I. NATIONAL AGRICULTURAL POLICY

A. General Objectives of Policy

Agricultural policy is established in Poland as an integral part of the State's general economic policy, the fundamental objectives of which are the promotion of the optimum growth of the national economy and the meeting to the utmost of the steadily increasing demand of Polish consumers. Poland, like other socialist countries, carries out the above-mentioned tasks on the basis of the National Economic Plan, where directives concerning agriculture constitute an essential part.

In this branch of economy the transformation is being made under specific conditions. Unlike industry, building or transport, where socialist relations of production are fully established - in agriculture, private, individual farms are still dominating. These individual farms are based on private possession of the means of production, including land. According to the data of 1959 about 86.8 per cent of acreage in Poland was utilized by private farms whose share was estimated at 89.6 per cent of gross production in agriculture.

Hence, it is quite understandable that fulfilment of the national economic plans concerning agricultural production is not carried out by direct administration, but by a whole system of special indirect measures.

On the other hand, national agricultural policy is determined by the economic growth of the country. After partial recovery from the losses caused by the Second World War¹, Poland in 1949 started towards overall industrialization. As a result Polish gross industrial production in 1958 was 2.5 times larger than in 1949. During that period Poland was changing from an agricultural to an industrialized country where more than 75 per cent of the national income was created by non-agricultural sectors of the national economy. Those facts had

¹They amounted to 38 per cent of the national property.
caused, of course, very important changes in the structure of employment. For instance, while the pre-war urban population amounted to about 27 per cent, in 1959 its share increased to 47.3 per cent.

The expansion of employment and the increase of personal incomes outside agriculture that developed in Poland parallel to rapid industrialization, had altogether a decisive influence on the increased demand for agricultural products consumed directly as well as supplied to industry. It is necessary to mention in addition that increased demand for foodstuffs emerged from the removal of disproportions in the redistribution of the national income and the fast growth of population.

Per capita consumption of basic products of agricultural origin in comparison with the pre-war period is as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>Unit</th>
<th>1933</th>
<th>1937</th>
<th>1949</th>
<th>1955</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals (in term products)</td>
<td>kg.</td>
<td>136.8</td>
<td>163.3</td>
<td>170.7</td>
<td>141.6</td>
<td></td>
</tr>
<tr>
<td>Meat and animal fats</td>
<td>kg.</td>
<td>19.6</td>
<td>28.7</td>
<td>39.0</td>
<td>47.8</td>
<td></td>
</tr>
<tr>
<td>Vegetable fats</td>
<td>kg.</td>
<td>...</td>
<td>1.3</td>
<td>1.8</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Milk and dairy products</td>
<td>l.</td>
<td>262.3</td>
<td>278.7</td>
<td>331.9</td>
<td>359.5</td>
<td></td>
</tr>
<tr>
<td>(in terms of milk)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eggs</td>
<td>piece</td>
<td>...</td>
<td>116</td>
<td>137</td>
<td>134</td>
<td></td>
</tr>
<tr>
<td>Sugar</td>
<td>kg.</td>
<td>9.6</td>
<td>19.3</td>
<td>24.0</td>
<td>28.5</td>
<td></td>
</tr>
<tr>
<td>Beer</td>
<td>l.</td>
<td>3.4</td>
<td>10.4</td>
<td>18.9</td>
<td>21.3</td>
<td></td>
</tr>
<tr>
<td>Cigarettes</td>
<td>piece</td>
<td>672</td>
<td>893</td>
<td>1,378</td>
<td>1,552</td>
<td></td>
</tr>
</tbody>
</table>

a. Yearly averages
b. in 1938
c. Excluding horse meat, poultry and venison
d. Tobacco products in terms of cigarettes

In spite of such dynamic growth of the foodstuffs consumption, Polish agriculture, however, has not reached an adequate rate of growth for the time being. The increase of gross production only by 30 per cent during 1949-1958, with simultaneous rapid growth of industrial production, has created a phenomenon that is described as an excessive disproportion between the rate of the development of Polish agriculture and other branches of the national economy.
In such a situation the intervention of the State into a sphere of production and trade of agricultural goods has been inevitable. There are some principal tasks of national agricultural policy in Poland, namely:

- to create the most favourable conditions for development of agricultural production and to safeguard a maximum rate of its growth, and

- to control the domestic market, mainly to counteract any spontaneous increases and rapid changes both in foodstuff prices and in incomes of the rural population.

It is necessary to clarify that the fundamental objective of State intervention in Poland is not price support or other forms of income support, usually very often practised by the governments in Western Europe (with few exceptions) and in the United States. There is no fear that an uncontrolled market would affect adversely agricultural incomes. On the contrary, if the sales of agricultural products were not controlled the strong tendency of upward price pressure would be inevitable because of steadily increasing demand exceeding the supply. This would lead doubtlessly to serious changes in national income distribution. Such a situation would be, of course, favourable for agricultural producers but quite unjustified with regard to their real contribution in the creation of the national income.

Therefore, State intervention in Poland is not being used as an instrument against the eventual danger of depression of agricultural prices or decline of incomes. The real danger which might result from the uncontrolled "free play" of market forces would find its reflection, first of all, in an increase of prices of agricultural products, which in turn would adversely influence the standard of living, and on the other hand, disturb the harmonious growth of the national economy as a whole.

Another vital problem in Polish agriculture, which has to be solved, is the question of changing its defective structure characterized by the small-size farms which cover too small an area of utilized land.

Structure of Polish individual farms

<table>
<thead>
<tr>
<th>Farms and plots of a total area in ha</th>
<th>Their share in a total number in %</th>
<th>Their share in a total arable area in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1 - 2.0</td>
<td>31.5</td>
<td>6.5</td>
</tr>
<tr>
<td>2.0 - 5.0</td>
<td>32.5</td>
<td>23.5</td>
</tr>
<tr>
<td>5.0 - 10.0</td>
<td>26.4</td>
<td>40.5</td>
</tr>
<tr>
<td>10.0 - 20.0</td>
<td>8.8</td>
<td>24.3</td>
</tr>
<tr>
<td>20.0 and over</td>
<td>0.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Therefore, as one may see, the high proportion of very small farms in Polish agriculture is a serious obstacle for obtaining a maximum rate of growth of agricultural production. One of the principal tasks in expanding our agriculture is to remove this obstacle, mainly by development of co-operative forms of production.

B. Means and Measures

Means and measures applied for the realization of national agricultural policy are determined by existing relations of production and status of ownership. In Poland there are three types of farms:

1. Private farms
2. Co-operative farms
3. State farms

As the first of these are developed on the basis of private property, the co-operative and State farms represent socialist types of farms. Individual, private farms have actually a dominant significance. If we take into consideration the fact that 90 per cent of more than 3.5 million private farms are under 10 ha and 60 per cent of them possess 5 ha area or less, it is obvious that further development of such small farms, in their present very small state, is not possible, not only for social reasons but for economic as well.

As cultural and social progress of the agricultural population is delayed by present status quo, so is the potentiality of further development of individual farms very limited. On the one hand, small-size farms are an obstacle for introducing modern equipment, and on the other hand, the investments necessary in agriculture cannot be made from the scarce resources of private farmers.

In such a situation the future of Polish agriculture seems to be doubtlessly in the development of large economically efficient farms. It is a necessary objective that Poland should develop agriculture on a modern technical basis which could release further productive reserves. The exploitation of such productive reserves concealed within the private farm economy is still both suitable and possible but very limited. Hence, to avoid any future subsidizing, Polish agriculture is actually developed by non-price methods aiming at better organization and efficiency.

Apart from the existence of forms of collective production mentioned earlier, a new one, namely, the Agricultural Development Fund, was established in Poland in 1959, in order to promote more effective allocation and exploitation of investment funds designated for development of agriculture, as well as to stimulate co-operative forms of farming. (For more on the Agricultural Development Fund, see Section II.) The national agricultural policy is also carried out by a system of purchases, market regulations and price control of basic agricultural products, and the granting of low interest credits.

Members of co-operative farms usually maintain their possession of land.
The system of socialized purchases of agricultural products in Poland consists of three main forms:

1. Contracted purchases
2. Obligatory deliveries
3. Non-obligatory supplies and free market transactions

1. Contracted production and purchases of agricultural products are a form of trade, the importance of which is growing continually. In the present structure of Polish agriculture a majority of small private farms is included indirectly in State planning, especially by the above-mentioned type of transaction.

Similar to the contracts of purchases of sugar beet concluded by sugar mills in Western European countries, the contracted production and purchases of agricultural products in Poland are based on the voluntary agreements concluded between the State and agricultural producers who are obliged to deliver contracted products at fixed prices. The prices of these products guarantee the rentability of production and are close to market prices. The average number of such agreements concluded with farmers is estimated at 7.5 million contracts yearly (about 2-3 contracts per individual farmer). In this way, the Polish Government has an influence on development and localization of agricultural production.

In the course of contracted production and purchases, 100 per cent of Polish production of industrial crops (sugar beet, tobacco, hops, some oleaginous and others), bacon pigs and over 50 per cent of meat-lard pigs and less than 50 per cent of seeds, brewery barley, slaughter cattle, young pigs and others are bought by socialized purchasing centres.

Taking the value of products purchased by the State from private farmers as 100, the share of contracted production and purchases amounts to one half. About 40 per cent is bought through free-market transactions and only 10 per cent are obligatory deliveries.

2. In Poland obligatory deliveries only pertain to three agricultural products: cereals, meat and potatoes. Terms of delivery are fixed by administrative organs on the basis of a legal act establishing the period of time and quantities of the above-mentioned products, to the effect that agricultural producers must deliver to the store-houses of socialized purchasing centres.

Since 1951/52, when the obligatory deliveries were established, their role has been considerably changed. At the very beginning they had helped in supplying the population and ensuring the normal flow of deliveries to the market. In 1953 this kind of purchase became definitely a sort of tax paid by agricultural producers. Legally, Polish farmers are obliged to pay only one tax - a so-called "land tax", a rate of which remained unchanged despite the parallel increase of agricultural production and strong rise of the prices of most of the agricultural products paid by socialized purchasing centres.

1 All figures indicate quantities of goods designated only for sale.
The obligatory deliveries were understood, therefore, as an additional form of financial charges. Their size is determined by the productive capacity of individual farms and represents only a small margin of its production. This margin is steadily narrowing. Moreover, in the meantime the prices paid to the farmers have been significantly increased and the obligatory deliveries of milk and wool were completely abolished.

### The size of obligatory deliveries

<table>
<thead>
<tr>
<th>Goods</th>
<th>Obligatory deliveries in percentage of production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1952</td>
</tr>
<tr>
<td>4 cereals</td>
<td>19.4</td>
</tr>
<tr>
<td>Potatoes</td>
<td>5.4</td>
</tr>
<tr>
<td>Meat-lard pigs</td>
<td>19.7</td>
</tr>
<tr>
<td>Slaughter cattle</td>
<td>31.0</td>
</tr>
</tbody>
</table>

3. **Non-obligatory supplies and free market transactions**

It is quite obvious that after fulfilling the obligatory deliveries and carrying out agreements signed with the State within the framework of contracted production and purchases (see point No. 2) Polish farmers have a guaranteed freedom in disposing of their agricultural surpluses which, inter alia, may be sold to the socialized purchasing centres at prices previously fixed.1

However, quite independently from the above-mentioned contracts concluded with State agencies, the agricultural producers offer their products at the so-called "free market". There they make all the transactions between themselves and the urban population without any State control. These transactions are determined by actual market conditions. However, this system excludes private agents.

The important market transactions are usually made by producers of milk and dairy products, eggs, poultry, fruits and vegetables. Meat is also sold there, providing the farmer has fulfilled his obligatory delivery of the products concerned. According to provisional data, agricultural producers' revenues from this source can be estimated approximately as 15 - 20 per cent of the total annual income of farmers from market production.

The existence of a "free market" in Poland has an essential significance for agricultural prices. The presence of various sale alternatives for farmers who are in a position, besides concluding any contracted production and purchases, to deliver their products within the non-obligatory surplus or sell them directly to the consumers and to secure an adequate agricultural price level.

1Within the framework of the national purchase system
On the other hand the Government, by disposing of important quantities of agricultural products purchased within the above-mentioned system, has the possibility of keeping the price balanced on free market and of countering any market speculation.

Hence, the existing price system is protected against artificial fluctuations by co-acting elements of the market mechanism. Therefore, within the national price system for agricultural products, price levels and their inter-relations are formed and developed in conformity with natural conditions of production, with agriculture fully sharing in the creation of the national income. Also the credits granted by the State to the farmers are very helpful in carrying out the national agricultural policy. Through a system of low interest credits the State influences investments, e.g. directed towards purchases of farm equipment and building for productive purposes etc.

II. SUBSIDIES INCLUDING ALL FORMS OF INCOME AND PRICE SUPPORT

A. Production Subsidies

As it has already been underlined above, the State intervention in Poland is not aimed at supporting prices and incomes but controlling the agricultural market, countering fluctuations or spontaneous increases of prices. However, it does not mean that the Government denies any aids for agriculture. Nevertheless, within this non-price system the aids granted to the farmers take forms other than that of supporting incomes where a fairly adequate level is permanently protected by a dynamic growth of demand for agricultural products on the domestic markets and on foreign markets as well.

At the present time Poland is at a stage of rapid economic development and not long ago financial means obtained from agriculture were designated for industrial investments. Since the Agricultural Development Fund was set up, the surpluses obtained from the difference between free-market prices of cereals, potatoes and livestock are being transferred to the so-called Agricultural Circles that are the voluntary associations of peasants.

The received funds are used collectively for expanding agricultural investments. By means of the Agricultural Development Fund the concentration and redistribution of accumulated funds are being effected collectively. It creates, therefore, a chance for individual farmers to introduce modern machines and equipment. The purchase of tractors or modern agricultural machinery is practically impossible for individual farmers, and on the other hand not profitable for a small farm, but is applicable and profitable for a group of farms.

The real advantages that are derived from collective activities of agricultural farms have made the Agricultural Circles a dynamic mass movement. At present the Agricultural Circles are organized in every second village and they associate more than 800 thousand peasants. The voluntary character of these Circles and their positive experiences ensure them good prospects.
According to a government estimate, about 20 billion zloty will be transferred to the Agricultural Development Fund during the nearest five-year period. These funds will be used for purchases of farm equipment, especially for tractors and other modern agricultural machines.

Within the framework of the collective form of agricultural producers' activities the Agricultural Circles direct their activities towards organization of seed production, conservation and amelioration of land. They are in charge of organizing the cultivation of land reserves. Their role is very important also in development of agricultural knowledge and agronomical consultation for individual farmers.

B. Other Forms of Income Support

"Deficiency" payments are effected in Poland only to some of the State farms (Panstwowe Gospodarstwa Rolne - PGR). Total value of budget payments, however, keeps on decreasing and covers smaller and smaller numbers of those farms. In the past the existence of the so-called "planned losses" was caused, inter alia, by the fact that prices paid to the State farms for their products were based on the level of costs of production. At present, after financial changes and general re-organization, the State farms are becoming profitable and their total incomes are steadily increasing. In the current year the national balance of the State farms is supposed to be closed with a significant profit.

C. Export Subsidies

Contrary to the agricultural price system applied in numerous countries, in Poland there is no difference in prices of agricultural products directed for the domestic or foreign market. Some part of the pool of agricultural products, centralized by the State through socialized purchasing centres, is designated for exports. In such a case there is no export subsidy in Polish foreign trade. The prices obtained by farmers are quite the same for products anticipated for export or for domestic market, providing obviously that these goods are of the same quality. The prices are set up by the State from the point of view of the interest of internal turnover. Similarly, domestic prices of imported goods are formed on the same basis as of Polish origin.

The system of export bonuses that had been practised in Polish foreign trade before the Second World War was completely abolished. This was connected with the changes on the home market and the putting into force of the new principles of Polish export policy.

D. OTHER REMARKS

The forms of support mentioned in Annex A of the document COH.II/4 (points D - G) are not practised in Polish foreign trade. There is no place for export subsidies applied in order to support agricultural prices. As it has already been explained above such protective measures would be inconsistent with Polish national agricultural policy (see page 3).
Basic principles of the national export policy regarding agricultural products state that Polish exports should cover especially those products, the domestic consumption of which has risen rapidly, and where prices paid by foreign purchases guarantee greater profits.

In view of the fact that there are very often no possibilities to compare domestic and foreign prices, decisions regarding agricultural exports are based on the analysis, whether the greater financial or commodity equivalent would be obtained abroad or if these goods were sold on the internal market.

Nevertheless, it is worthwhile to note that the share of agricultural products in Polish total exports has seriously fallen down in comparison with the pre-war period. At present it amounts to 18 per cent of total exports as compared to more than 41 per cent in 1938; Poland has become a net importer in foodstuffs. As a rule, exports are designated products of an exceptional quality, and are agricultural surpluses and goods especially prepared to match with tastes of foreign consumers. The exports of agricultural products constitute a relatively small part of the domestic supply.

III. COST OF PROGRAMMES AND FARM NET INCOMES

Statistical data are not available. However, the information and explanations given above seem to be fair enough to form a proper opinion of measures and forms of governmental support. In view of the fact that in Poland there is no need to support agricultural prices and farm incomes, export and production subsidies are not applied.

The governmental support for the agricultural sector has, as it is already known, quite a different character. The Polish Government, being interested in the speedy development of the national economy, concentrates its efforts on creation of the most suitable conditions for agricultural farms. Therefore, the agricultural machinery industry etc., as well as the technical basis, are being developed parallel to the growth of the domestic production of fertilizers and of all kinds of seeds. At the same time land amelioration and electrification of farms are strongly supported by the State. Nevertheless, all these means of production are sold to the farmers at normal market prices, without any support concealed in their diminished level.

Within the framework of the governmental programme the number of agricultural training schools is markedly increasing. Also the agricultural specialists are encouraged to work with this sector. In this field the Agricultural Development Fund plays a very important role (see page 8).

IV. MIXING REGULATIONS - not applicable

V. STATE TRADING OPERATIONS

In Poland the import-export activities are conducted both by the specialized state-trading enterprises financially and economically fully

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1It regards the most important items of Polish exports, especially meat and animal fats, the consumption of which (per capita) reached in 1958 a level twice as high as in 1937; sugar consumption was three times greater etc.
independent and by enterprises organized as companies, basically acting on a company status. Some of the shareholders are: co-operative organizations, handicraft associations and organizations of small producers etc.

Two foreign trade State enterprises, "AN4MEX" and "ROLIMPEX", are dealing with agricultural products, and four co-operative enterprises, "CCOPEEEM" (Co-operative Company for Foreign Trade), "HORTEX" (Export Office of Horticultural Co-operatives), "FOLCOOP" (Foreign Trade Office of the Central Agricultural Union of the Peasant Self-aid Co-operatives "Samopomoc Chlopska") and "SPOLEM" (Union of Consumers' Co-operatives Foreign Trade Department).

The enterprises mentioned above usually deal with imports and exports of agricultural products as well. In Poland permission for running a foreign trade enterprise is granted by the Minister of Foreign Trade. The activities of foreign trade enterprises are limited and specialized according to commodity branches. However, for the exchange of agricultural products such a division is not applicable and some of the foreign trade companies that deal with the same products very often compete with each other.

State-trading activities and relations with domestic producers are operating through the network of trade enterprises of the food industry which purchase the entire agricultural production from the State farms and the Co-operative farms. In the vicinity of industrial plants part of the output of certain products is also purchased directly from individual farmers.

In purchasing such products, as for instance slaughter animals, cereals, eggs, and potatoes, most transactions concluded with individual producers are realized by the Central Agricultural Union of the Peasant Self-aid Co-operatives "Samopomoc Chlopska" that associates some three million agricultural producers. This is a multi-branch peasant corporation for supply and sale. More than 80 per cent of the total value of purchases from individual farms has been carried out by numerous trade and catering establishments of "Samopomoc Chlopska".

General co-ordination and control over the activities of all enterprises and organizations dealing with the purchase of principal agricultural products is executed by the Ministry of Foodstuffs and Purchases.

VI. IMPORT RESTRICTIONS

The restrictions mentioned in the given questionnaire are not in force in Poland. There are no special tariff measures and quantitative restrictions regarding agricultural imports. Prices of imported goods are set on the same level as domestic products.

The absence of means and measures commonly applied in various countries has its source in the specific character of the Polish agricultural sector and in the national market organization which was referred to in the above text.