil cakes	332	372	6,8
2. Pastries	239	340	4,8	2. Pork	150	275	5
3. Juices	244	303	4,3	3. Fish fillets	171	224	4,1
4. Powdered milk	207	280	4	4. Protein concentrates	182	204	3,7
5. Cheese and fromage	191	272	3,8	5. Citrus fruit	207	201	3,7
6. Chocolate products	242	268	3,8	6. Coffee	117	148	2,7
7. Pork	169	246	3,5	7. Raw tobacco	115	147	2,7
8. Protein concentrates and other concentrates	173	233	3,3	8. Chocolate products	91	133	2,4
9. Fresh beef	96	224	3,2	9. Animal feed	97	131	2,4
10. Frozen fruit	217	222	3,1	10. Bananas	100	126	2,3

Source: Foreign Trade Data Centre (CIHZ)

High rate of growth in Polish agri-food exports and improved balance of trade are maintained through the first months of 2006. Further growth is possible with respect to access to a more profitable Japanese meat market, as well as exports to another important market, i.e. to South Korea. Thus the scope of our agri-food exports extends, although the EU market still is and will remain the most important area for Polish trade.

National funds and European Union funds

Polish accession to the European Union definitely contributed to an increased support for agriculture and rural development. As compared to 2003, i.e. the year before the accession, expenditure on agriculture, rural development and agricultural markets tripled in 2005. Within the same period of time, national funds increased by 59%, whereas EU funds increased eleven times.

Table 27. Expenditure for agriculture, agricultural markets and rural development in years 2003-2005 (in PLN million)

Specification	2003	2004	2005	2005 / 2003	2005 / 2004
Total expenditure (I+II)	**5 080,5**	**9 207,6**	**14 936,7**	**294**	**162,2**
I. State budget	**4 378,6**	**7 108,6**	**6 977,3**	**159,3**	**98,2**
of which:					
1. Agriculture and hunting	**491,3**	**518,4**	**533,5**	**108,6**	**102,9**
of which:					
- biological progress	160,1	139,6	119,8	74,8	85,8
- organic farming	7,0	7,0	6,6	94,3	94,3
- combating contagious diseases	-	-	166,4	x	x
- grants for interest on agricultural loans	74,6	98,8	42,7	57,2	43,2
2. Fishing and fisheries	**15,4**	**19,8**	**99,5**	**64,6**	**50,3**
3. Rural development	**1 934,4**	**4 614,5**	**4 791,4**	**247,7**	**103,8**
of which:					
- Agency for the Restructuring and Modernisation of Agriculture	1 922,4	1 679,3	1 999,2	104,0	119,0
- Complementary National Direct Payments	-	2 573,0	1 822,9	x	70,8
4. Agricultural markets	**781,7**	**864,9**	**584,4**	**74,8**	**67,6**
of which:					
- Agricultural Market Agency	753,1	834,0	554,7	73,7	66,5
- Agricultural and Food Quality Inspection	20,5	20,7	19,3	94,1	93,2
II. European Union funds	**702,0**	**2 099,0**	**7 959,4**	**1 133,8**	**379,2**
of which:					
- Phare programme	111,9	99,9	47,2	42,2	47,2
- SAPARD programme	590,1	877,2	1 341,5	227,3	152,9
- Structural Funds:	-	-	1 063,5	x	x
- for the co-financing of agriculture and rural development	-	-	852,8	x	x
- for fisheries and fish processing	-	-	210,7	x	x
- Common Agricultural and Fisheries	-	1121,9	5 507,1	x	490,9

Source: MARD – Financial Department

Section “Agriculture and hunting” covers mainly current and property expenditures related to the statutory activity of budget units and to the implementation of aid projects, as well as tasks concerning biological progress, plant protection and organic farming. Funds for the implementation of the part of tasks were reduced due to the adjustment of national agricultural policy to EU standards and to the financial limitation of certain tasks as non-compliant with CAP. A new important item introduced in 2005 was expenditure related to the exclusion or confirmation of suspicion of avian influenza focal points (PLN 166.4 million).

In “Rural development” section, Agency for the Restructuring and Modernisation of Agriculture was financed with respect to statutory activities, co-financing of Phare projects and implementation of SAPARD programme. Within this section, funds were allocated to complement direct payments.

Expenditure under the “Agricultural markets” section were related to the financing of Agricultural Market Agency’s activity, including interventions on agricultural markets partly financed from the State budget.

Direct payments to agricultural land

Direct payment scheme, introduced in Poland in 2004, is a simplified system. Financial aid for agricultural holdings is granted on a proportional basis to the area of agricultural land, regardless of the type of agricultural activity. Pursuant to the EU guidelines, the scheme will function in the new Member States for the maximum period of 5 years. Poland should introduce changes with respect to the implementation of this instrument no later than by 2009.

Pursuant to the Act of 18 December 2003 on direct payments to agricultural land (Dz. U. of 2004 No 6, item 40, No 42, item 386), direct payment scheme is composed of two elements: Single Area Payment Scheme and Complementary National Direct Payments. Single Area Payments can be granted for all agricultural land maintained in good agricultural condition. Payments are adjusted to the area of specific crops. Payment claims are accepted once a year. Payments are made from 1 December to 30 June of the subsequent calendar year. This period is identical for all EU Member States.

The first direct payments campaign in 2004 was successful and its implementation allowed for the overcoming of many stereotypes related to the accessibility of Community aid. Funds forwarded to the beneficiaries not only enhanced the financial standing of farms, but also encouraged to apply for new aid instruments. During the first campaign, the Agency received over 1.4 million payment claims. By 31 May 2006, the total of 1,381,583 beneficiaries received the granted payments in the amount of PLN 6,339,422.5 thousand.

Accordingly to the expected increase in the number of applicants, the Agency registered 1,483,628 payment claims during the 2005 campaign, i.e. over 6% more than in 2004. There was also a growth of approx. 4% in total declared area in 2005 as compared to area referred to in claims submitted in 2004. By 31 May 2006, the total of 1,407,301 beneficiaries received the granted payments in the amount of PLN 6,325,674.6 thousand.

In the 2006 campaign, ARMA forwarded personalised claims to all beneficiaries who received payments in 2005, which simplified the procedure of filling out relevant documents.

Rural Development Plan

Rural Development Plan was launched by ARMA on 2 August 2004. The programme is aimed at supporting sustainable development of rural areas and improvement of the condition of agricultural holdings. Individual aid measures to be implemented under Polish RDP take into account social, economic and environmental aspects, as well as provide a coherent complement to the SOP Restructuring... implemented under Structural Funds.

8 measures are implemented under RDP. In addition, budget of the Plan includes funds for the financing of two measures implemented on the basis of other agricultural support schemes (complementing area payments and co-financing projects submitted under SAPARD Programme). In years 2004 – 2006, the total amount of national and EU funds for RDP implementation exceeded EUR 3.6 billion (Community contribution equalling EUR 2,866.4 million, Polish contribution equalling EUR 726 million).

The first measures under RDP were launched in August 2004 (apart from LFA, which was launched together with direct payments). Currently one cannot apply for aid under measures Support for semi-subsistence farms or Adjustment of agricultural holdings to EU standards.

Table 28. State of RDP implementation as of 31 May 2006

Measure	Number of submitted applications	Estimated number of beneficiaries	Number of positive decisions issued	Amount of aid (in PLN thousand)
1. Early retirement	48 859	55 000	37 588	674 966,2
2. Support for semi-subsistence farms	118 316	126 000	99 277	80 687,0
3. Support for farming in less-favoured areas (LFA)1	708 675	900 000	663 293	892 072,2
4. Supporting agri-environmental actions	47 081	70 000	21 770	236 987,6
5. Afforestation of agricultural land	6 681 (approx. 26.5 thousand ha of agricultural land)	45 thousand ha of agricultural land	3 115	62 090,1
6. Adjustment of agricultural holdings to EU standards	75 539	70 000	61 552	963 890,0
7. Support for agricultural producer groups	53	170	24	2 857,8
8. Tecfhnical Assistance	36	-	27	1 098,6

Data: ARMA

1Concerning 2005 Campaign

Applications for Early retirement, Support for agricultural producer groups and Technical assistance can still be submitted. Other measures are of multiannual nature and involve annual application campaigns for the subsequent year (Supporting agri-environmental actions, Afforestation of agricultural land).

SOP Restructuring and modernization of food sector and rural development 2004 - 2006

SOP Restructuring... is one of the main instruments for structural transformation in agriculture in the first post-accession period, i.e. in years 2004-2006. Total SOP budget for years 2004-2006 equals EUR 1,784 million, of which EUR 1,193 from EU funds. Given the required involvement of private funds of the beneficiaries, the total value of projects implemented under SOP should reach approx. EUR 2.7 billion.

Table 29. State of implementation of SOP Restructuring... as of 31 May 2006

Measure	Estimated number of beneficiaries	Submitted applications		Financial limit used
		Number	Value (PLN thousand)	
1.1 Investments in agricultural holdings	17 000	29 224	3 058 066,4	131 %
1.2 Setting up of young farmers	14 500	18 853	942 650,0	133 %
1.5 Improving the processing and marketing of agricultural products	1 000	1 642	2 922 081,9	163 %
2.1 Restoring forestry production potential	150	57	82 345,5	170 %
2.4 Diversification of agricultural activities and activities close to agriculture	6 450	7 164	524 655,9	127 %
2.6 Development and improvement of the infrastructure related to agriculture	12 000	4 944	261 202,3	166 %
Technical assistance	-	416	159 538,7	172 %
TOTAL	**51 100**	**62 300**	**7 950 540,7**	**143 %**

Source: ARMA

The programme was launched on 16 August 2004. Application deadline for all measures implemented by ARMA fell in the first quarter of 2006 (apart from technical assistance). In total, 61,884 applications for project co-financing were submitted, for the total amount of PLN 7,791,002 thousand. The Agency concluded 35,933 agreements for the amount of PLN 4,226,102.6 thousand and made payments in the total amount of PLN 1,489,830.3 thousand

(20% of the agreed amount).

In 2006, the Agency will terminate the contracting of obligations in all implemented measures up to the amount of the total financial limit allocated under the present programming period, i.e. by the end of 2006.

SOP Fisheries and Fish Processing 2004–2006

The Sectoral Operational Programme Fisheries and fish processing 2004 – 2006 was launched on 2 August 2004. It is implemented on the basis of funds from the EU FIFG fund (Financial Instrument for Fisheries Guidance). Implementation of three measures terminated in December 2004. These measures covered: Measure 1.3. Joint enterprises, Measure 2.1

Table 30. State of implementation of SOP Fisheries and fish processing 2004-2006 as of 31 May 2006

Measure	Submitted applications		Financial limit used
	Number	Value (in PLN thousand)	
1.1 Scrapping of fishing vessels	433	411 278,4	96%
1.2 Transfer of vessels to third countries or reassignment of vessels to uses other than fishing	31	12 586,6	144%
2.2 Modernisation of existing fishing vessels	20	440,4	1,27%
3.1 Protection and development of aquatic resources	7	3 730,9	8%
3.2 Aquaculture and fish farming	176	42 529,7	57%
3.3 Fishing port facilities	22	79 780,8	66%
3.4 Fish processing and fishery market	118	177 078,5	139%
3.5 Inland fishery	9	247,3	25%
4.1 Coastal fishery	5	2 147,1	8%
4.2 Socio-economic measures	1 286	56 944,4	42%
4.3 Measures to find and promote new market outlets for fishery products	30	2 723,4	12%
4.4 Operations by members of the trade	10	2 430,6	36%
4.5 Temporary cessation of activities and other financial compensations	245	4 903,2	32%
4.6 Innovative measures and other measures	24	19 452,9	51%
TOTAL	**2 416**	**816 274,3**	**75,12%**

Source: ARMA

Construction of new fishing vessels, and Measure 2.3 Withdrawal (without public aid) related to modernisation.
Since the beginning of Programme implementation, 2,416 applications for the amount of PLN

816,274.3 thousand were submitted to the Agency's Regional Offices. Due to the nature of the Programme, the majority of applications were submitted in Zachodniopomorskie, Pomorskie and Warmińsko-Mazurskie RO. Measures with most applications were Measure 4.2. Socio-economic measures (53.2%) and Measure 1.1. Scrapping of fishing vessels (17.9%).
By 31 May 2006, the total number of 1,982 active agreements for the amount of PLN 526,062.3 thousand were concluded. By the end of May, 1,965 payments for the total amount of PLN 343,980.9 thousand were made. Change in payments equalled PLN 7,026.6 thousand in May alone, which was +2.1% as compared to the end of April 2006.

SAPARD Programme

SAPARD programme was the first support EU programme which reflected the way of management, implementation and obtaining financial support available at that time to the agricultural sector entities in EU countries. Acceptance of such solution was related to the need of preparation of the key institutions for management with the EU funds after the accession. The Programme played a significant promotional and educational role in respect to the beneficiaries who had the opportunity to get the knowledge necessary to apply for support after the accession.

Table 31. State of implementation of the SAPARD programme as of 31 May 2006

Measure	Number of submitted applications	Concluded agreement		Implemented payments	
		Number	Value (PLN million)	Number	Value (PLN million)
1. Improvement in Processing and Marketing of Food and Fishery Products	1 778	1342	1 668,6	1 222	1 286,6
2. Investments in Agriculture Holdings	15 586	13742	636,8	12 598	573,9
3. Development and improvement of rural infrastructure	6 230	4493	2 023,8	4 614	1 995,1
4. Diversification of economic activity in rural areas	7 504	4854	436,6	3 921	304,9
TOTAL	**31 098**	**24 431**	**4 765,8**	**22 355**	**4 160,5**

Source: ARMA

At the beginning, the total budget of the Programme was EUR 944 million; 708.2 million out of the total amount constituted the European Union funds and EUR 235.8 million – national resources. Due to large interest with the Programme, after receiving the approval of the European Commission for reallocation of part of funds from the Rural Development Plant (RDP), the SAPARD budget increased up to EUR 1084 million.
Signing agreements under the Programme was completed in August 2004.The meas-

ures currently carried out by ARMA in respect of the Programme handling are focused on payment application processing and on payment of funds to the beneficiaries. The payment implementation under the SAPARD Programme will be completed by 31 December 2006. By 2 June 2006, the payment of PLN 4 163,7 million has been implemented under four investment measures of ARMA i.e. approx. 87% of the amount of all the agreements signed.

National support

National support is related to co-financing by ARMA the interest of various types of credits, granting credit securities and guarantees, supporting the rendering activity and supporting of producer groups and payment of equivalents for afforestration of lands in 2002-2003.
According to the decision of the Management of the Ministry of Agriculture and Rural Development the material scope of the ARMA activity for 2006 implemented from the national funds includes:

- continuation of subsidies to the credit interest in 1994-2005;
- application of the subsidies to interest on new investment loans under the previous credit lines which were submitted to the European Commission as the existing support, however, the subsidies to interests of credit lines with the strategic meaning should be applied at first in order to increase the competitiveness of the agricultural holdings and adjusting the agri-food sector to the European Union requirements.
- application of subsidies to interest of loans for re-establishment of production in the agricultural holdings and in special agricultural production located within the areas suffering form the natural disaster,
- granting securities and guarantees for bank credit repayment.
- financial supporting of the activity of entities dealing with collection, processing the dead animal carcasses into meals and transport and rendering of meals;
- financial support for establishment and support of administration activity of agricultural producer groups;
- support for land afforestation.

Common agricultural markets organization

Measures related to administration of 50 mechanisms of Common Agricultural Policy on 20 markets in agricultural products have been presented in the section concerning the Agricultural Market Agency. Part of measures related to common organization of other markets (fruit and vegetables, agricultural products) and related to the support for agricultural producers, forest cultivations owners and willow producers for energetic purpose is implemented by the Agency for Restructuring and Modernization of Agriculture.
Market in fruit and vegetables is supported through the financial aid for the producer groups (at least 8 producers). 51 groups obtained the status of the preliminarily recognized group. By

31 May 2006 the support has been granted to PLN 3,237.8 million.

Market in processed fruit and vegetables covered with support for supply of the tomatoes for processing. Poland was granted the limit amounting to 194.6 thousand tonnes of tomatoes. In the 2004/2005 marketing year, PLN 16.7 million was paid for the producer organizations according to the rate of EUR 25.88 per tone of tomatoes supplied to processing. Additionally, EUR 8.62 per tonne of tomatoes i.e. PLN 5.6 million was paid for complementary payments.

Market in fishery products supported through the financial aid for the producer organization inter alia for private storage of fishery products, withdrawal of fishery products, preserving and storing of fishery products, preparation of the operational programme.

Owners of agricultural lands with forest cultivation received the financial support amounting to PLN 15.9 million i.e. 41% of the amount allocated for this purpose in the financial plan;

Support for rendering industry, for agricultural producer groups and producers with willow plantation jointly amounted to PLN 7,856.9 thousand in 2006 for the commitments for 2005.

Since 2006, ARMA will grant a separate payment to beet producers who concluded the agreement with the sugar factory for delivery of this raw material.

Agricultural Market Agency (AMA)

Agricultural Market Agency, which was established in 1991 for stabilization of the agricultural market and protection of incomes from the agricultural production, has become the Paying Agency on 1 May 2004 responsible for administration of 50 mechanisms of the Common Agricultural Policy on 20 markets in agricultural products. AMA is responsible for 3 basic functions: implementation of the Community law, paying and information.
The CAP mechanisms that AMA administers are directed mostly to the traders, storage enterprises, processing and production plants and producer groups as well as to the farmers.
In 2005 and in the first months of 2006, AMA implemented the measures on the agri-food market by administration of the following CAP mechanisms.

a) intervention purchase and sale: of cereals, sugar and butter. The Agency purchased 1.6 million of cereals (including 1.2 million tonnes of wheat), 213 thousand tonnes of sugar and 3.6 thousand tonnes of butter, it also sold or distributed under the food support 447 thousand tonnes of cereals (including 364 thousand tonnes of wheat), 5.8 thousand tonnes of sugar and 1.1 thousand tonnes of butter. The intervention purchase of products (with the costs of storage) cost PLN 1.3 billion from the Agency budget;
b) payments for private storage of long-ripening cheese and butter;
c) payments for production and processing:

- of butter, concentrated butter and cream;
- of sugar used in chemical industry;
- of dried fodder;
- within the potato starch production quotas;
- use of olive oil in processing;
- starch used for non-food purposes;
- flax and fibre straw for fibre.

Payments for production and processing amounted to PLN 29.4 million;

d) quoting of production of milk, tobacco raw material and potato starch and calculation and collection of sugar payments under quoting of sugar production;
e) support of internal demand:

- supply of surplus food for the benefit of the most deprived persons in the European Union. Charity organizations were supplied with 56 thousand tonnes of prepared foodstuffs (over five times more than in 2004), which were forwarded to 3.5 million of the Polish people in need;
- aid for the purchase of butter by non-profit-making institutions and organizations;
- aid for consumption of milk and milk products in educational establishments;
- support of bee products market (financed in 50% from the EU funds and in 50% from the own budget funds);
- administration of distribution of fruit and vegetables intended for sale;
- support for promotion and information measures on the markets in selected agricultural products (financed in 50% by the Community).

Under the support of internal demand the Agency disbursed PLN 33 million;

f) administration of foreign trade on the markets in: cereals, milk and its products, sugar, beef and veal, pork, poultry and eggs, fresh fruit and vegetables and processed products not listed in Annex. The Agency issued 11.9 thousand of authorizations for import and export on the most of them to the markets in: fresh fruit and vegetables, beef and veal and cereals. Export refunds amounting to PLN 619 million were paid and the most of them for the sugar export i.e. PLN 302 million;

g) mechanisms financed from national resources:

- payments for potato growers within the potato starch production quotas and payment for tobacco raw material growers. PLN 404 million was paid on the market in tobacco and starch under direct payments;
- administration of funds of Milk Promotion Fund.

Since the beginning of 2005 by the end of May 2006 under the CAP mechanisms administration, the Agency disbursed over PLN 2.4 billion. The highest financial support was noted on the markets in: sugar (34.9%), cereals (32.2%), tobacco (14.2%) and milk (8.4%).

Table 32. Expenses of AMA in 2005-2006 for support of individual agricultural markets

	2005	**1.01.-31.05.2006**
Total	**1.390,8**	**1.021,5**
1. Market in cereals	475	301,5
2. Market in meat	52,7	15,6
3. Market in poultry and eggs	2,2	0,7
4. Market in milk	156,5	46,3
5. Market in sugar	440,7	400,3
6. Market in potato starch	62,3	40,6
7. Market in tobacco	145,3	196,8
8. Market in honey	9,4	0,3
9. Export refunds on the fruit and vegetable market and products not listed in Annex I	37,7	15,6
10. Supply of surplus food for the benefit of the most deprived persons	6,3	0,8
11. Support of promotion and intervention measures	1,5	2,6
12. Other markets (dried fodder, flax and fibre straw for fibre, olive oil)	1,2	0,4

Źródło: ARR

Agency for Restructuring and Modernisation of Agriculture (ARMA)

ARMA, which since 1994 has supported the Polish farmers, processors and rural residents mostly through subsidies to investment and working credit interest and co-financing of rural infrastructure construction, undertakings related to trainings and education of young and adult rural residents, has become in 2004 the Paying Agency for the Common Agricultural Policy mechanisms and structural policy for agriculture and rural areas.

The scope of activity of the Agency has been extended with the following programmes and measures:
- direct payments to agricultural land;
- common organization of markets in fruit and vegetables and fish and fish preparations;
- Rural Development Plan (RDP);
- Sectoral Operational Programme “Restructuring and modernization of food sector and rural development” 2004-2006;
- Sectoral Operational Programme “Fisheries and Fish Processing 2004 – 2006”.

Moreover, ARMA continues the implementation of the national aid instruments mostly the preferential loans and SAPARD programme and also Phare projects. The Agency participated in financial implementation of part of tasks from the Rural Areas Activation Programme financed loan from the World Bank and “Flood Damage Reconstruction Programme” (EBI-bis) co-financed from the loan of the European Investment Bank.

The Agency administers the largest funds for support of agriculture and rural development implemented from the EU budget funds, national budget and foreign loans.

The financial support from the Agency in 2005 was around 3.5 times higher than the support in 2004. By the end of 2005, ARMA examined around 1.85 million of applications submitted under the individual support instruments and aid programmes. In 2005, the Agency paid financial aid amounting to PLN 11.5 million including 10.8 million under the mechanisms co-financed from the EU funds.

Specification of implementation of individual programmes has been presented in the previous chapter.

Agricultural Property Agency (APA)

Agricultural Property Agency; running its activity since 1992 until 15 July 2003 under the name of the Agricultural Property Agency of the State Treasury (APAST) is the national legal unit to which the State Treasury entrusted the implementation of the property right and other material rights in respect of national property in agriculture.

The Agency implements the tasks concerning the establishment of family holdings, improvement of areal structure, creation of favourable conditions for rational use of production capacity of the Agricultural Property Stock of the State Treasury, restructuring and privatization of the State Treasury property used for agricultural purpose, property marketing and other elements of the State Treasury property used for agricultural purpose, administration with the property of State Treasury intended for agricultural purpose, protection of State Treasury property and supporting of organization on the State Treasury lands the private agricultural holdings.

APA operates on self-financing basis and does not obtain any budget subsidies for maintenance and operation.

The main sources of incomes are the funds from sale and lease of properties. At the beginning of its activity, a large part of funds was allocated in repayment of taken over liabilities (debts of state-owned agricultural holdings) in amount of almost PLN 2 billion. Currently most of the financial resources obtained from privatization of the Stock constitute the State Budget income (in 2005 over PLN 5000 million).

On 16 July 2003 the Act on the Formation of Agricultural System specifying the new task of Agency and defining the instruments for their implementation entered into force. The provisions also enable the Agency to control the part of agricultural property marketing which previously was beyond its participation and to undertake the intervention in justified cases in this respect used for implementation of objectives of the Act related to improvement of areal structure, counteract excessive concentration of agricultural property and ensure to manage of agricultural holdings by farmers with appropriate vocational qualifications or experience. The objectives constitute provisions of Article 23 of the Constitution of the Republic of Poland according to which the basis of agricultural system in Poland constitute the family farms.

The control of the Agency over the agricultural properties is possible thanks to implementation of new rights i.e. right of preemption (in case of sale agreement) and rights which can be called the buy-out rights (in case of other agreements transferring the ownership of the agricultural properties). In 2005 the Agency took over 176 properties with the total area of 3.8 ha.

Besides the presented tasks, the Agency also performs ownership rights in crop and animal breeding companies acknowledged by the Ministry of Agriculture and Rural Development as particularly important for national economy. Currently, APA exercises ownership rights in relation to 59 such companies.

Up to the end of 2005 APA took over 4.7 million ha of land, almost 80 % of them were of 1666 former state-owned enterprises with an average area of 2250 ha. So far, 1.9 million ha has been distributed including 1.6 million ha whish has been sold. The average price per 1 ha of land was PLN 3.414 in 2001, PLN 4.682 in 2004, PLN5.607 in 2005 and PLN6.519 in the 1st quarter of 2006.Currently the Stock includes 2.8 million ha of lands, the 2.15 million of which (77.6%) is leased. Rents for lease of agricultural land in 2001 - in the wheat equivalent – were on average PLN 1.8 dt for 1 ha, in 2004 - 3.5 dt, in 2005 - 3,8 dt, and in the 1st quarter of 2006 - 4.2 dt. Around 428 thousand ha of the Stock still remains to disposition and most of that land is of low usefulness for agriculture.

The property taken over after the former state-owned enterprises also includes objects of a special character such as agri-food industry facilities, commercial and service facilities, manor houses, palaces and park complexes. Most of them have been sold or rented till now.

The predominant method of property distribution is lease and sale of property implemented by the divisions and branches of the Agency through oral public open auctions or public auctions of written offers (offers competitions).

Agricultural advisory service

As of 1 January 2005 organizational changes of the agricultural advisory services financed from the budget and regulated by law occurred.

On the basis of the previous advisory centres, the units with legal personality were established which next to the budget financing may obtain the funds from charged provision of services and benefit from the EU funds.

Currently, according to the statutory regulations the agricultural advisory units are:

- the Agricultural Advisory Centre in Brwinów and its branches in Poznań, Krakow and Radom;
- 16 voivodship agricultural advisory centres with the territorial scope which covers the area of a voivodship competent fir the registered seat the given centre.

Voivodship agricultural advisory centres include 30 branches and 313 local advisory teams. In 2005, 5.4 thousand persons were employed in advisory services including 3.9 thousand of specialists and advisors. Over 90% of human resources have the university degree.

Voivodship agricultural advisory centres are obliged to provide gratuitous advisory services, including training sessions for farmers on modern operation of holding, agricultural accountancy, using the Common Agricultural Policy instruments and structural policy,

Figure 24. The seats of the advisory centres – 2005

Źródło: Mały Rocznik Statystyczny 2006r., str. 83

improvement of production quality, distribution of information on scientific developments and increasing of professional qualifications of the farmers and other rural residents etc. The centres may also perform the chargeable services related to bookkeeping, promotion activity of the agricultural holdings, publishing activity, research activity, hotel on the basis the property and for preparation (at request) various types of analyses, assessments and planes and filling the application for financial support.

R&D backup in agriculture

In Poland, research for the benefit of agriculture, agricultural markets, and rural development is carried out by:

20 research and development units reporting to the Minister of Agriculture and Rural Development (table 1)

higher education (with 47 departments) reporting to the Minister of Science and Higher Education;

10 Institutes of Polish Academy of Sciences, and some units reporting to other ministries.

The Institutes have been actively supporting system transformations in agriculture, taking part in modernisation processes through R&D activity, as well as through implementation and dissemination of its results.

Funds for research and development activity in agriculture similarly to the units operating in other research areas are obtained inter alia from the budget subsidies of the Ministry of Science and Higher Education for implementation of statutory activity, participation in international scientific and technical cooperation programmes, for services from the business and scientific entities and such sources as: sale and rent of property, interests on capital, credits, loans etc.

Polish research and development centres cooperate with partners from the European Union Members States, they also participate in research programmes.

Agricultural chambers

By the Act of 1995, the agricultural chambers in Poland which constituted the common agricultural self-government have been reactivated. The membership in the chambers is obligatory for all farmers who pay agricultural tax or income tax from special sections of agricultural production and the members of agricultural production cooperatives with shares in the form of land.

The national representative of the chambers is the National Council of Agricultural Chambers which comprises of the presidents of 16 voivodship chambers and delegates selected by the assembly of individual chambers (1 from each chamber).

The activities of agricultural chambers aim at the provision of comprehensive assistance to farmers and the cooperation in the creation of conditions for improvement of the situation in agriculture and rural areas. The chambers participate in talks with the government representative, in works of the parliament, in negotiations with the representatives of processing and trade industry and other organizations which aim at development of law and specification of priorities for support for agriculture and rural residents and the assessment of the operation of institutions acting for agriculture and rural development.

The National Council of Agricultural Chambers also cooperates with foreign partners, mainly with chambers in old and new EU Member States. The aim of cooperation is use of knowledge and experience of the individual chambers and undertaking all the common measures e.g. for financing of agriculture from EU funds, establishment of agricultural producer groups, improvement of labour organization, alternative income sources.

An important element of cooperation is the exchange of experience for use of available aid instruments under the Common Agricultural Policy and structural policy. National Council of Agricultural Chambers is the member of COPA (Committee of Professional Agricultural Organizations).

Agricultural circles

The largest Polish social and professional organization for agriculture is the National Union of Farmers, Circles and Agricultural Organisations [Krajowy Związek Rolników, Kółek i Organizacji Rolniczych (KZRKiOR)]. The agricultural circles are a trade union of individual farmers and the national self-governing association of agricultural circles and rural housewives circles, local farmers' associations, agricultural circles an organizations, Agricultural Circles Co-operative and voluntarily also of other agricultural organizations. Agricultural circles groups around 1.2 million of members and rural housewives circles have 850 000 members in 25 000 of rural housewives circles.

Their areas of activity generally overlap with the activity of agricultural chambers which means comprehensive activities for the benefit of agriculture and rural development. KZRKiOR significantly contributed to the process of integration of the Polish agriculture with the EU agriculture by monitoring of all the decisions related to accession to the Community.

The National Union of Farmers, Circles and Agricultural Organisations is a member of "COPA GOGECA".

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