

STATE AID SCHEMES FOR SMALL-SCALE AGRICULTURE IN POLAND UNDER RURAL DEVELOPMENT PROGRAMME FOR YEARS 2014-2020

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Abstract

The main aim of the article was to present basic data concerning the issue of state aid schemes for small-scale agriculture in Poland under current Rural Development Programme for the period 2014-2020. The research concerns such issues as: definition of small farms, structure of agricultural holdings in Poland by area group of agricultural land and economic size classes or basic state aid schemes designed for small-scale agriculture. Firstly, it should be highlighted here that there is no uniform definition of small farms under Polish legal system and different researchers propose various definitions. In terms of structural issues, it should be noted that smaller agricultural holdings are dominant group of farms in Poland. Such regularity may be also observed in case of economic size classes, where majority of farms represented lower economic size classes. Finally, it is worth noting that the State offers various aid schemes that are designed to foster, promote and stimulate development of small-scale agriculture in Poland.

Key words: *state aid schemes, small-scale agriculture, small farms, area groups of agricultural land, economic size classes, Rural Development Programme*

INTRODUCTION

Small-scale agriculture is a key characteristic of modern Polish agricultural landscape. Vast part of agricultural land is concentrated in numerous farms owned by a large number of farmers. It simply means that agricultural land in Poland is relatively fragmented and large-land holding is a rare phenomenon. However, we should remember that such characteristic of Polish agricultural landscape has some serious implications and consequences as small-scale agriculture requires adopting specific and precise legal measures. Measures that would assure that small farmers shall obtain appropriate aid from the State. Suitableness of such aid simply means that it should foster development of small farms, assuring that such farms are competitive and innovative. These features are extremely important to assure the survival of small-scale agriculture in competition with large-scale agriculture. This is the main reason why various aid schemes were adopted under the Rural Development Programme (RDP) that are dedicated to the small-scale agriculture.

MATERIALS AND METHODS

The analysis of structural aspects of agricultural land in Poland from the perspective of area groups of agricultural land and its economic size classes was based on the data coming from the reports of the Polish Central Statistical Office (CSO). The CSO publishes statistical yearbooks of agriculture, where the substantial data can be found and utilised in various researches [11]. Furthermore, the CSO periodically publishes also specific reports on the topic of characteristics of agricultural holdings in Poland [1].

In terms of state aid schemes for small-scale agriculture, the study was based on the analysis of legal frameworks pointing the direction and shaping specific programmes that were introduced under both Polish and EU legal systems [6, 7, 8, 9]. The author tries to present and evaluate specific state aid schemes for small-scale agriculture that were adopted under the Polish law. In order to achieve so-defined

goal it was necessary to analyse various provisions of different legal acts.

RESULTS AND DISCUSSIONS

The definition of “small farms”

There is no legal definition of term “small farm” in any legal act binding under the Polish legal system. Different researchers propose different definitions that are shaped by different determinants and variables [2, 10]. In order to define the term ‘small farms’, it is proposed to use following variables:

(a) physical surface area of a holding, where different area groups represent different size of agricultural holding,

(b) workload (labour input) of a holding, where small farms are characterised by higher workload per 1 ha of land calculated by a division of hours actually worked in the year by hours corresponding to full-time employment,

(c) market share of a holding, estimated by a percentage of production used for own purposes and

(d) economic size classes determined by European Size Unit (ESU), where small farms are defined as farms having less than 1, less than 4 or less than 8 ESU [2, 10].

The last method that adopts the ESU measure seems to be the most popularised measure in the EU. Due to such fact, this method also seems to be most suitable in the research.

Structure of farms in Poland

(1) Area groups of agricultural land in Poland

The CSO divides agricultural holdings into 8 following area groups:

- a) up to 1 ha,
- b) 1.01 - 1.99 ha,
- c) 2.00 – 4.99 ha,
- d) 5.00 – 9.99 ha,
- e) 10.00 – 14.99 ha,
- f) 15.00 – 19.99 ha,
- g) 20.00 – 49.99 and
- h) 50 ha and more (Table 1)[11].

It may be observed that small farms, within group (from up to 1 ha to 9.99 ha), represent vast majority of agricultural land in Poland,

shaping over 75% of total agricultural landscape (Table 1). The great majority of agricultural land was concentrated if farms of area between 2.0 and 4.99 ha (approx. 32% of total agricultural land)(Table 2). The area groups of 5.00 – 9.9, was second the biggest area group (approx. 23 % of all agricultural groups), while area group of 1.01 – 1.99 ha was third most popular group (approx. 19% of all agricultural land). Large agricultural holdings (area of 50 ha and more) are very rare in case of Polish agricultural landscape (only 2% of total land area)(Table 1).

Furthermore, it should be also noted that changes in number or percentage of given area groups of agricultural land were significant and a share of each area group remained relatively stable. The biggest change could be observed in a case of the smallest (up to 1 ha) and biggest area groups (50 ha and more), where its shares increased respectively by 0.8% in case of the smallest farms (in years 2010-2013) and by 0.7% in case of the biggest farms (in years 2010-2015)(Table 1).

Such regularities may prove that Polish agricultural land is owned by many farmers, who run numerous but relatively small agricultural holdings. This is a dominant type of farmer in Poland and fundamental characteristic of Polish agricultural landscape. It also simply means that family-based farming is a type of agriculture preferred by both the State and Polish society.

It may be observed that average Polish farmer prefers to transfer his/her agricultural holding to closest family rather than to sell it to bigger market player.

Also the State tries to maintain such landscape, mainly through legislature limiting freedom of selling agricultural land. Such social preferences and legal obstacles cause that the number of agricultural holdings in Poland remains relatively stable and experiences only minor fluctuations. It also proves that agricultural population has a conservative attitude towards agriculture and land ownership.

Table 1. Farms by area groups of agriculture land

Years	Total	With agricultural land area							
		<i>Up to 1 ha</i>	<i>1.01 - 1.99</i>	<i>2.00 – 4.99</i>	<i>5.00 – 9.99</i>	<i>10.00 – 14.99</i>	<i>15.00 – 19.99</i>	<i>20.00 – 49.99</i>	<i>50 ha and more</i>
<i>Total in absolute numbers</i>									
2010	1,509,148	24,876	300,590	489,772	346,321	151,517	72,019	97,029	2,704
2013	1,429,006	34,375	277,572	455,268	315,227	141,295	70,203	103,246	31,820
2015	1,409,649	27,621	253,668	453,354	322,590	145,859	71,376	102,270	32,910
<i>In percent (%)</i>									
2010	100.0	1.6	19.9	32.6	22.9	10.0	4.8	6.4	1.8
2013	100.0	2.4	19.4	31.9	22.1	9.9	4.9	7.2	2.2
2015	100.0	2.0	18.0	32.2	22.9	10.3	5.1	7.2	2.3

Source: Statistical Yearbook of Agriculture 2016, CSO [11].

(2) Agricultural holdings in Poland by economic size classes

The CSO in its research characterising agricultural holdings [1] has adopted 10 following economic size classes of agricultural holdings:

- (a) 0 – 2,000 EUR,
- (b) 2,000 – 4,000 EUR
- (c) 4,000 – 8,000 EUR
- (d) 8,000 – 15,000 EUR
- (e) 15,000 - 25,000 thousands EUR
- (f) 25,000 – 50,000 thousands EUR
- (g) 50,000 - 100,000 thousands EUR
- (h) 100,000 - 500,000 thousands EUR
- (i) 500,000 - 1,000,000 thousands EUR
- (j) 1,000,000 thousands EUR and more.

As shown in Table 2, there is obvious trend concerning economic size classes of agricultural holdings in Poland. It seems that lower economic size class is related with higher number of agricultural holdings, while higher economic class should be linked with lower number of agricultural holdings. In case of Poland, the most represented group of agricultural holdings was assigned to the

lowest ESU (0 - < 2 thousands EUR), representing 28.2% of all agricultural holdings [1]. The second most common ESU was the ESU of 2 - < 4 thousands EUR (19.8%)(Table 2)[1]. The third popular ESU in case of Polish agricultural holding was ESU of 4 - < 8 thousands EUR (Table 2). At the same time, only 2% of agricultural holdings in Poland could be characterised by the ESU of 100 thousands EUR and more (Table 2)[1]. As it was indicated above, higher ESU comes with lower number of so-classified agricultural holdings, while lower ESU shall be related with higher number of so-classified agricultural holdings.

Taking into account the data from Tables 1 and 2, it should be noted that Polish agricultural landscape is shaped by small farms in terms of both economic and area size classes [1]. The most common type of farm should be characterised by agricultural area of 2.00 - 4.99 ha and ESU of 0 - < 2 thousands EUR (Table 1, Table 2). Furthermore, as the CSO indicates in its report, majority of agricultural holdings assigned to lowest ESU were also characterised by lowest area group, as almost

58% of agricultural holdings classified to ESU of 0 - < 2 thousands EUR possessed agricultural area below 2 ha [1]. Such regularities clearly indicate that small area of agricultural land may be linked with low ESU. It also proves that the State should adopt such

financial measures that would be designed to improve economic score of smaller agricultural holdings through its development, better competitiveness, innovative technology and unification or co-operation of such holdings.

Table 2. Number of agricultural holding by economic size classes (ESU) in Poland in 2013

Specification	Total	Private sector		Public sector
		Total	Of which individual farms	
Total	1,429,006	1,428,366	1,425,386	640
0 – 2,000 EUR	402,781	402,717	402,578	64
2,000 – 4,000 EUR	283,509	283,469	283,338	40
4,000 – 8,000 EUR	262,110	262,055	261,899	55
8,000 – 15,000 EUR	183,607	183,542	183,400	65
15,000 – 25,000 EUR	113,031	112,971	112,837	60
25,000 – 50,000 EUR	108,333	108,248	108,011	85
50,000 – 100,000 EUR	50,619	50,557	50,305	62
100,000 – 500,000 EUR	22,598	22,495	21,494	103
500,000 – 1,000,000 EUR	1,564	1,526	1,070	38
1,000,000 EUR and more	856	788	456	68

Source: Characteristic of agricultural holdings in 2013, CSO [1].

State aid schemes for small-scale agriculture in Poland

(1) Catalogue of state aid schemes for small-scale agriculture in Poland

The Ministry of Agriculture and Rural Development indicates that under the RDP for years 2014-2020 there are 10 following programmes dedicated to small-scale agriculture:

- (a) restructuring small agricultural holdings,
- (b) modernisation of agricultural holdings,
- (c) premium for starting non-agricultural activities,
- (d) organic agriculture,
- (e) agri-environmental-climatic programme,
- (f) establishing producer groups,

- (g) agricultural products and foodstuffs quality systems,
- (h) counselling services and
- (i) LEADER approach [4].

It seems that restructuring of small agricultural holdings, establishing producer cooperatives and counselling services should be considered as three the most important schemes for small-scale agriculture in Poland that operates under current Rural Development Programme. These three schemes are directly dedicated to small-scale agriculture and are designed to foster small agricultural holdings, stimulating its development, innovation and competitiveness.

(2) Restructuring small agricultural holdings

Financial aid offered under the scheme is designated to finance business plans directly related to restructuring small agricultural holdings [4]. Applicants have to indicate that the aid will be used to develop agricultural production and that such investment will cause significant growth in income of such agricultural holding [4].

The applicant is required to possess at least 1 ha of agricultural land and the economic size of such agricultural holdings has to be below 10,000 EUR (§ 2 p. 1(a)(b) of Regulation)[7]. As it appears, only small-scale farmers, defined with the ESU, can be beneficiaries of the scheme.

The business plan is the most important document required under the scheme. The applicant is required to both fully characterise his/her agricultural holdings and precisely describe planned investments. The data about such issues as: area and type of agricultural land, structure of production, economic size class of agricultural holding, estimated value of investment, description of planned activities or characteristic of qualifications and professional skills of applicant (§ 3 of Regulation)[7].

The aid shall be granted only for planned investments regarding restructuring agricultural holding in terms of food and non-food production or preparation to sell agricultural products produced in the holding in the form of:

- (a) fixed asset investment,
- (b) participation in professional training,
- (c) use of counselling services or
- (d) participation in organised form of cooperation of agricultural producers, especially in order to deliver more products and prepare it to sale on market (§ 4 p.1 and 2 of Regulation)[7].

The Regulation also defines required effects of granted financial aid. As the § 4 p. 3 of the Regulation indicates, the investment has to result in defined increase of economic size of the agricultural holding to at least 10,000 EUR and at least 20% compared to baseline value [7].

The aid shall be granted in amount of 60,000 PLN, but it should not exceed the sum of 15,000 EUR and its paid in two instalments

(first – 80% of granted aid, second – 20%)(§ 5 of Regulation)[7].

The first instalment is paid upon a motion that has to be filed within the period of 9 months since the delivery of granting decision. The payment of the first instalment should be succeeded within 90 days from a motion.(§16 and 17 of the Regulation)[7].

The second instalment is also paid upon a motion that indicates accomplishment of the business plan and the payment should be succeeded within 90 days from a motion (§ 18 and 19 of the Regulation)[7].

The Agency for Restructuring and Modernisation of Agriculture is the key body under the scheme. Regional directors of the Agency are responsible for such issues as: issuing granting or rejecting decision, assessing applications or establishing order of aid applications (§ 8-15 of Regulation)[7].

To sum up, as it appears, the restructuring programme for small agricultural holdings is designed in order to improve position of such holdings through financial sources that should be spent on defined investments.

Those investments are expected to have specific results in form of development of small-scale agriculture.

Beneficiary holding should be more developed, innovative and competitive in terms of agricultural production and sale, while farmers are expected to be more qualified and skilled through series of professional trainings and counselling services.

(3) Establishing producer groups

The fundamental goal of the programme is to consolidate agricultural producers by reducing supply chains through elimination of intermediaries [4].

Such policy should result in increase of both a cost-efficiency of production and income of farmer [4].

The State claims that the programme is dedicated especially to small-scale farmers who should be able to offer more competitive and qualitative product [4].

The aid is granted in form of the lump sum (flat-rate) estimated on the basis of the value of documented annual net revenue (of the production group) from sale of products or group of products produced in agricultural

holdings of farmers – members of the production group (§ 14 of the Regulation)[8].

The aid is paid in 5 instalments in period of 5 years of groups' activity and it amounts to:

- (a) after 1st year of activity – 10%,
- (b) after 2nd year of activity – 8%,
- (c) after 3rd year of activity – 6%,
- (d) after 4th year of activity – 5%,
- (e) after 5th year of activity – 4% of the value of documented annual net revenue (§ 14 p. 2 of the Regulation)[8].

At the same time, total financial aid for given production group should not exceed the sum of 100,000 EUR [4].

Only existing producer groups that associate farmers-natural persons may request such form of state aid [8]. Each applicant files detailed business plan, which is a basis of both evaluation of given application and later administrative decision [8].

(4) Counselling services

The State claims that counselling services programme is an extremely important part of current RDP scheme [4]. Appropriate and professional counselling services should result in such effects as:

- (a) improvement of economic efficiency of agricultural holding,
- (b) its better environmental friendliness and
- (c) its stronger resistance to climate changes [4].

The service provider is a direct beneficiary of financial aid but only farmers and production group can use such services (free of any charge)[4].

The Ministry of Agriculture and Rural Development informs that counselling services should include such topics as:

- (a) obligations concerning management and norms related to good agricultural and environmental condition,
- (b) agricultural practices related to climate and environment,
- (c) modernisation, competitiveness, innovation and entrepreneurship of agricultural holdings,
- (d) requirements related to implementation of Directive 2000/60/EC and Regulation (EC) 1107/2009,
- (e) occupational safety standards and

(f) specific counselling services dedicated to farmers starting agricultural activity for the first time [4].

CONCLUSIONS

Typical Polish agricultural holding can be characterised by two features: small area of agricultural land and low economic size class. This is the agricultural landscape of Poland, where many farmers possess many small agricultural holdings. Big farm with both agricultural area of 50 ha and more and high economic size class is an extremely rare phenomenon in case of Poland.

Such image of agricultural landscape prove that it is necessary for the State to adopt such aid measures that would reach the biggest possible number of beneficiaries. As it appears from the statistical data presented in the research, the easiest way to achieve so-defined goal is to design specific schemes that are directly dedicated to small-scale agriculture and agricultural population directly connected to such size of agricultural land.

However, it is also important to promote agriculture that is innovative, environmental friendly and climate resistant. Appropriate state aid schemes operating under the RDP should offer only complex measures that would assure achieving all goal defined under the Common Agricultural Policy. Small-scale agriculture should not obtain "easy money" for day-to-day activity but it should be a direct recipient of precise state aid schemes promoting such issues as development, innovation, quality and environmental awareness of agriculture.

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