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The Agricultural Sector in
Poland and Romania and its
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LIST OF ABBREVIATIONS

ARR	Agency for Agricultural Markets
CAP	Common Agricultural Policy
CEEC	Central Eastern European Country
DDR	Deutsche Demokratische Republik
EAGGF	European Agricultural Guidance and Guarantee Fund
ECU	European Currency Unit
EEC	European Economic Community
EU	European Union
EU15	The 15 countries that have been Members of the European Union before its first Eastern enlargement in 2004. Those are Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Italy, Ireland, Luxemburg, Netherlands, Portugal, Spain and Sweden
FDI	Foreign Direct Investment
FTA	Free Trade Area
GAO	Gross Agricultural Output
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GDR	German Democratic republic
GVA	Gross Value Added
IMF	International Monetary Fund
NMS	New Member States
PGR	Państwowe Gospodarstwo Rolne
SAPARD	Special Accession Programme for Agriculture and Rural Development
SAPS	Single Area Payment Scheme
SPS	Single Payment Scheme

TFEU	Treaty on the Functioning of the European Union
TOV	Intovărăşire
UAA	Utilised Arable Area
UK	United Kingdom
WTO	World Trade Organization

1 INTRODUCTION

“United in diversity” (European Union 2013) is the official motto of the European Union and the name speaks for itself. What holds true for Europe in general is also characteristic of the agrarian sector where not only climatic conditions vary over the continent. Hence, common politics are always a juggling act between diverse interests, becoming most evident when setting the common budget. On 14th March 2013, Martin Schulz, president of the European parliament, dismissed the proposal for the European budget, which would have included the agrarian reform 2013. In the rejected version, the CAP accounts for 39% of the total expenditures (TopagrarONLINE 2013) and with so much money spent it has to be ensured that the investments meet current demands. The larger the EU gets, the more difficult it becomes to implement this objective given that, traditionally, the 12 NMSs’ agrarian structures differ a lot from the western European model. Usually, the academic analysis focuses on the impact that the enlargements of 2004 and 2007 have had on the European Union. While many researchers see the enlargement as a topic of concern (Grant 1997; Kwieciński 1994; Phinnemore and Basescu 2006; Stawowiak 2007), there are only few regarding it as a chance to launch urgently needed agricultural reforms (Knorr 2004). Nevertheless, researches seldom address the consequences of the EU-entry in the NMS thus leaving a huge academic void. By now – nine respectively six years after the entry – it is high time to change the perspective and to assess and understand the consequences of the enlargement for the two most important agricultural countries in Eastern Europe, namely Poland and Romania. The research depicts the following topic: the agricultural sector in Poland and Romania and its performance in light of EU-influence.

The analysis is separated into three steps. Firstly, information is given about the purpose and the realisation of the CAP from its very beginning until today. While after World War II the policy is agreed upon to prevent a starving European population from ever suffering food shortage again, the political measures prove to be very efficient. Europe’s agricultures, which are dominated by large scale farming, make use of modern technology to increase their yields so that after only two decades the Union has not only reached self-sufficiency but produces great surpluses in agriculture. Consequently, in several reforms new costly political measures are introduced to control the production, but until today, large scale farming, where productivity is high while required manpower is minimal, is the most favourable system of agriculture in Europe. The second chapter is constructed as a case study of the two biggest and hence most important agricultural sectors of all CEECs in Poland and Romania and they

are chosen for a most-similar comparison. Both countries' agrarian background is quite different from the European model of success. Under communism, this sector in both states suffered from underinvestment and thus productivity is traditionally low. There is little use of machinery and this cannot even be counterbalanced by high employment rates in agriculture. Also the domestic supply situation is oppositional in the CEECs and the European countries. While one has to handle great surpluses, agricultural outputs in Europe's periphery are low and the little that exists is used for exports, so that years of starving for the local population are not uncommon. This is why after communism and after a decade of transformation, Eastern Europe has a non-competitive, small scale agrarian structure with high employment rates but low productivity and thus they are in a disadvantageous position in the trade with the EU-states. Indeed, the question must be asked if the EU-measures designed to support the EU15 countries can at all serve to guide Europe's periphery towards a more modern agriculture. This is discussed in the last chapter. The focus is to find out what a modern European agriculture is about and if the countries' agrarian development under European influence allows the conclusion that the level of modernity increases. Indeed, this seems to be a puzzle because despite all similarities in the agrarian sectors of Poland and Romania, the former is recently economically successful while the latter struggles with recession and economic shortfalls.

The analysis proves that contrary to all impressions the achievements of a European guidance towards modernity are comparably higher in Romania than in Poland. Economic shortfalls are not so much caused by the agricultural structure but by more general socio-economic and political factors. A look at the agricultural sector in isolation shows that even though Poland's agricultural performance is good and the country is able to access all its European funds the improvement of the underlying agrarian structure, which is already relatively well developed in Poland, is slow. By contrast, Romania has a lower payout rate of its European funds but the reason for it does not lie in the agrarian sector per se but is due to a poorly developed institutional structure and corruption and the European program helps to fight this. These are achievements of a modernisation process on a more basic level but nevertheless they are capable of leading to progress. Thus, the EU supports both countries in preparing their agrarian sector for future demands on this sector whatever they will be.

2 THE CHARACTER OF THE EU'S CAP: AN EVOLUTIONARY APPROACH

The CAP is one of the centrepieces of the European policy. In combination with national politics, it is the main influencing factor on the very crucial political field of agriculture and consequently of food supply for meanwhile 493 Mio Europeans (Europäische Kommission 2007:9 status 2005). Agricultural expenditures make up for more than 50% of the EU budget (Europäische Gemeinschaften 2007:3 status 2005) and have been doing so for years. These enormous expenditures seem to be out of all proportions when looking at the economic gains in agriculture. They account for approximately 1.8% of GDP in the EU15 countries (Geppert 2012:206 status 2003) and about 8.9% of GDP in the Eastern European Member States (Grant 1997:188 status 1993). This implies a transfer of money from large parts of society – namely the tax payers – to a small share of people – namely the comparably few farmers in Europe (Grant 1997:28). Consequently, the CAP is one of the most controversially debated EU policies and the historical background of its development reflects in the CAP's current structure and the underlying dynamics. This is why the following chapter will provide an overview over all crucial developmental steps of the CAP as it is today. The analysis focuses on the internal CAP reforms but also on the impact of numerous EU-enlargements. The historical approach is a suitable design for the analysis as it offers an understandable overview over the CAP's political measures but it also accounts for the CAP's complexity and displays the interplay of different national and European interests. This is a key characteristic of the CAP.

2.1 The early CAP: From preventing food shortage to producing surpluses

All over the European continent, the post war years are characterized by a lack of the most basic goods including food. In order to prevent a catastrophe like the Second World War once and for all, Europe's politicians such as the British Prime Minister Winston Churchill speak out for a united Europe as early as 1946 (Böhling 2006:4). When deciding about the political form of this desired union, Britain pushes the concept of a FTA but this meets French opposition because "the FTA [...] indeed seem[s] to offer fewer prospects for French agricultural exports than the EEC" (Warlouzet 2011:422) and this makes clear what an important stand agriculture has. The EEC becomes the preferred option when the ministers of the European Coal and Steel Community meet for discussions in Messina in 1955 (Grant 1997:64) and in the Treaty of Rome on 25th March 1957, the six founding Members Belgium, Germany, France, Italy, Luxemburg and the Netherlands establish the EEC where the Unions competences are more extensive than would have been the case with the FTA. Article 39 of the treaty states that

“1. The objectives of the common agricultural policy shall be:

- a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- c) to stabilise markets;
- d) to assure the availability of supplies;
- e) to ensure that supplies reach consumers at reasonable prices”

(EUR-Lex 2010:62 f.).

This is seen as a big step towards a modern agricultural policy where consumer- and producer-needs are taken into account, but at the same time this contradictory double function is the scope of many following reforms. Apart from the only agricultural aspect the common market for European products is established in the TFEU’s 110th article:

“No Member State shall impose, directly or indirectly, on the products of other Member States any internal taxation of any kind in excess of that imposed directly or indirectly on similar domestic products. Furthermore, no Member State shall impose on the products of other Member States any internal taxation of such a nature as to afford indirect protection to other products” (EUR-Lex 2010:93).

The Commission is established to put these articles into practice. At the Stresa Conference in July 1958 the members of the Commission, the Ministers of agriculture, the representatives of some farmers’ unions as well as national experts meet to create a policy to regulate agrarian production inside of Europe and to protect the inner-European common market against external competition. This collective interest is important enough to overcome inner disaccords. To please consumers and producers at the same time, price levels are set above the world prices but still low enough to not foster over-production (Moussis 2008). Finally, the CAP comes fully into force in 1962 (Ludlow 2005:368).

Apart from the challenge to meet consumers’ and producers’ wishes with only one common politic, there is another difficulty going along with CAP reforms in all these years. The common agricultural policy is an attempt to put several countries that differ very much in

their agricultural set-up under the control of a common political arrangement. This not only seems to require a difficult balance in measures it also turns out to cause long lasting negotiation processes whenever a structural change is proposed and in the end achievements use to be only minor changes instead of radical reforms. This is the reason for the incremental nature of the policy and the reason why “the CAP has been described as particularly path dependent” (Garzon 2006:9). In every decision making process there are supra-national institutions involved as well as the Member States with their different points of view and interest groups, who also try to influence the political representatives. Also the CAP is not a solely inner-European policy but has consequences for competitors on the outside and therefore external actors are also interested in influencing the CAP’s shape. Initially, the CAP can be seen as a play of power between the two most influential Member States, France and Germany. France needs a well functioning CAP as the agricultural sector in this country performs very well and is an important part of the national economy. This is why the CAP needs to provide favourable conditions for the sizeable share of French farmers as well as for the commodities produced for the common market and for export reasons (Grant 1997:48 ff.). The Germans are agricultural importers with a relatively small and unimportant agricultural economy mainly depending on small-scale farming (Martens 2010). They see themselves as net-contributors to the CAP, paying artificially high prices and no longer being able to import to better conditions from outside the EEC (Ludlow 2005:359 f.) as the EEC gives preference to its own products. Nevertheless, Germany is keen to maintain the common market because of the country’s strong performance as exporter of technological products and is thus willing to compromise. In negotiation processes France regularly pushes decisions in its favour and is able to create time pressure for others to join. The Dutch are an important facilitator of these decisions. Just like France they are net-exporters of agricultural products and therefore pursue the same interests as France does. However, at the same time, the Netherlands are a low-tariff country like Germany and consequently they hold a middle position between the two main competitors. The Germans often supported Dutch but not French positions (Ludlow 2005:355) which in the end turn out to lead to the same compromise. Opposition against CAP-regulations comes mostly from Germany and Italy. The latter is initially in favour of the CAP as Italy possesses a relatively large agricultural sector and therefore benefitting from the CAP is a great chance for the country. However, Italy becomes a net-contributor as the CAP favours commodities produced mainly in France and the Netherlands to those from Italy. Criticism also comes from outside because countries suffer from a distortion of competition as Europe supports low food prices through political subsidies. At the same time, none of the external

political powers wants to weaken the potential European trading partner (Ludlow 2005:363 ff.) and thus the CAP develops without external interference. Nevertheless,

“at the root of the problem [a]re the commodities covered by the first tranche of CAP regulations and the manner in which the agricultural policy [i]s paid for. The former [a]re almost exclusively northern European agricultural products – cereals, poultry, dairy products and pigs. Few subsidies [a]re therefore paid out initially to Italian producers of olive oil, wine, rice and tobacco. And the later heavily penalise[...] countries that import[...] substantial quantities of food from outside the EEC” (Ludlow 2005:363).

Taking political interests into account, this distribution of subsidies established in 1962 and 1963, which favours the production of cereals, is not astonishing even though these subsidies are not necessary to keep production levels upright. By the end of the 1960s, Europe not only reaches self-sufficiency in all major agricultural products but registers a production of surpluses from now on (Knorr 2004:7). This is a good indicator for the political guidelines of the European agrarian politic. It is designed to foster big companies with their industrialized form of agriculture.

“For cereals, natural production conditions in large parts of Europe are no less, but probably more, favourable than in any other part or the world [...] Once cereals prices in Europe are no longer above those in other parts of the world, there is a very good chance that Europe’s pork and poultry farmers can produce for the world market, without subsidies “ (Marsh and Tangermann 1996:17).

However, wheat prices turn out to be high as the price system is a serious struggle between French and German interests and the final decision about a pricing system is taken in 1964. The established system is very complex but will be illustrated here in its major mechanisms:

“Three institutional prices form the basis of the EU’s pricing mechanisms. The target price is the basic reference point from which the other prices are derived. It is designed to represent a satisfactory level of return to the farmer. Threshold prices represent minimum entry prices for imports and are designed to ensure that target prices cannot be undercut [...] The intervention price provides a floor to the market by providing a price at which national agencies have to buy products offered to them into intervention stores if they meet quality standards” (Grant 1997:67).

This politically motivated pricing system covered by the common budget, for which the EAGGF is created, has several consequences. Besides the fact that such a regime generates incentives

for overproduction, and its high costs are backed by the EAGGF, two other economical aspects are exceptionally interesting. Firstly, this system masks the fact that Europe's farmers are insulated from the market as the highlight on prices creates the illusion of a market-based policy (Daugbjerg 2003) while in fact Europe creates distorted market conditions for agrarian products. And secondly, the CAP's system is in clear contradiction to the GATT¹, an international organisation where the principles of non-discrimination, open markets and fair trade are established (Garzon 2006:24 ff.). A final assessment of the European support for certain commodities reveals that products are supported to very different extents. While grains, sugar, milk and beef receive complete price support, olive oil, durum wheat, oilseed and tobacco profit of supplementary support whereas poultry, eggs, wine and horticultural products are protected by a common external tariff only (Hennis 2005). This makes clear that CAP regulations are not necessarily about promoting the economically most reasonable decision but rather reflect the fact that CAP winners are politically stronger than CAP losers. Out of the three principles of the CAP, which are market unity, community preference and financial solidarity, the later two clearly indicate "major victories for France, since they [...] commit[...] other European countries to provide markets for French produce and to contribute jointly to the cost of doing so" (Atkin 1993:54).

2.2 Failed attempts of reform and years of immobility

From the very beginning on, it is clear that the CAP includes some structural problems. At the same time, these are the hardest to be addressed and the Mansholt Plan of 1968 tries exactly this. Sicco Mansholt is the Dutch agriculture minister until 1972 and the document he issues, which is officially a Commission memorandum to the Council (Grant 1997:66 f.), represents an ambitious Dutch proposal for agricultural integration (Tangermann 1992:408). In his plan, Mansholt makes the point that due to constant technical improvement and a protected inner market with price guarantees, agricultural production increases more rapidly than its consumption. In the long run this overburdens the common budget. The Commissioner therefore proposes to reduce real prices by basing them on the cost level of the more efficient farmers (Le Heron 1993). At the beginning of the memorandum, Mansholt places an analysis of the agricultural situation at that time and even a forecast for the next years which indicates an existing overproduction of wheat, milk and sugar and an expected overflow of fruits and vegetables as well as they can no longer be sold on the world market, and he even names the

1 In 1995 the organisation's name changed to WTO.

reasons for this dilemma:

“Agriculture in the Community suffer[s] from serious structural imperfections, with too many small farms and too many elderly farmers with inadequate training for modern conditions. The gap between incomes in agriculture and other sectors of the economy [does] generally not diminish[...], and income disparities [...] grow[...] considerably within agriculture. Market and support policies alone c[an]not solve the problems of farming and there [i]s a risk of intolerable costs to the Community without any effective improvement for farmers” (Grant 1997:70).

Mansholt’s analysis is seen as correct and his proposal called the Mansholt Plan includes suggestions of radical structural reforms to reduce guarantee expenditures, to increase incentives for small-scale farmers to withdraw from agriculture and to reduce the total amount of cultivated land. Even the Commission’s judgement is that “the Mansholt Plan bravely declare[s] that a policy ha[s] to be advocated” (Division for Agricultural Information and Directorate-General for Agriculture of the European Communities Commission 1972:1). Still, the radical Mansholt Plan meets very much opposition especially in France (Tracy 1989) and is thus never carried out even though all parties admit it to be correct. What follows instead are minor adjustments in the form of several directives but as these measures, which are taken in 1972, are not as fundamental as the original plan they fail and do not lead to the desired relaxation. The suggestion of the Mansholt Plan to spend a third of the agricultural budget on structural measures instead of price supports does not become real and instead the guidance section of the Guarantee and Guidance Fund, which is the institution where structural measures are approached, remains below 5% of all total expenditures (Grant 1997:71). The Mansholt Plan has to be regarded as failed and so are all other attempts to fundamentally improve the CAP until the MacSharry reform of 1992. In the mean time, minor changes in the performance of the agrarian sector are caused by other political events.

One of these is the Union’s first enlargement on 1st January 1973 where the three NMS Denmark, Ireland and the United Kingdom join the EEC. A certain irony comes along with this entry because Britain, which has for many years been an opponent to the CAP, is now the country whose entry into the Union relaxes the agricultural situation so much that reforms, which would have been necessary for a long time, can now be further postponed. Since the very beginning of the EEC, the UK holds a sceptical view on the agricultural development of the Union. Firstly, the United Kingdom initially decided against the EEC and for the FTA, which would have included an agricultural policy with significantly less political competencies on the European level and secondly, not being part of the new Union makes it one of the countries

outside the EEC suffering distortion on the agricultural commodity market. However, the accession negotiations with Britain start in early negotiation rounds between 1961 and 1963. Even though there clearly is an interest, these talks end without accession plans due to the British opposition against the CAP. Hence, by being against such an important piece of the European common politic Britain is disqualified as a member and the country is not accepted after the first negotiation rounds. However, in 1973, when the country is taken up together with Denmark and Ireland this enlargement round is the first the Union ever sees and it is in many respects also a role model for how future enlargements take place. "During the preparation of the first enlargement of the Community [...], there [i]s some debate about possible modifications of the CAP [but in the end...] the newcomers ha[ve] to agree to full acceptance of the *acquis communautaire*" (Tangermann 1992:410). The British doubts against the CAP are nevertheless strong because the country expects a worsening of its chances to profit from cheap imports from the Commonwealth countries as being a EEC-member means giving priority to the products of the common market. On the other hand, British farmers anticipate to benefit from the high prices paid to them under the CAP regime. Consequently, a claim that Britain makes upon accession is to continue its assistance to hill and upland agriculture, which France wants to restrict to the mountain area in order to exclude Britain. However, the Less Favoured Area Directive is adopted in the CAP in 1975 and the areas of concern are defined as "mountain areas, in which farming is necessary to protect the countryside [...]; they shall also include other areas where the maintenance of a minimum population or the conservation of the countryside are not assured" (Council 1975:3). Finally, as soon as the United Kingdom is part of the union, its membership turns out to have a positive short-term influence on the EEC's agriculture.

"Had it not been for British entry [...] and the diversion of imports into its large market from its traditional overseas suppliers to the Community farmers, together with the large British contribution to the Community budget, the burden of surplus production would have become intolerable for the Community sooner " (Pinder 1995:86).

Reforms are delayed but as the CAP spending doubles in real terms between the mid 1970s and the mid 1980s and as surpluses increase significantly in all crops and livestock sectors and so do the tax payers' expenses the costs of the CAP threaten the Community's budget.

"First, between 1968 and 1975 the Commission ha[s] to dispose of 10% of butter production and 75% of skimmed-milk production [...] at reduced prices. Second, expenditure of the Guarantee Section in the dairy sector [...] from about 600 Mio[...] u.a. in 1968/9 to 1,521 Mio[...] u.a. in 1973 and some 1,900 Mio[...] u.a. has been earmarked

in 1976" (Commission of the European Communities 1976:11).

A first step towards restrictions of production is to introduce a dairy quota in 1984.

While going through an agricultural crisis, the Union has to cope with incorporating NMSs. Greece enters the Union on 1st January 1981 and the country's agricultural sector is the most important area of concern. The Greek accession is also seen as a precedent for Spanish and Portuguese accession and therefore the EEC proceeds its negotiations with Greece very carefully. In the end, Greece has to accept the *acquis communautaire* and "in agriculture, a five-year transitional period [i]s agreed for the sector as a whole, and seven years for fresh and processed tomatoes and fresh and processed peaches" (Pepelasis 1980:247) within which the Greek system of prices and subsidies has to be replaced by the EEC system. Following the Greek accession, on 1st January 1986 Spain and Portugal join the Union. Instead of regarding this enlargement as an incentive to approach structural changes it

"le[ads] Member States to adopt tight budgetary constraints, as these countries [a]re relatively poorer and bec[o]me significant recipients of EU money. In turn, budgetary discipline [...] put[s] France and Germany at loggerheads by exacerbating their antagonistic priorities: reducing its high net contribution to the EU budget for Germany and preventing the retrenchment of the CAP for France" (Roederer-Rynning 2003:142).

After only minor changes, the CAP accounts for 65% of the total budget at the end of the 1980s while this share even reaches 75% in 1985 (Grant 1997:74 ff.). Instead of tackling the urgent structural difficulties such as the very diverse and often contradictory set-up of agriculture in the different Member States and the production of surpluses, policy makers spend years concerning themselves with price policies and market regulations. Accordingly, the instruments agreed upon clearly reflect the domination of productivist and agrarian concerns over structural objectives (Roederer-Rynning 2003) and during these years of immobility the CAP consists only of a market policy without any structural aspects. This means that the attempt failed to correct the solely large scale, industrialized way of performing agriculture where big companies profit the most.

2.3 The MacSharry reform of 1991/92: Introducing fundamental structural changes

The decisive factor for reforms being successful in 1991 and 1992 is the increasing economic pressure finally becoming critical. This is created by inner-European events such as states in recession and the German reunification. Despite the fact that Germany is able to profit from

the agricultural structure of its eastern parts (Martens 2010), this event comes along with a financial burden causing Germany to refuse an increasing CAP budget. Another important factor is increasing international pressure. Highly modernised, large-scale farmers elsewhere are able to produce such amounts and sell them cheaply at the world market that it gets increasingly cost-intensive to continue the artificial support of European exports. On the other hand, political pressure is increasing as the CAP is more and more seen as a European measure of distortion of competition. The negotiations of the Uruguay Round in 1986, where the European violation of GATT agreements dominates the talks, put enough pressure on Europe to refrain from the unreformed CAP in the end (Grant 1997:76).

Finally the MacSharry Plan named after the European Commissioner for Agriculture of these years, Mr. MacSharry, is introduced. Until then, the focus of attention has always been the post-war belief that only protectionism can guarantee a European self-sufficiency in food supply (Coleman and Chiasson 2002). For the first time, this is now questioned and politicians are willing to consider and effect fundamental CAP reforms.

“The basic elements [of the reform a]re as following: the level of price support [i]s to be reduced by 35[%...] over the three years 1994 [to 19]96, bringing it much closer to world market levels and providing savings in the export subsidy scheme; farmers [a]re to be compensated for their revenue loss through a system of area payments based upon the difference between old and new support levels, a historic regional average yield and a historic base area, thus partially decoupling income support from current production; and compensation [i]s conditional to participation in a set-aside scheme, which would withdraw 15[%...] of arable land from production” (Garzon 2006:42 f.).

Besides these cuts of price support, the decoupling of income support and production and the increased incentives for set-asides, are outcomes of the reform and even the commodity support regime is approached. While the milk regime, which already contains a quota is left mainly unchanged, the livestock sector faces modifications. Beef and sheep supports diminish as a payment cap for a certain herd size is introduced. Besides these market related measures, the agrarian structure is the subject to reforms.

“Four structural ‘accompanying measures’ [a]re continued: support to early retirement of farmers, mountain and less-favoured areas, agri-environmental measures and afforestation of agricultural land. Rural development [i]s included under the umbrella of the Structural Funds [...]. The main innovation [i]s the introduction of agri-environmental measures at EU level” (Garzon 2006:43).

The only branch of the agrarian economy seeing only minor changes is the cereal regime where only moderate cuts in price support are introduced. This means that generally the shifts in the agriculture's political focus is tremendous. The maxim is no longer an enforced productivity increase without taking the actual demand into consideration but the focus on large agricultural companies only is about to be overcome. At the same time it is not clear, yet, into which direction this political shift points.

As a lot of attention is given to the momentous structural reform, the enlargement of 1995 receives little notice. The NMS Austria, Finland and Sweden are incorporated into the EU and this is generally seen as positive because no major concerns come along with it (Wood 2003) and the only topic of concern is the support for less-favoured areas such as the mountain regions in Austria and the very Nordic regions of Finland and Sweden. There is, however, one decisive new circumstance accompanying this enlargement. For the first time, an enlargement takes place where it is no longer possible to grant transition arrangements based on balancing payments to the NMSs whenever goods cross the border between the entrants and the rest of the Community. It "no longer prove[s] possible because the Union had meanwhile established the borderless single market. In the absence of border controls, accession compensatory amounts [can] no longer be implemented" (Marsh and Tangermann 1996:14). The consequences of this reform are finally enormous and long lasting. The MacSharry reform changes basic mechanisms of the CAP and for the first time in history it not only questions but indeed overcomes many measures of output maximisation that had never been doubted since the beginning of the CAP after the Second World War. Consequently, the achievements of this reform still reflect in today's CAP.

2.4 Agenda 2000

A short time after having gone through its first structural reform, the CAP sees itself again in the need to adapt to current developments concerning European agriculture. The European Union expects its biggest and most momentous enlargement, which is the Eastern enlargement of 2004. This is a reason for concern in many aspects of European politics because caused by history, the political systems of the ex-communist European periphery is not based on similarities with the other European states but on differences. Awareness grows that

"in agriculture, enlargement poses considerable challenges. Farm sectors in candidate countries are bigger and undergoing substantial adjustment. [...] Without corrective action, growing surpluses in the new Member States would add to those already

predicted in the existing Member States after the year 2000, especially in cereal and meat sectors” (European Commission Directorate-General for Agriculture 1998b:9).

So it is not the actual accession of these countries influencing the CAP but the expected future developments this accession might have on the agricultural sectors of the CEECs, which points into a direction that is not desired because it confronts the CAP with just those kind of problems that have for years been a matter of concern. The undesired forecast paves the way for the Agenda 2000, which is a reflection paper on the possible directions for the CAP to develop. There are three possibilities of proceeding: to either maintain the status-quo of the post-1992 CAP, to further develop this 1992 approach or to initiate radical reforms beyond the ideas of 1992. The decision on which way to go is not taken in solitude but Mr. Fischler, the Commissioner of Agriculture of these days, initiates a strategy paper discussing “the long term implications for the future of the CAP of the enlargement and other issues such as still increasing market imbalances, the Uruguay Round commitments and a forthcoming new round of WTO negotiations” (Garzon 2006:44). This proposal is then exposed to public discussion through a number of speeches and a publicised conference. The result is that the delegates of the conference in Cork in November 1996 adopt a declaration, which establishes many fundamental outlines going much further than only to prepare the CAP for another enlargement. Besides highlighting the importance of sustainable development above all

“it also propound[s] that rural policy must be multi-disciplinary in concept and multi-sectoral in application and apply to all rural areas with differentiation in favour of the regions most in need. In addition, it call[s] for support to focus on community-based initiatives and to be decentralised, thereby encouraging the use of local financial resources. Finally, policies should protect and sustain the quality and diversity of rural landscapes” (Garzon 2006:45).

These are new environmental aspects of what agriculture is and what tasks it has to perform but at this time, when politics in the agrarian sector just left the focus on large scale industrialized companies behind and also take other aspects into consideration now, the economical aspects still dominate the discourse. Above all is the interest to economically develop rural regions, taking into account all political aspects that seem necessary. In addition to these general agreements, special pre-accession regulations are agreed upon. Accordingly, the Council accepts to increase pre-accession aid in order to support the agricultural and rural development in the applicant countries of central and eastern Europe. For this the SAPARD is brought into being. This support is intended to enable the applicant countries, where the agricultural sector is often still the major source of employment, to restructure the sector and

by this to be able to meet the requirements of the *acquis communautaire*, where agricultural rules account for approximately 50% of it (Knorr 2004:4). Agreement is found to implement this support in the form of multiannual programmes before the entry into the European Union and upon accession the candidate countries are no longer entitled to receive this money (European Commission Directorate-General for Agriculture 1998a). However, at the time of the Agenda 2000 negotiations these are so far only suggestions. National policy makers, who are at that time concerned with the BSE crisis and fear that the greater emphasis on rural development would draw from the EU funds for farmers (Moyer and Josling 2002), do not accept these proposals easily. The result of these hesitations is that the Commission agrees to adjust its outlines and in the end it comes up with the following objectives:

“More market orientation and increased competitiveness, food safety and quality, stabilization of agricultural incomes, integration of environmental concerns into agricultural policy, developing the vitality of rural areas, simplification and strengthened decentralization” (European Commission 2013a).

To put these ideas into practice the Commission comes up with concrete plans of how this can be achieved. Firstly, the Commission recommends a limitation to the EU budget and secondly, the CAP's structure is proposed to be changed into a two pillar system. Pillar I will continuously be reformed as it includes market and price supports and for some commodities these prices need to be further reduced. These commodities are on the one hand cereals, where also voluntary set-asides of arable land are supported, and on the other hand the beef sector. Apart from these controversially discussed details concerning Pillar I what is new and innovative about the Agenda 2000 is the creation and establishment of the second pillar which serves as an instrument to increase the competitiveness of European agriculture, to put a focus on environmental concerns and to facilitate the next enlargement round.

“Pillar II aim[s] at regrouping existing but dispersed measures into a single framework and emphasise[s] the new priority given to rural development by increasing its funding. Rural development policy financed by the EAGGF [i]s envisaged as being distinctly farmer-oriented, while action at a regional level continue[s] to be supported by the Structural Funds, including the EAGGF Guidance section, in a reduced number of objectives [...]. The measures of Pillar II contain[...] three objectives: reinforcement of the agricultural sector through structural measures; protection of the environment and rural heritage, which [i]s reinforced by becoming mandatory and receiving increased funding; and modernisation and diversification of rural areas in connection with agriculture” (Garzon 2006:46 f.).

Until the Agenda 2000 is finally converted into applicable law it is changed once again into a less radical version. The overall budget is not reduced as much as proposed and also market measures subsumed under the first pillar are softened. At the same time, it becomes clear that while the first pillar has to be paid for by the common budget, the contributions from the second pillar need to be distributed. As this happens according to the respective region, a complex system of monitoring has to be established. The task to create such a system of checkups is assigned to the Member States and the Commission. The former are in charge as each state is responsible for managing the beneficiaries' claims. The latter is given the task to supervise that the systems of distribution are in line with the formal requirements. In case that the Commission notices a lack of compliance on the part of the Member States the distributed money can be claimed back (Europäische Kommission Generaldirektion Landwirtschaft 2001:17 f.).

Assessing the Agenda 2000 as a whole, this reform act can be regarded as a continuation of the attempts for modernisation initiated through the MacSharry reform in 1992. The step-by-step limitation of measures subsumed under the first pillar guides farmers to have more and more confidence in market mechanisms. On the other hand, the second pillar of the CAP subsumes measures to develop rural areas with the intention to foster rural enterprises and to enable farmers to diversify and merchandise their products better so that they can finally reinvest and restructure their farms. Even though the Commission has to accept to limit the CAP budget on a higher level than intended, what can be achieved, is a fixation of total expenses until the year 2006. This provides farmers with the basis for secured planning and also the taxpayers are guaranteed that CAP expenses will not exceed a certain amount of money (Europäische Kommission n.d.:5).

2.5 The 2003 reform: Fischler II

What is initially intended to be the mid-term review of the success of the Agenda 2000 eventually becomes the initiator of another CAP reform – the Fischler II reform of the year 2003. Assessing the achieved success of the former reform so far, it becomes clear that increased efforts have to be made to reach the initial objectives. In order to do so new guidelines need to be integrated into the CAP. The Commission therefore intends to put more highlight on the following factors:

“Ensuring the economic viability of European agriculture by reinforcing its market orientation and by increasing food safety and food quality; achieving social balance by means of income support, prevention of farm holdings concentration to the detriment

of environmental equilibrium, and fairer distribution of direct aids among farmers; better integrat[ing] environmental, health and animal welfare concerns in the CAP support system; reinforc[ing] the rural development policy by increasing its funding and focusing on the most fragile regions; and improv[ing] implementation of CAP decisions through simplification, decentralisation and budgetary rigour” (Garzon 2006:48).

These objectives so far only serve as general proposals of how to solve the problems that can be registered when implementing the Agenda 2000 and have to be translated into applicable measures. This includes corrections on both pillars of the current agricultural policy of the European Union. The Commission recommends three innovations influencing the CAP's first pillar horizontally. These are at first the idea to fully decouple direct aid from production by no longer basing pay offs on the type or quantity of commodities but on historical records of support and cultivable area instead. The second innovation is that direct payments should be capped in order to transfer eventual savings to financing the second pillar of the CAP. This new system is called the Single Payment Scheme (SPS) and while for the Old Member States it only addresses to farmers, the NMS are granted the possibility to fall under the Single Area Payment Scheme (SAPS), where payments are distributed on the basis of hectare of agricultural land instead of number of farms and also cross compliance is only requested to a lower degree. These two measures account for up to 30% of the direct payments before the New Members' entry into the European Union (Jabłońska-Urbaniak 2011:83). The receiving countries only have to ensure good agricultural and environmental conditions. The other standards would be public, animal and plant health and to ensure animal welfare, but this is what only the SPS requests (European Commission Directorate-General for Agriculture 2005). Generally, a maximum amount of direct payments per farm slowly decreasing over time shall be introduced. The third and last innovation is to start a compulsory cross compliance. So far this compliance is only voluntary for Member States and covers only environmental standards (European Commission Directorate-General for Agriculture 2005:2). From now on, direct payments could only be distributed if legal standards in the field of environment, food safety, animal welfare and good farming practices are met (Garzon 2006:48 f.) and it is the Member State's obligation to translate the EU standards into practical guidelines taking the specific characteristics of the areas of concern into account. A minimum of 5% of farms should be cross checked with regard to their compliance with EU-standards each year (European Commission Directorate-General for Agriculture 2005:2). However, the 2003 reform does not only address the CAP's first pillar but also the second pillar. The Commission desires to

include new areas into the CAP's Pillar II outlines:

“Food quality with support to farmers to participate in quality insurance and certification schemes and to producer groups for promotion of quality products; animal welfare measures compensating farmers for commitments going beyond legal norms; and incentives to help farmers to meet new statutory EU standards. In addition, an increase in the cofinancing rate of agri-environmental measures [i]s envisaged” (Garzon 2006:49).

Nevertheless, what these proposals lack is a financial outline. In anticipation of the Eastern Enlargement, this is particularly needful. The Heads of State and Government include exactly such a regulation. According to this, the distribution of direct payments to the NMS starts slowly in 2004 to some limited extent until the full development of all payouts within a 10 years period. At the same time, a ceiling of CAP spending was introduced at €45.3 Billion from 2007 onwards (Garzon 2006:50). The facilitation of integration by granting a long transitional period is the preferred option of how to integrate the CEECs and the advantage of this measure is that for the EU Members it becomes possible to postpone difficult budgetary decisions to a later point in time and still find agreement on the enlargement. In addition to this, also restrictions on sensitive products such as fruits, wine and vegetables can be maintained for a while and at the same time accession countries win time for structural adjustments. The other options would have been to establish some kind of two-tier CAP with the New Members kept at a lower price level or to integrate these countries to the full degree at once without taking account of any special treatment (Grant 1997:193 f.) but both other options are rejected. Therefore, the solution to have a transition period is quickly accepted without major objection. This means that the radically new measure of decoupling direct payments and the possibility to reduce them is successfully integrated into the CAP.

The Fischler II reform proved to be successful as on its legal basis, the European Union undergoes its largest incorporation of New Members. On 1st May 2004 ten CEECs join the European Union at the same time. These countries are: the Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia. Bulgaria and Romania are to follow on 1st January 2007. Between these two points in time, the CAP sees only minor adjustments concerning selective commodities. In 2004, the measures of the prior-year reform are also applied to the so-called Mediterranean products such as olive oil, tobacco and cotton. In addition to this fact, in 2005 the agreement is reached to cut the benchmark EU sugar price over several years. This is assumed to bring the EU sugar industry into a more sustainable and natural balance with the world market (European Commission Agriculture

and Rural Development 2009:4). Another adjustment is the reform on fruit and vegetable of the year 2007. This reform “remove[s] the processing aids previously paid on various processed products, challenging the budget funds into increased SPS payments for the growers concerned” (Daugbjerg and Swinbank 2011:135). All these adjustments can only be carried out without meeting strong opposition on the part of the farmers as the SPS compensates for major financial losses caused by reductions.

While only these minor modifications are implemented a more pressing need is ignored. There is a growing demand to simplify the many objectives of the CAP, which are by nature complex. For the Member States, the control institutions and particularly for the farmers it gets more and more complicated to be informed about current requirements and to meet EU-standards. A simplification would on the one hand provide farmers and other operators in the agricultural sector with the possibility to reach the political objectives with a minimum of red-tape operations. On the other hand, simplifications also make it easier to manage the usage of tax-money. These simplifications also affect the active *acquis communautaire* (European Commission 2013d).

2.6 2008 CAP Health Check

As a consequence of the reform 2003, the Member States are busy honouring their obligations and then work out guidelines on how to achieve and measure cross compliance. Simultaneous to this, in 2005 the UK initiates a discussion about the CAP’s budget. The consequence of this debate is the announcement to subject the CAP to a check whether the 2003 objectives are met so far. It was called the 2008 Health Check. Assessing the results, it becomes clear that the circumstances have changed since the launch of the 2003 reform as “world market prices for oil, metals and agricultural commodities [a]re much higher than they had been. Export subsidies on dairy products ha[ve] not been used since June 2007, and intervention stocks [a]re depleted” (Daugbjerg and Swinbank 2011:133). This leads to the paradox that the initial motor of the debate – namely the CAP budget – is at that time no issue of concern as all recent developments cause a relaxation of the budget instead of an incentive for change. Consequently, the issue of discussions in the course of the Health Check is a watered-down package, which is finally agreed upon by the ministers in November 2008. In its outcome, though, it is more ambitious than initially expected. All in all, three essential principles form the foundation of the measures later discussed:

“The CAP need[s] to take European farming towards still greater competitiveness and market-responsiveness – by placing production decisions more firmly in the hand of

farmers rather than administrators. The CAP need[s] to address the needs of rural areas as a whole – not only those of agriculture. In particular, the CAP need[s] to reflect growing concern about environmental issues, including climate change” (European Commission Agriculture and Rural Development 2009:3).

Announcing the Commission’s proposals also gives reason to discuss the danger of a potential food shortage on the world market, which has been a completely irrelevant topic for years. Suddenly, the most pressing need seems not to be the fight against overproduction any more but the balance of environmentally acceptable production methods and still a food production which should be kept upright or even be extended. This is the chance for the Commission to utter a so long unusual suggestion: The milk quota should be increased until its final abolishment in 2015. Apart from this, another measure agreed upon is the extension of SPS mechanisms to Mediterranean products. Besides these decisions, the measures finally agreed upon and carried out are the following: “Partial decoupling of the SPS for the main arable crops will end in 2010, and for some specialised crops and most livestock payments by 2012. Set-aside [i]s [...] abolished” (Daugbjerg and Swinbank 2011:133). Also direct payments are reduced so that this money can be used to finance the Rural Development Fund. It has for a long time been a problem that direct payments impose a lot of red-tape work and slow farmers down in their reactions to market signals. Therefore, the focus is not to provide a genuine, rather decoupled safety net for farmers and this allows quicker and more flexible adaptations to current demands. Cross compliance is simplified and finally the NMS are allowed to extend the SAPS programme to 2013 (Agriculture and Rural Development 2013a) so that by 2013 they will receive 100% of the SAPS support funds (Jabłońska-Urbaniak 2011:83).

Critically analysing the compliance of the de facto measures after the Health Check with the objectives proclaimed before it, one can find certain contradictions. Instead of sticking to set-aside incentives as is originally intended, these are put on hold as soon as the situation on the world market allows this. Thus, this objective is revealed to be a measure of supply control instead of an environmental goal. The impression that Europe’s farmer more and more have the task to maintain the countryside instead of producing food is proven wrong. The achievement of the Health Check is not an improvement of the CAP's financial situation as this is not of urge. It rather makes the European agricultures more competitive (Daugbjerg and Swinbank 2011). This is given so much attention because of the anticipation of a climate change when competitiveness becomes highly important.

2.7 2010 to 2013: Europe 2020 and the CAP

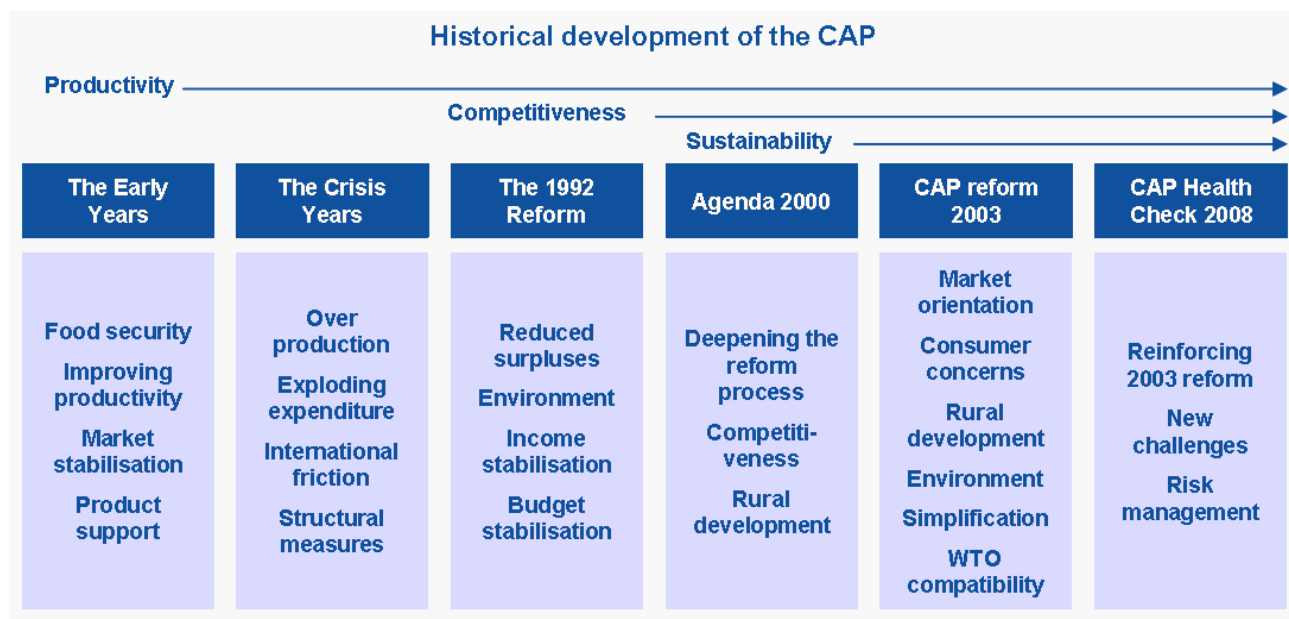
In the course of Europe 2020, which is the EU's growth strategy for the coming decade, a variety of objectives is brought into focus in the areas of employment, innovation, education, poverty reduction and finally also climate and energy (European Commission 2013c). As many of these topics have interfaces with the countries' agricultural development, the years 2010 to 2013 are marked by fundamental and long lasting debates about how the CAP should develop to make it match the Europe 2020 strategy. Dacian Cioloş, a Romanian and the current EU Commissioner for Agriculture and Rural Development, opens the discussion for the public including all interested EU citizens and organisations in April 2010. More than one year later, in June 2011 debates are closed and the Commission issues a summary of suggestions. Interestingly, the countries where most people take part in the debate are Germany (1440 statements), Poland (1053 statements) and France (788 statements) (European Commission Agriculture and Rural Development 2010:5). While the high contribution rates in France and Germany do not come as a surprise due to the sheer size of the countries and their long tradition as decision makers in CAP discussions, the Polish contributions are remarkable and indicate a strong public interest in agricultural politics. For years Europeans had the impression that the CAP is mainly a bargaining between French and German interests but the more members the EU incorporates, the less clear are political coalitions and thus the outcome of decision making processes cannot be easily anticipated (Garzon 2006:182). Looking at the content of the debates it can be seen that the objectives of the new CAP will address several challenges. Firstly, the CAP has to meet economic challenges such as food security, price variability and dealing with the economic crisis. Then, environmental challenges are of importance such as greenhouse gas emissions, the depletion of soil, the maintenance of water and air quality and preserving the habitats and biodiversity. Lastly, territorial challenges will be addressed such as the vitality of rural areas and the diversity of agriculture in the EU (European Commission Agriculture and Rural Development 2011:7). In order to secure competitiveness, it is also essential for agriculture to firmly involve into settled production chains and consequently to interrelate with other industries. Finally, the new measures might mean that the balance between how much EU support each particular country's agriculture receives changes (Fischer Boel 2009). The interests of the main contributors to the CAP budget such as the United Kingdom and Germany are opposed to those of the agricultural net-receivers. This gets clear during the negotiation rounds for the EU budget in February 2013. There, the Heads of State decide for a CAP budget of €373,179 Bn where coupled payments still outweigh indirect payments (Agrarheute 2013c) but structural

changes are introduced of how to proceed with remaining money. Unused funds can no longer be claimed back and in case the budget turns out to be deficient direct payments, which will be increasingly equalised for all Member States, will be reduced (Agrarheute 2013a). In preparation of this decision making process, the EU agricultural committee releases its proposals, which suggest a cap of direct payments to the farmers and the obligation to interrelate them with stronger environmental requirements such as biodiversity by cultivating different crops, and an increased area for green agriculture that resigns from the use of fertilizers. In case these criteria are not met, direct supports will only be partly paid. These are mainly suggestions applying for the CAP's second pillar but even the first pillar sees changes. Storage of overproduction shall be increased not decreased and this applies especially for butter. At the same time, the quota for the growth of sugar beet will be maintained until 2019/20 (Agrarheute 2013b). After having been repulsed by the European parliament a second version of a CAP reform is announced on 20th March 2013. It does imply a policy of greening and indeed more focus is put on environmental protection so that 30% of all direct payments are connected to this condition (Grefe 2013). This changes the image of farmers being entitled to direct payments as a matter of fact because they now appear to receive these funds as a compensation for their efforts to maintain the countryside and the environment. However, up till now this is only a proposal and debates with the European Parliament and the Council will follow. A final decision is expected by the end of 2013. It is planned to have the new CAP in place by 1st January 2014. Only then it is clear what kind of political measures will be applied and what consequences this will have not only for the CAP in detail but for the European economies as a whole. Today, this is difficult to forecast as the political maxim in agriculture vacillates more and more between the high environmental standards that gain more and more attention and the economic interests of the still important agricultural enterprises, which have their highlight on productivity increases and economic growth.

2.8 Conclusion: Developing the CAP into its current form

When looking at the development of the CAP over time, one can recognize from the very beginning until now that it is and always has been a controversially debated policy of great importance. This is partly due to its economic weight regarding the European budget but also because of its outstanding importance covering one of the most basic human needs – namely food supply. Even though the CAP hardly sees any modifications or adaptations in its early years, this changes fundamentally. While the main objectives of the CAP at its first release are to increase production and productivity, to guarantee fair standards of living and to increase

the individual wages of farmers, to stabilise the common market, to guarantee the provision of goods and finally to ensure reasonable prices for consumers (Garzon 2006:174), the focus is different today. Nowadays, the CAP also incorporates environmental issues and aims for a sustainable and still competitive agriculture in Europe (Agriculture and Rural Development 2013b), where productivity also implies the quality of food and where dealing with the structural differences among and within the European Member States is of importance rather than an issue to be ignored in bargaining processes. The growing extend of objectives addressed by the CAP is illustrated in the figure below:



Overview of the historical development of the CAP

(Agriculture and Rural Development 2013c)

Therefore it is possible to not only speak of an incremental development of the CAP but to detect a paradigm shift leading away from protected markets to a more liberal concept. The behaviour of the institutions involved also changes over time. In the latest bargaining processes it becomes clear that measures taken must not contradict too many national interests. Majority decisions are more common even though still French and German decisions are of significant importance. Also additional institutions are incorporated into the decision making process lately as can be seen at the example of the public debate about the CAP's strategy for Europe 2020. Here, organisations and research institutes but also the interested public is invited to make proposals while the Commission sees its role rather in setting the agenda for debates on the CAP (Garzon 2006:180 ff.). Having understood the institutional and historical framework of the CAP it is finally also important to summarize the main characteristics regarding the content of the CAP.

Firstly, this is the very early established idea of supporting the production of commodities

which sees tremendous changes over the year. While in the beginning of the CAP it seems to be a needful measure to ensure Europe's self-sufficiency, it quickly leads to an overproduction and a constant political struggle about which products to favour. Most of the time, discussions about subsidies for certain commodities are won by the most powerful nations. However, this system to support certain commodities decreases in importance as quotas and price supports are more and more abolished. Instead, a system of creating a financial safety-net that allows farmers to be independent so that they can react spontaneously to market requirements and consequently be more efficient gains in importance. This reflects in the current set-up of the CAP in two pillars. Pillar I subsumes measures regarding the market and price support. The second pillar registers increased importance as it contains instruments of structural importance and highlights the importance of competitiveness and environmental concerns. Especially important for the NMS it includes instruments such as the SPS and SAPS system and also measures to support less favoured areas.

3 CASE STUDY IN THE EASTERN EUROPEAN PERIPHERY: THE AGRARIAN SECTOR IN POLAND AND ROMANIA

The previous chapter made clear that the evolutionary character is significant for the CAP. There are very many influencing factors on it so that the CAP's instruments change over time while its concerns are still up-to-date. Accession countries have always had an influence on the EU-wide balance of power and what is relevant for them becomes a pressing concern of the CAP as a whole. Still, the Eastern Enlargement can be seen as an enlargement process of an extraordinary quality. While until this time the European Union has always included countries with an overall structure not only currently but also historically comparable to the EU's Member States, this is different here. During the enlargements of 2004 and 2007, the European Union accepts for the first time in its history countries of the European periphery. For decades, they had a totally different economical and consequently also agricultural system. Accordingly, it is interesting to assess in how far the CEECs' (Central Eastern European Countries) agricultures are influenced by the entry to the Union and in order to be able to detect changes their characteristics before this entry have to be understood. As it would be impossible and not informative any longer to provide an overview of all NMSs, here the two biggest agricultures of Poland and Romania are contrasted to each other. Among all CEECs they present the greatest agricultures in terms of arable area, share of GDP and employment and this makes them perfect candidates for a most similar comparison. Attention is given firstly to the background of production, which includes the farms' size and productivity and also their technological equipment, as well as their employment structure and secondly to the outcome of agricultural production relating to the commodities produced and the consumer habits, the country's trade balance and also tariffs and quotas. This makes it possible to judge where the many similarities between the two countries lie.

While the chapter on the CAP depicts its evolution in a historical order, the agricultural set-up of the countries is presented in the order of topics. This design is consciously chosen because in contrast to the countries the CAP's reforms are often influenced by the fact that its target group changes through enlargements. Looking at the countries, though, the target group is stable and so changes are initiated as certain topics create a matter of concern. This is why the historical perspective is the most feasible view on the CAP's development while the content-oriented perspective applies better for the particular member state's description.

3.1 Poland until the eve of the EU Entry

The name of the country Poland traces back to the West Slavic word “pole” meaning “field” (Buchhofer 1981:49). This interesting detail already indicates the important stand that agriculture has always had in Poland. Since the day that Poland started to exist in its current shape with the borders having been established after World War II, the country has undergone different political systems transforming it from a traditional agricultural society into an attempt of a socialist industrial nation and making it a free market economy today. All of this also reflects in agriculture. Still, it is exceptional that even though there were numerous political incentives to change the structure of agriculture, Poland is one of the few countries where the agricultural landscape is preserved in its traditional small farm structure all over the time and even under Communist rule the country is never fully collectivised. This is why Poland’s rural areas not only function as production areas for agricultural goods but also attract an increasing number of agri-tourists (Jabłońska-Urbaniak 2011:70 f.) admiring its still original looks. While tourists come with little knowledge about the agricultural economy and build an alternative source of income in rural areas, the traditional business is still dominant there. To better understand it, the Polish specialties will be explained here.

3.1.1 Background of production: Farm size, productivity, employment structure and technological supply

In Communist times in Poland, about 18.8 Million ha of land representing 60% of the country’s surface is used for agriculture making it one of the largest agricultural economies in eastern Europe. However, what is more interesting is to understand the division of land in Poland, as this is exceptional for the region and can be explained mainly with political decisions instead of natural conditions. Poland exists in its current shape since the end of World War II and land distribution has always been a topic of concern. Even at the very beginning of Poland as it is today, the issue is not new as there were reform acts on land distribution in 1920 and 1925 already. However, they stay without consequences, and the first real reforms towards a modern agriculture start in September 1944. They dictate the immediate disappropriation of land from Germans and public enemies. After the war, Poland finds itself in a historically unique situation disposing of great amounts of gaping agricultural spaces where former owners left. Through the post-war shift of its borders, Poland loses its “poorly developed areas in the east, [while the country] gain[s] rather advanced territories in the west” (Wolf 2006:22). Therefore, even though the new communist regime introduces first steps of collectivisation, the typical agricultural structure in the middle of the country is

preserved and instead, collectivisation is stronger in the formerly Prussian territory at the new state's western border. This land has historically been organized in big farming units and in 1948 the young Communist government uses it as the basis of collectivisation in Poland. Hence, in contrast to many other countries in eastern Europe where collectivisation as the basis for a socialist form of agriculture is enforced through violent deprivations of the own population, in Poland the establishment of communism starts without brutal collectivisation. Even when it reaches the centre of the country later it is carried out comparably gently, as there is enough land at disposition on Poland's new borders. In practice this means that compulsory acquisition in Poland only takes place among big entities of more than 100 ha in size (Buchhofer 1981:50 f.). Finally, this newly state administered land from two sources – mainly formerly foreign borderland territory but in small parts also collectivised parts of big farms in the heartland - is redistributed among formerly small scale farmers or those who come from other parts of Poland and relocate in the new state territory but also among landless peasants and agricultural workers. "In 1950, out of 6.27 Mio[...] ha agriculturally used land of the 'recovered territories' about 7% [a]re owned by autochthones, 59% by new peasant settlers, 29% [a]re under state administration, while the rest [i]s mainly controlled by the Red Army" (Wolf 2006:23). In 1949, agriculture produces 91.5% of what it had generated before the war and still this number looks more optimistic than it really is. In fact, the UAA is more now than before the war and this generates the comparably good outcome. What remains is a problem with productivity. The new owners in the west are so badly equipped for agriculture that even though the state offers centres for machinery in the areas of the newly collectivized land (Philipp 1983:14), this is not enough. At the same time productivity remains low because the land given to farmers does not necessarily neighbour their former possessions. The parcelled structure makes it more difficult to maintain the land and small scale agriculture cannot be overcome by the reforms of 1944 to 1949.

The official explanation for the low productivity is that the degree of collectivization is too little and so until 1956, the country sees a phase of forced collectivisation. The communist ideology argues that a larger scale production in the form of collective farming leads to more productivity and a greater agricultural output. Thus, the socialised sector is promoted and indeed its share rises from 10% in 1950 to 24% (Wos 1988:117). In the beginnings, the attempt is made to attract farmers with promises such as old age insurance and tax reliefs so that they give their land for collectivisation (Wolf 2006:23), but this does not convince the rural population and consequently in 1952, economic pressure is used to force farmers into state farming. More and more collectivised farms are established and by the end of the

enforced collectivisation, three types of farms exist.

	Peasant farms		Cooperative farms		State farms	
	1950	1955	1950	1955	1950	1955
Share of farm land	89.6	77.3	0.8	9.2	9.6	13.5
Share of output	93.4	81.5	0.5	0.8	6.1	10.5

Structure of Polish farm types in % between 1950 and 1955

(Wos 1988:144)

The first, and according to socialist propaganda, most superior form is the state farm (Polish: Państwowe Gospodarstwo Rolne), which is most widespread in the country's west. Its productivity is low, though, as its share of agricultural output is below its share of UAA and a better performance cannot be achieved even though it allows for a concentration of management and a high degree of specialisation. The average size of a state farm is 109 ha but it increases to 3,996 ha in 1977 (Buchhofer 1981:53) and farmers, who work on state farms, are paid according to the hours worked on the holdings. As state farming is the politically preferred system, it is granted many benefits. These farms dispose of more machinery and chemical fertilizers than any other farm type but the supply is still far from being enough and so their productivity remains low (Buchhofer 1981:53) out of several reasons. Firstly, the system of state owned farming is still new and untried so that starting problems can be regarded as normal. On the other hand, these weaknesses are never overcome, as the agricultural sector does not receive enough investment in the beginning. In fact, input is reduced from 23.5% of all national investments in 1947 to 1949 to only 9.4% in 1953 (Wos 1988:119) and agriculture is seen as an underperforming sector. Technological inputs are not enough so that even the big holdings have to be farmed with traditional peasant techniques and can therefore not demonstrate their superiority. Instead, the bureaucratic efforts to run such a state farm are enormous. In addition to this, state farms meet the farmers' opposition through all the years and hence other forms of farming are more relevant such as the second type of farming. It is formed by agricultural production cooperatives and by agricultural circles but there is a great variety regarding their inner organisational form. In three of them, the farmers maintain their property rights but cultivate the land together and this design makes up for 97% of the whole second sector (Buchhofer 1981:56 f.). Peasants working on the common land are paid according to the hours worked and to the share of land, with which they had originally contributed to the common UAA. The aim of these entities is the same as in

state farming where an increase in agricultural productivity should be achieved through a concentration of land and technology. State organised centres for machinery and tractors are established also for the second sector and the employees there offer their services to the holdings. At the same time they also control the production performance according to the government's five-year plans, which dictate production on state run holdings (Philipp 1983:19). During the 1950s, the share of the second type of farming increases significantly.

	1949	1950	1951	1952	1953	1954	1955	1956
Number of production cooperatives	243	2,199	3,056	4,478	7,772	9,322	9,790	10,610

Development of the agricultural production cooperatives in Poland from 1949 to 1956

(Philipp 1983:18)

Their increased importance cannot only be explained by more popularity but also by the pressure that is put on private farmers to join this farming type. The cooperatives and circles cannot convince through a good performance. Productivity is low as it only increases by 1% per year and even the better producer prices that were paid in the collectivised sector before fall away as price levels for compulsory levy are adjusted in private and state run farming (Philipp 1983:21 f.) so that all peasants are equally paid for meeting the compulsory levy. Hence, there is no incentive to join the state sector. Rather, private farming is made increasingly difficult during the forced collectivisation of the 1950s and therefore some farmers decide to change the sector. Credits are no longer available for all farmers but the state issues a new directive that grants all members of agricultural circles easy access to credits but not others. This means that investment and modernisation in the private sector becomes more and more difficult. Indeed, it leads to an increase of the state owned farming type and "while in 1959 only 17% of all peasants belong[...] to such circles, by 1968 the share [...] rise[s] to 54%" (Wolf 2006:24). However, the success is only short term and the farmers' resistance is so strong that in 1978 only 5.7% of all agricultural land in Poland is organized in cooperatives and circles having a medium size of 343 ha (Buchhofer 1981:53). Instead, all attempts for large scale collectivisation remain more or less unsuccessful and so singular in Poland private farms dominated the agricultural sector (Gaisford 2003:30) at any time. One reason is that industrialisation starts at the same time in Poland as the attempt for a collectivised farming fails due to too little productivity. As the state desperately needs the agricultural output but also free manpower to foster the industrialising cities, this demand causes the government to reluctantly acknowledge the importance of the private sector and to even build it up. When industrialisation starts, many peasants leave the countryside. What remains are small and pluri-active private farms on the parcelled land or on inactive state

farms making up for 80% of all newly established farms at the time of industrialisation (Wos 1988:120). These new private holdings represent a form of farming where one part of the family commutes to work in the industrial city where wages are higher while other family members maintain a small garden plot farm of mostly less than 2 ha to cover the family's basic needs for groceries. Accordingly, the small farms have to be seen as self-supporters. Those farmers who produce an oversupply on larger private holdings are not urged to stick to the government's production plans but they still generate the greatest agricultural output. Work on the farm is not paid but instead the farmers sell their products on the market and live from the gains. Even though the private farms are very parcelled in structure and their technological supply is minimal, they represent the most productive type of farming in Poland.

Consequently, the urgent need of the Polish state to better its agricultural productivity leads to an increased acknowledgement of the private sector and to political changes. The policy of enforced collectivisation is replaced by a strategy of strengthening the medium size private farms in the years 1956 to 1970 as it is only with this farm size that private farmers produce more than they consume. Medium size is favoured to large scale private agriculture as the state finds itself in an ambivalent situation. On the one hand, it is forced to support private farming because it needs the agricultural output generated there. On the other hand, it has to prevent private farming from becoming economically successful because this would initiate a growth of private farm holdings and the capitalisation of the countryside, which is seen as a great danger to the socialist system. Therefore, medium size farms with an area of between 5 and 10 ha are desired and supported through privileges in the contracted farm output, through a preferred access to the mainly state administered means of production and through the credit system. To push the establishment of medium size farms, the restraints on farm size for land sales are abolished and so sales increase steeply as simultaneously rural to urban migration spreads. "The total number of farms and plots (over 0.1 ha[...] in area) decrease[s] by 5.4% [...], and the number of farms over 2 ha[...] by 6.2% [...] respectively. As an effect of these changes the average area of farms increase[s] by 4.1% [...], this latter phenomenon occurring at the end of the 1960s" (Wos 1988:123). However, these changes have to be assessed as minimal even though the overall investment into the agricultural sector increases from 10% of the state's investments in the years of industrialisation to 15.6% for the planning period 1966 to 1970 while most of it is invested into mechanisation (Philipp 1983:37). "The use of chemical fertilizers per ha increase[s] dramatically over time (from [...] 17.7 in 1949/50, 36.5 in 1959/60 and a bold 123.6 in 1969/79). While the number of horses [for agricultural work] decline[s] slowly, the number of tractors increase[s] quite dramatically,

from 28,400 in 1950 to 224,500 in 1970 or one per [...] 719.7 [ha] in 1950 to one per 87 ha in 1970" (Wolf 2006:26). However, it is still far below the European average of that time. Small farms in the private sector decrease from 60.8% to 58.9% but in general the distribution is very stable not only in regards to the type of farming but also in farm size.

	0.5 - 2	2 - 5	5 - 7	7 - 10	10 - 15	15 - 20	> 20
1950	20.4	33.6	16.2	16.9	8.3	3.2	1.4
1960	24.9	33.9	14.8	14.4	8.8	2.1	1.1
1970	24.7	32.2	14.7	14.8	9.8	2.6	1.2

Polish farm size in % according to UAA in ha between 1950 and 1970

(Philipp 1983:36)

However, the disadvantages of such a structure become obvious very quickly. Bigger units are by nature economically stronger, more efficient, better to be managed and easier to be supplied with technology, which is now accessible and the most important focus of the Polish agricultural policy. Consequently, big farms' productivity is much higher and even farmers' income is better. This causes another policy shift in the 1970s and also 1980s. From then on until the end of the communist regime a strategy of polarisation of agrarian structures is applied. The result is that a market for arable land comes into being and state programmes foster the enlargement of farms possessed by young farmers while economically weak farms are liquidated and transformed into garden plots. "It is estimated that the number of [...] units of less than 0.5 ha [...], increase[s] from 547,000 in 1970 to 1,148,000 in 1984" (Wos 1988:125). Finally, the share of farms of more than 10 ha rises from 12.6% to 16.3% and so the medium size farms indeed loose in importance. However, these are not only the decades of a supported private farm sector, but simultaneously great shares of land are transferred to the state owned sector. This UAA stems from farmers who lay their land down in exchange to social benefits and so these 6.6% of all privately owned land is acquired by the state. Looking at these holdings, the increase can be detected.

	1970	1978	1980	1982	1983	1984
State farms	1087	4133	4452	3452	3220	3169
Agricultural production cooperatives	242	292	345	347	330	
Agricultural circles	32	259	340	253	341	245

Polish average area of farms in ha in the socialized sector in the years 1970 to 1984

(Wos 1988:147)

The split into three distinguished farming systems is overcome after the breakdown of communism in 1989 when privatisation takes place in all CEECs. For Poland, the change of property rights is comparably unproblematic because much land was privately owned even in

Soviet times. Nevertheless, the new reforms, which are needed to turn the socialist system into a market economy, are tremendous and throw Poland's agricultural production back for many years. The new government passes a fundamental reform programme - the Balcerowicz programme - and it comes into force on 1st January 1990. It is a radical shock therapy in order to transform the Polish system as quickly as possible. For the farm structure this means the abolition of state monopolies and consequently the large scale privatisation of arable land (Stawowiak 2007:105 ff.). The hard reform is seen as the starting point for the country's agricultural transformation into a farming structure that equals the western European model. Looking at the structuring of UAA in 1996 – just after the recession – and also the UAA of 2002 – shortly before entering the European Union - the following figures can be observed:

Used Arable Area (UAA) (ha)		1 - 2	2 - 3	3 - 5	5 - 10	10 - 15	15 - 20	20 - 30	30 - 50	> 50
Share of farms (%)	1996	22.6	13.8	18.9	25.5	10.6	4.4	2.7	0.9	0.4
	2002	26.5	14.4	17.9	21.9	9.3	4.3	3.3	1.6	0.9
Share of farms UAA (%)	1996	4.6	4.8	10.6	26	18.5	10.7	9.3	5	10.5
	2002	5	4.7	9.4	20.9	15.3	9.9	10.6	8.1	16

Changes in structure of private farms in Poland between 1996 and 2002

(Stawowiak 2007:80)

The numbers show that the changes in farm structure are minor and that the parcelling cannot be overcome in Poland. Even if farms gain in size, 43% of all farms are split into at least four plots and they are often more than 2 km away from each other (Jones 1998:51). This is a reason why in Poland it would be wrong to conclude from an increased average farm size to a larger scale farming type. Another factor is that still today the distribution of farm sizes is very heterogeneous all over the country.

“The north and west parts of Poland are characterized by much larger farms than the country's average (from 11.5 to 32 ha), due to the presence of bigger state owned farms mostly privatized and taken over by private farms during transition. In the central and southwest regions, the size of farms is mostly close to the country average. In the southeast [districts] the majority of farms represent ‘weak’ agrarian structures with an area below the country's average” (Wolek 2009:5).

This means that the structural difficulties in agriculture do not change significantly. At the time of Poland's EU-entry, 16.2 Mio ha of land are used for agriculture. This is significantly less than the 18.8 Mio ha in communist times and the reason for this decreased size is that meanwhile more land is allocated for housing purposes (Taurus 2004:9). Since 1990, the number of agricultural holdings has been falling down systematically so that medium size farms decrease and polarisation spreads further.

3.1.2 Outcome of production: Commodities and consumer habits, trade balance, tariffs and quotas

The consequences of the war are disastrous for Poland's agricultural production as the battles caused great damage and many people died or were deported. This generates a lack of work force reflecting in serious shortcomings in every aspect of agricultural production.

Year	Cereals	Potatoes	Sugar beet	Beef	Pork
1934/38	13,279	38,036	5,959	9,924	9,684
1946	5,072	18,709	2,983	3,911	2,677

Polish pre- and post-war production of main commodities in 1000 tonnes

(Philipp 1983:13)

The comparison between the immediate pre- and post-war year shows that before the war, plant production is 205% and animal production is 234% of what it is afterwards. This situation makes political intervention inevitable and the first priority is to stabilise the domestic supply situation. The state establishes a compulsory levy for farm products at fixed prices in order to ensure the supply of the urban population and the military in 1944. The 1947 to 1949 plans on a reconstruction of agriculture are not very concrete but aim at exceeding the pre-war production by 10%. This goal is not reached and production falls short of the pre-war level again as it only reaches 91.5% of it by 1949 while the stabilisation of plant production outreaches the one of livestock by far (Philipp 1983:12 ff.). Production plans for the following years get more concrete and more ambitious and quotas become the main political instrument. From 1951/52 onwards a compulsory delivery of 20% on all cereals, 10% on potatoes, 25% on meat and 10% on dairy products is established (Wos 1978:48). This also reflects in the pricing structure. While prices paid for compulsory levies are very low, additional deliveries to the state are well paid. Uniquely in Poland, private markets continue to exist as state quotas only account for a limited share of all consumption and on the free markets prices are unregulated. At the same time, state plans and measures are not structured enough and their focus shifts a lot. This prevents successful long-term developments and leads to a short supply again so that in 1952 food rationing is inevitable (Philipp 1983:21). Two political consequences are taken from that. Firstly, imports are increased especially regarding cereals, which are used for direct consumption but also for animal feed. Secondly, the production prices for state delivery rise in order to create incentives for more production. This approach remains unsuccessful, though, and production targets are not met. However, it would be wrong to speak of stagnation in agricultural production, because during the 1950s

the composition of production changes. While the post-war years are characterized by the dominance of plant production, which could be achieved through the enlargement of UAA, now animal production gains in importance because this is where greater monetary wins can be achieved. Compared to 1950 the production of plants only reaches 101.4% in 1955 while animal husbandry rises to 111.1% (Philipp 1983:23). The shortcomings and the shock of the suffered food shortage in 1952 have significant consequences and the Polish population questions the general use of the Communist planning system heavily.

This is why in the middle of the 1950s, a paradigm shift in agricultural policy can be registered. It becomes a main target of the new agricultural policy to take consumers' needs and wishes into consideration. The years 1956 and 1957 are known to be consumption oriented. The new politic is not primarily qualitatively but rather quantitatively different from previous politics. Again, input subsidies are granted for selected commodities such as grain. In addition to that, cereal imports rise once more and so do production prices in general but especially for cereals. This commodity gets so much attention because of its important double function in food and animal feed production. The reliance on agricultural imports has two long-lasting effects that shape the agricultural sector in Poland until the end of the Communist regime. On the one hand, imports lead to the benefit of having a secured base for further agricultural production. This gives Poland the potential to export processed commodities, which are of a higher value then and intended to be sold primarily to non-socialist countries in exchange of foreign currency. On the other hand, it also creates a dependence on inputs (Philipp 1983:31), which is experienced as uncomfortable for a country that is historically known as an agricultural exporter. However, all political programmes are uncoordinated so that their benefits cannot fully develop. What can be achieved, though, is an increase in exports, which exceeds the five-years plans. These achievements are controversially debated, as the domestic supply situation does not improve a lot over the 60s.

		1950	1955	1960	1965	1970
Exports	Agricultural total	555.8	540.6	1,048	1,740.2	2,055.7
	% of total foreign trade	21.9	14.7	19.8	19.7	14.5
	% to non-communist countries	59	68.8	81	79.5	78.9
Imports	Agricultural total	568.2	749.3	1,349.2	1,716.8	1,813.6
	% of total	21.3	20.1	22.6	18.3	12.6
	% from non-communist countries	52	64.2	53.4	66.6	61.8
Balance	agricultural foreign trade	-12.4	-208.7	-301.2	+23.4	+242.1
	agricultural foreign trade to non-communist	+32.5	-109.2	+128	+240	+500.7

Polish agricultural foreign trade from 1950 to 1970 in Mio Polish zloty

(Philipp 1983:41)

In general, there are no major shifts in agriculture during the 1960s and accordingly also agricultural outputs remain mainly stable. “Still the four grains, potatoes, and sugar beets [a]re the most important crops accounting for 75% of the total sowings in 1966 to 1979” (Wolf 2006:25). The UAA for industrial crops is at its peak during the 1960. This affects the plantation of sugar beet, rapeseed, flax and hemp and their share rises from 4.1% of all cultivated land in 1950 to 6.2% in 1970 (Kostrowicki 1978:260). Regarding animal husbandry the numbers reach their peak in 1960 and this applies primarily to the number of pigs but also to that of chicken. During this time, the beginning of the typical Polish consumption pattern can be observed and this is a comparably high consumption of agricultural products. While one person consumes 810.5 kg of food in 1950 this number is at 849 kg in 1960 and rises to 866 kg by the end of the decade (Wolf 2006:27).

The 1970s begin with people’s protest against the drastically increased prices on groceries. They rise due to the government’s attempt to compensate other economical shortcomings through increasing wins and reducing price supports in this sector, but as the revolt is so heavy, this politic is quickly taken back (Philipp 1983:45 f.). The focus is now more than ever on consumers’ wishes and therefore the production plans are corrected upwards aiming at a much richer domestic supply. This also reflects in a solid achieved production over the 70s, but bearing in mind what is invested into the agricultural sectors at that time, the outcome of less than a 1% increase in cross marketable production is still moderate. Looking at the

specific commodities, increase can be registered in almost every commodity when comparing the supply of the year 1970 to the achievements of 1979. In this year, the overall production is 121.1% of what it was before and assessing the different products, the numbers look like this: The overall plant harvest is at 108.4% of 1970 made up by cereals 107.8%, sugar beet 111.1%, potatoes 98.2%. A significant increase in animal products reaches 139.6% of the production level in 1979 and composes of meat products of 148.3% and dairy products of 113.5% (Philipp 1983:50). However, it is also interesting to look at the agricultural sector in which the commodities are produced. All over the 1970s, the private output of sugar beet and potatoes exceeds the private share of land used for cultivating these plants by far. This indicates an above-average productivity for the two products in the private sector. In addition to this, private farming almost holds a monopoly position on potatoes, fruits, vegetable, milk and poultry (Buchhofer 1981:61). At the same time as the private sector is acknowledged by the state it is also deeply integrated into the quota system. In 1977, 78% of the cereal harvest and 46% of all potatoes produced in private farming are bought by the state. Generally, one can observe that animal production performs much better than plant production and the main source of the meat increase is made up by pork. Simultaneously, specialisation rises in the 1970s. Mostly in the private sector, farmers start to concentrate on certain products and having concluded contracts with state buyers and the local processing industry enables them to generate significant financial winnings. The state tolerates this strategy of the private sector, as the dependence on its agricultural output is high. However, even though there is investment into the agricultural sector and more output can be generated, this is limited as most of the agricultural input such as seeds comes from the state farming sector (Buchhofer 1981:53), which is at the top of its productivity and cannot produce more even though there would be a market for more agricultural products. This is why despite all progress the 1970s are also the decade of unsatisfied consumption needs. To understand this, one not only needs information about the production of agricultural goods but also about the Polish consumption habits. Here, the dynamics are as following:

	Cereal products	Potatoes	Sugar beet	Vegetable	Fruits	Meat
1970	133	190	39.2	111	32.8	53.0
1975	122	173	43.2	109	34.4	70.3
1976	123	178	43.9	101	40.0	70.0
1977	123	168	41.5	96	44.0	69.1
1978	122	166	42.7	105	40.8	70.6
1979	122	163	43.9	116	41.5	73.0

Polish overall food consumption per person in kg

(Philipp 1983:65)

Looking at the steady increase in consumption, it is remarkable that production plans fit this development and discrepancies are only minor over the planning period. Interpreting the details of consumption shows a shift in consumer habits, which can be generally observed all over Europe and they trace back to an increased living standard. The uptake rate is greatest for high value products such as sugar and fruits but most explicitly this can be observed when looking at the consumption of meat. It rises by 20 kg per person within 9 years, which is significant as now the Polish production cannot cover domestic consumption anymore and the country becomes a net-importer of meat. Even compared to other countries with a comparable standard of living, the Polish meat uptake is exceptionally high. A comparison of consumed meat in 1975 shows that while the average consumption in the USSR is at 50 kg and in Italy at 62 kg per person, Poland is up to 70.3 kg per person (Philipp 1983:67). Still, one cannot talk of a satisfied demand in Poland and queues in front of grocery stores as well as shortages of specific commodities still exist during the 1970s. The explanation behind this is not so much a food shortage but rather a surplus in purchasing power. Wages increase but in memory of the 1970 protest against higher food prices, the expenditures remain fixed even now. This results in a net-decrease of living expenses for food. As there is no alternative for investments now because no other industrial sectors can generate more output, the population starts to invest this money in a higher standard of living reflecting in a consumption of more expensive food. As all other food related industries register a growth in production prices, more and more state subsidies are needed to keep consumer prices stable. The shortfall of rural production also influences the country's foreign trade balance. There have been restrictions on the import of primary agricultural products and consequently also the Polish refinement of these products and the resale of more valuable processed products decreases. It still makes up for about 70% of all agricultural exports but loses in significance. Not only does this make Poland a net-import country for agricultural products neither can agricultural export any longer compensate the export deficits in other industrial sectors. Consequently, the negative foreign trade balance of 1971 grows fivefold in 1979 (Philipp 1983:71). So even though exports can be sustained they are minimal and outraged by imports by far. What is most problematic is the fact that while all other industrial sectors succeed in reducing their need for imports again, the development is oppositional for agriculture. Here, the dependence on imports gets stronger over time and still the import of cereals plays the most decisive role. Here imports increase from 2.5 Million tonnes in 1970 to 8 Million tonnes in 1979. Also the supplier countries change. While about half of the imports of 1970 stem from western countries, they make up for 84% of all imports in 1979 (Philipp 1983:73). A

general assessment of the foreign trade situation in Poland in the 1970s makes clear, that the most serious under-supply concerns cereals and partly also meat as a consequence of this. This is why these two commodities are most important in imports and so foreign bough cereals rise by 130% and meat by 147% over the decade (Buchhofer 1981:60).

The foreign trade in agriculture during the 1980s registers a shift in focus. Processed products loose in importance and so does meat. Instead, the focus is now on the export of fruits and vegetables being less valuable products. This worsens the Polish trade balance significantly in terms of structure but also financially. The situation only relaxes by the end of the decade, when Poland faces a short time of trade surpluses in the agricultural and food sector. However, this success is not long lasting due to the breakdown of the political system in 1989. What can be seen, though, is that continuously the western countries of the EU remain the main partners for Poland's agricultural trade.

	1986	1987	1988	1989	1990	1991	1992	1993
Exports	51	51	55	61	63	65	55	58
Imports	30	25	32	41	52	65	58	57

Share of EU in Polish agricultural trade in %

(Kwieciński 1994:17)

Another development during this decade concerns the domestic market. Here, the consumer prices are the target of political interventions and contrary to the years before changes can be registered now. "Approximately 60% of the farm products and about 40% of farming inputs are sold at prices decreed by the state. These are the products which are of fundamental importance for the agricultural sector and for the food market. These prices are changed every year, or more frequently if the need arises, but the fact remains that they are decreed by the state" (Wos 1988:129). Here, subsidies are used to cover the gap between producer prices and consumer prices in particular regarding dairy products, cereals and meat.

After the breakdown of the Communist system in Poland and during the years of transformation, agriculture suffers a lot and looses in economic importance. While it generates 12.9% of the country's GDP in 1989, this number falls to 6.6% in 1993 (Kwieciński 1994:3). This can be observed for almost every commodity produced. Comparing the numbers of 1989 and those of 1997 the reduction of animal husbandry is significant and by the end of the 1990s, crop production excels animal production by 55% to 45% (Jones 1998:21). In 1997, 68% of cattle, 70% of cows, 96% of pigs, 109% of poultry and 11% of sheep and goats are produced. The supply with cereals registers a decrease and so does oilseed. Only regarding sugar beet the production increases (Peters 1998:40 ff.) and this is due to the direct price support with

which the Polish government fosters this product even though the trend is, that most state interventions and subsidies are heavily cut back in the beginning of the decade in order to establish a free market economy (Stawowiak 2007:105 ff.). However, this liberalisation leaves the Polish agricultural sector unprotected against an emerging hyperinflation and so support is taken up again in the second half of the decade. For this purpose, the government establishes the ARR, whose task it is to stabilise the market and to support the farmers' income. The intervention also applies for the Polish policy of state price stabilisation, which is abolished at first and then taken up again. In 1997/98, only regarding cereals the Polish state subsidiaries are by 15% higher than the European average while for sugar beet and milk they are about half of it and for meat the Polish producer prices are only slightly less than in the EU (Peters 1998:28 f.). At the same time as the transition's influence on production can be observed, these changes have consequences on the domestic consumption as well. The household's expenditures on food fall in percentage from 38% of all expenditures in 1986 to 32.5% in 1997. This is not due to reduced prices but to an even stronger price increase regarding non-agricultural products. Consumption habits change as well:

„Per capita consumption has increased for fruit and vegetables, vegetable oils, bread and other grain products, but declined for meat, milk, butter and eggs. Recent trends [in 1998] however are for these latter animal products to increase again including cheese. Relatively stable consumption can be observed for potatoes and, since 1992, for sugar. There is a visible trend for differentiated food consumption patterns in which quality aspects and processed food products are gaining importance. The degree of self sufficiency for main products is still close to 100% which is partly due to reduced consumption levels as a consequence of decreasing real incomes over the last five years” (Jones 1998:20 f.).

Lastly, the reduced production also reflects in the Polish trade balance, and from 1990 to 1993 it turns into a deficit situation. While there is a small predominance in exports from the mid 1980s onwards, the situation changes to the negative for Poland in the early 1990s. The state looses its monopoly on foreign trade and customs tariffs are very low in Poland. In 1993, the country can only export agricultural products of 1,646 Million US\$ in value but has to import products of 2,256 Million US\$ in value (Kwieciński 1994:16). In the following years, the development of trade with the European Union, which is Poland's most important trading partner, becomes more negative for Poland even though export subsidies are introduced.

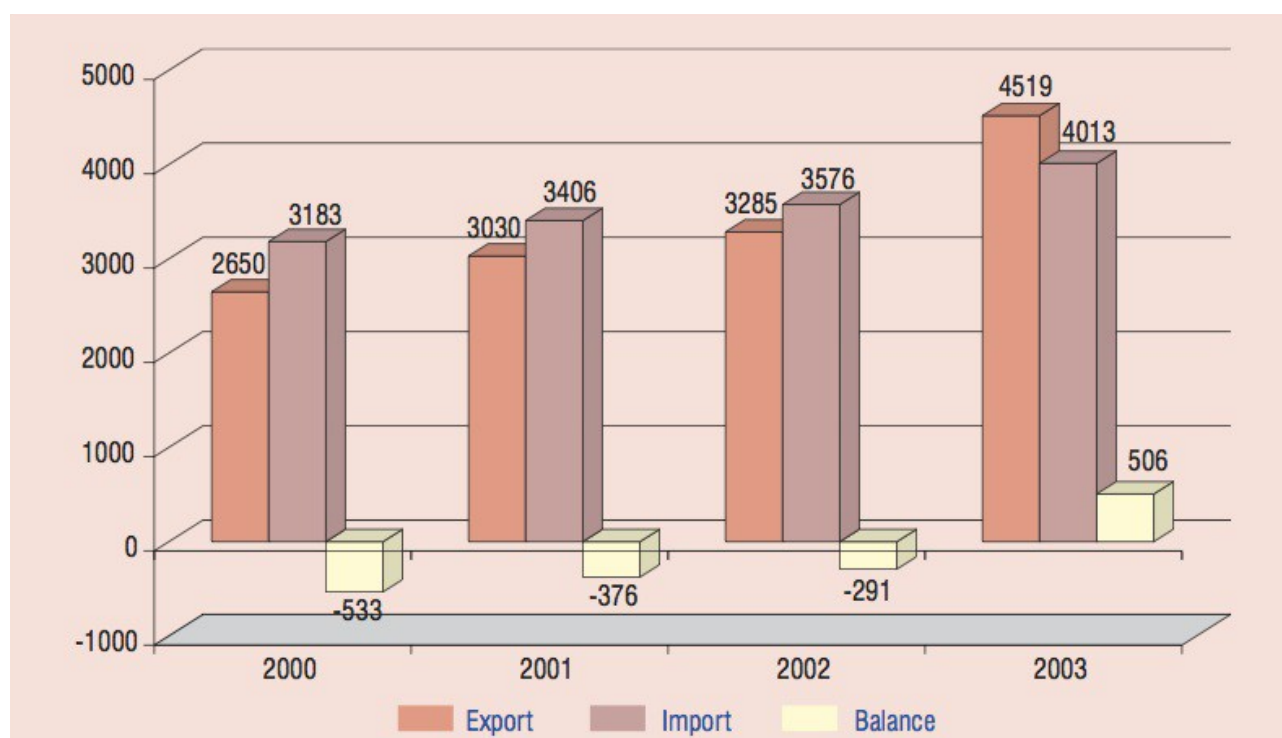
Year	1990	1991	1992	1993	1994	1995	1996	1997
Trade balance	354	-24	-82	-346	-331	-344	-571	-527

Polish - European trade balance of agricultural products in Mio ECU over the 1990s

(Peters 1998:17)

Also, there is a shift in the exported commodities. While until the 1970s industrially proceeded commodities dominate the export, this changes to low value products in the 1980s and in the 1990s the export potential is greatest for labour intense products such as fruits and vegetables, rapeseed, poultry, selected meats, fish and fish preparations. Their Europe-wide competitiveness is based on the low Polish wages compared to the European level (Kwieciński 1994:8).

By the end of the 1990s and in the early 2000s just before the entry into the European Union, the Polish agricultural sector recovers. It is up to almost 90% of its pre-transition level (Europäische Kommission Generaldirektion Landwirtschaft (DG VI) 1998:15) and stabilises on this solid level. Poland is now “the second largest producer of rye in the world and in Europe and the sixth largest producer of potatoes in the world and the second in Europe. Looking at meat production in particular pork as well as milk and hen eggs Poland ranks among the 15 biggest producers in the world and in Europe” (Taurus 2004:5 f.). Also, for the first time after ten years, Poland’s foreign trade shows a positive balance again.



Poland's foreign trade in agriculture in Mio US\$

(Taurus 2004:49)

The European Union but especially Germany is still the most important trading partner for both imports and exports and while processed meat dominates Polish exports plant raw material makes up for big parts of the country's imports. The development of Poland's agricultural output since the accession to the European Union in 2004 will be analysed in detail in the next chapter. To be able to fully understand all special features in Polish agriculture, it is essential to have a good understanding of the country's past and this is provided here. In order to compare the Polish agriculture to the developments in Romania a similar overview is offered for the respective country.

3.2 Romania until the eve of the EU Entry

Romania is the other country to be analysed in terms of agriculture. Here, the overall perception of agriculture has been very different over time. While the famous Romanian poet Mihai Eminescu is convinced that

“ausgestattet von der Natur mit einem fruchtbaren Boden und bewohnt von Menschen, die sich insbesondere mit der Landwirtschaft befassen, ist Rumänien ein natürlicher Getreidespeicher Europas. Auf dieser Tatsache beruht die gesamte Struktur der Wirtschaft des Landes, dessen Wohlergehen vor allem von der Rentabilität des Handels mit Getreide abhängig ist” (Eminescu 1980:213)

researchers of today look at Romania and their overall assessment is critical. Offe's perception of the development in agriculture is that

“if it leads to the restoration of the smallholdings which temporarily existed after the post-war land reforms, natural restitution may imply the creation of highly inefficient family farms which have difficulties in obtaining the necessary funding and are hardly viable as agricultural producers unless they are permanently subsidised. A good example is Romania” (Offe 1996:127).

The focus of the following chapter is now to assess how the performance of the agricultural sector in Romania indeed develops and which preconditions this creates for the agricultural sector on the eve of the EU entry.

3.2.1 Background of production: Farm size, productivity, employment structure and technological supply

From its very early times on, Romania is a state with a primarily agrarian society and even under Ottoman rule this was the main occupation of people. As infrastructure is very poor in

the 19th century, hardly any possibility to exchange goods on a market exists and farmers mainly produce for their own supply. This is also why there is hardly any farming policy during this period of time (Fagarasan 1986:8 f.) even though the agricultural workforce is the source of employment for over 70% of the population (Cartwright 2001:62). In the course of time, the political interference increases and there are even first land reforms but real dramatic changes do not occur until the end of the Second World War, which for Romania indicates the beginning of many years of Communist rule. In this Balkan country the Soviet reforms are from the first day on as forcible as in hardly any other country. According to the ideology of Communism deprivatisation and the establishment of a collective cultivation system is the aspired aim of all Soviet governments and as the then communist countries fight a race who achieves socialism in the agricultural sector first, Romania takes great efforts and finds Soviet approval for this (Cartwright 2001:67).

Already in 1945, the first land reforms start with great brutality and this becomes clear when looking at where the land for a collectivisation comes from. Here, the exploitation of minorities plays a major role. Jews but primarily the German minority is deported and dispossessed (Zach 1998:199) and these first gains leave time to wait with a harsh proceeding against the Romanian population for a while. The waiting period is very important because the share of the rural population is very high at this time and consequently no Romanian politician dares to discredit peasants and to take actions against them. Instead, politically motivated hatred is artificially stoked against political enemies and “die Bodenreform von 1945 wurde von der Kommunistischen Partei Rumäniens [...] inszeniert. [...] Über die Presse w[er]den die Bauern beständig dazu aufgehetzt, die Güter der Reichen unter Gewaltanwendung in ihren Besitz zu bringen” (Zach 1998:202 f.). Another reason making the communists proceeding so violent is that the cadres sent to the peasants in order to convince them of collectivisation are very badly educated and lack knowledge and understanding of the ideology of communism in agriculture. Instead of presenting good arguments for their political goal and convincing peasants, they achieve consent with the political line by applying force (Verdery and Kligman 2011:366). This shows that when it comes to the agrarian structure of the recent decades in Romania, the people’s refusal is not so much directed against the actual measures but against the political dimension of these state interventions creating an agricultural set-up according to the ideals of communism. This negative attitude towards political interference is not only important for the past but comes up again when looking at the present developments in agriculture. However, apart from this general critique on the communist ideology in agriculture even the measures taken and the consequences they

have are disadvantageous for Romania's agriculture.

Before the war, medium and large holdings play an increasingly important role in the agrarian structure and make up for 40% of all UAA. This changes during the first years of communist rule and in a census of 1948 the finding is that now the arable land is mainly divided into farms of less than 5 ha in size while the holdings of over 10 ha only account for a fifth of the country's arable land (Cartwright 2001:57). This is the consequence of a policy where over 1.5 Mio ha are confiscated and redistributed but the average plot size of the newly distributed land is only about 1.3 ha. Consequently, the essential problem of low productivity comes up and thus the average farm size is not enough to sustain the people working on it.

"If 3 ha[...] represent the general minimum land estate necessary for the maintenance in agriculture of an exploitation [holding] comprised of four persons, then more than one half of the agricultural exploitations of Romania do not reach this level and are compelled to resort to some sideline income to reduce their needs" (Golopentia and Georgescu 1948:18).

Obviously the new small holdings are numerous as they are increased by about 400,000 holdings but at the same time they are inefficient. The solution against the low productivity and the need to hold down another gainful job besides agriculture is the politically intended modernisation in the form of industrialisation of the agrarian sector. On the other hand, the distribution of land also serves as an appeasement policy making people open to participate in the industrialisation ideology. Due to the fact that the average farm size is not sufficient for self-support it makes people willing to move to the cities and to stay there as they hope to find work in the industrial centres. This is an attempt to overcome the agricultural focus of Romania's society and to turn peasants into workers. However, industrialisation also takes place within the agricultural sector and can be seen when examining the supply of machinery and technology. Before, these tools belonged to the individual farmers but now machine tractor stations are created with state employed drivers and the farmers hire them for working the land but also for giving technical advice about the use of fertilisers and other chemicals. Consequently, the use of technology can easily be controlled by a state monopoly in post-war Romania and undermines the peasants' autonomy. In order to benefit from machinery they now have to form associations and apply to the centres. As this gives the state the possibility to access all agricultural holdings it also creates a network to use the machinery drivers as informants. They report about the performance of the farms and about the amounts of produced food. Accordingly it is possible to request the delivery of products by setting high quotas. The problem that needs to be solved in the years after the war is the low productivity

of the agricultural sector but in official debates this is not traced back to the holdings' small sizes but a concept of the enemy is created in which still wealthy farmers are seen as public enemies exploiting the people for their own benefit and thus not leaving enough goods available. This is why until 1949 another law is issued to deprive all owners of holdings with still more than 50 ha in size and the state also takes the right to limit private sales of land to a maximum size of 15 ha. It may prohibit land acquisition of more than 5 ha and on the other hand the state allows itself to buy land at reduced prices to create state and collective farms out of it (Cartwright 2001:59 f.). At that time, small holdings cover one third of all farm land and regarding their inner structure they are again split into several pieces most of the time not neighbouring each other. The ultimate goal of the collectivisation process is to create state farms with a size of 80 to 100 ha on which farmers work collectively and distribute the products among each other but also among the rest of the civilisation. The idea is to internally divide the common land into different areas of production in order to cultivate the different commodities. Apart from this, farmers are allowed a house with a small garden and all tools necessary to work this private land as well as a minimal amount of livestock. This is a model representing the Soviet ideal of industrialised farming, but the translation into reality results in a less functioning system. Villages need to apply to the ministry of agriculture if they want to set up a collective (Cartwright 2001:73) and state incentives to do this are very high. In case of an application the state supports the creation of larger collectives and whenever the area is not big enough to meet official requirements it is enlarged by land that the state had received through so called donations. In reality this term implies that land is extorted from the church or from private persons as those unwilling to join the collective are persuaded with a lot of state pressure to contribute with their own land. The overall goal is to overcome the parcelled structure in agriculture and to comply with the Soviet ideal of farming. However, also in Romania the collective without own property rights is not the only way how to do collective farming. Another form is the *intovărășire*. Here,

“land [i]s consolidated into single plots and the boundary markers [a]re destroyed; but in theory the peasant still remain[s] the owner of the plot which he contribute[s] to the TOV. Members [a]re allowed to withdraw their land after only one season, should they wish, and unlike in the collective farms, the peasants decide[...] how much of their own land they would contribute, and how much they would reserve for their families to work. The same approach applie[s] to the peasants' working animals: if they want[...] they [can] keep them for themselves” (Cartwright 2001:80).

The TOVs are more popular among the rural population because here the access to machinery

is possible and still the farmer can remain the owner of his land. What seems like a welcoming alternative still turns out to be less advantageous in reality. In 1958, the state introduces the final phase of collectivisation. For the use of the state monopoly on techniques, prices have to be paid and also the farmer is only allowed to keep some of his crops, because the rest has to be delivered to the state according to quotas. To now convince farmers to give up on TOV-farming, which is indeed a form of collective agriculture but still seen as an inferior form of socialism, and to add to state farms instead the state tax system is once again made stricter so that farmers contributing less land are taxed proportionally more and also the rules on the TOV-members are hardened. Finally, in 1962 the process of collectivisation is completed. The result is that "93.4% of the country's arable land [i]s in some form of an collective association. The remaining private lands [a]re mainly to be found in the mountainous areas, which [a]re left alone largely because of the difficulties of using machinery" (Cartwright 2001:81). Finally, at the end of the collectivisation campaign there are 731 state farms all over the country. What follows within the next decades is an even further consolidation of these state owned farms so that their number drops to 144 in 1971 covering a maximum of 7,600 ha of land each. They are now too huge to be handled them so the aspired gains in productivity are no longer given (Turnock 1974:212).

The early 1960s are the time when most of the other communist countries give up on their harsh measures to establish socialism and allow for more liberalisation of their economy. This is not the case in Romania and while collectivisation is seen as accomplished an even further reaching reform focus is set. Until 1989, there is a second campaign in order to systemise the countryside meaning that the differences between the countryside and the towns should be overcome. This includes among others a focus on extending technology and machinery in rural areas and Romania starts to make great efforts. While the Romanian tractors that are under German supply until the end of the war went to Russia as Romanian reparation, the country now develops own production areas and starts to produce machinery and other technical devices. The success of this measure is clearly visible. While there are about 26,600 tractors in 1938 the number rises to more than 116,600 in 1989. The same holds true for harvesters. Only 289 such machines exist in Romania in 1970 but their number increases to almost 35,200 in 1980 and is up to approximately 37,900 by the end of the communist regime in 1989 (Cartwright 2001:90). Even though there is machinery, it is of a low standard and this is why it is mainly used for domestic supply and not exported. Also the application of fertilisers increases and finally the country manages to improve farming conditions. One fifth of the agricultural area in Romania requires drainage, irrigation, stabilisation or other forms

of radical treatment (Turnock 1974). So while in 1950 only 42,500 ha of arable land are irrigated, the irrigation system is expanded to more than 2.5 Million ha disposing of this technique by 1983. These technical advantages cause indeed a massive gain in productivity, which becomes very clear using the example of cereal production. While the arable land needed to produce cereals falls by approximately a quarter, the output more than doubles. However, there is also the other side of the coin. Agricultural productivity in Romania increases over time, but it is still lower than in other countries so that Romania produces 1,780 kg of maize per ha whereas this number is almost 1,000 kg higher in Hungary and even up to over 4,000 kg in France (Turnock 1974:66 f.). For livestock the evaluation is better but even there Romania is an underachiever. Another way to measure productivity is to look at the share of GDP that is generated in agriculture. Even here it gets clear that the good preconditions in terms of climate and an acceptable technological standard cannot outweigh political miss-planning. While in 1930 when Romania still is a naturally grown agrarian society 40% of its GDP is generated in agriculture, this proportion falls to about 30% in 1960 and as this is when the industrialisation of Romania is pushed instead of setting a focus on agriculture it declines to under 20% in 1970 and 13.7% in 1980. Thanks to increased efforts to raise agricultural productivity, the share of GDP reaches 15.5% in 1985 (Cartwright 2001:90) but in general the main reason for the low productivity is to be found in a constant under-investment in the agrarian sector receiving less than one fifth of the state's budget. This also reflects in the low wages paid in agriculture compared to those in industry. The consequence of these unattractive working conditions is a further decrease in productivity caused by a tremendous labour shortage in the 1980s. Another aspect of the state austerity is that the technological achievements generated before can no longer expand and even worse "ein nicht unerheblicher Teil der in der Landwirtschaft benötigten Industrieerzeugnisse – von Düngemitteln bis zu Traktoren - fl[ießt] in devisenbringende Exporte" (Gabanyi 2003:10). Of course as the attention is given to export the import of machinery falls more than ever before even though the domestic supply is not enough and when finally electricity is rationed, farmers of the 1980s go back to using horse-drawn ploughs. One setback leads to the next and as the state owned farms are too big to be cultivated efficiently with the limited agrarian workforce, land has to be set aside. This again creates a pool for the poor rural population to have garden plots in order to produce for their own needs and finally productivity is greater in this new private sector in the 1980s, which supports the rural population as well as relatives in the growing cities. Due to the bad conditions in agriculture many Romanians flee the rural areas for a better life in the city (Cartwright 2001:95 f.). Consequently, almost every new

inhabitant in the centres has a strong personal connection to relatives on the countryside and receives agrarian products informally. Looking at the agrarian structure of the last year of Communism shows three different types of farms: State farms make up for 29% of the area and have an average size of 5,001 ha, collective farms, which are the TOVs, represent 59% of all UAA and have a size of 2,374 ha and finally the private producers cover 12% of the agricultural land while having an average size of 0.5 ha (European Commission Directorate General for Agriculture (DG VI) 1998:23).

After the breakdown of the communist regime in 1989, this structure undergoes great changes as does every sector of Romania's economy. First and foremost this means a reprivatization of the agricultural land, but it is not totally clear how this could best be done.

“While privatization of farming operations [i]s generally accepted as a principle, there [i]s less agreement on how it [i]s to be accomplished. [...T]here [a]re at least two groups to consider, the owners of farmland prior to collectivization and those currently working on collective and state farms” (Gaisford 2003:31).

Romania decides for a mixed system of restitution on the one hand and the sale of land on the other hand. The respective area is divided between its former owners, who can receive areas of up to 10 ha, and also to the formerly agricultural workers receiving 0.5 ha. Consequently, the privatisation process makes the agricultural land even more parcelled than it was before or under communism. After the abolishment of these state collectives new associations of farmers as well as privately owned small size holdings are formed and all state holdings are officially transformed into enterprises under the control of the ministry for agriculture having the task to further disintegrate them. This process takes time and in 1998 state holdings are still of relatively high importance (Europäische Kommission Generaldirektion Landwirtschaft (DG VI) 1998:19). Only about 70% of all farmers have a definite possession status as privatisation is still going on. In 1997, the production structure develops to the following:

Farm type	Area (1000 ha)	share (%)	Number of farms	Average size of farm (ha)
Commercial Companies	1,792	12	490	3,657
Farmers Associations	1,748	11.8	3,875	451
Family Associations	1,245	8.4	12,089	103
Individual Farmers	8,674	58.6	3,715,396	2.33
Other Institutional	1,330	9	n.a.	n.a.
Total	14,789			

Production Structure in Romanian agriculture in 1997

(European Commission Directorate General for Agriculture (DG VI) 1998:24)

In 2000 over 75% of the land is in private hands as privatisation is further pursued.

However, having been collectivised causes a number of problems during the transition period. Firstly, as the communist regime did not rule the country for a very long time, the original owners are often still alive when restitution takes place and claim their possession back. However, giving back the formerly collectivised land is a longsome process as in 1945 little effort was made to register the names of former owners properly. Secondly, even though the state monopoly on land possession is overcome, producers still face monopoly sellers of inputs and monopsony buyers for their crops (Hobbs, Kerr, and Gaisford 1997). In addition, the so far comparably highly developed irrigation system sees deterioration during the violent revolution and is now heavily reduced. And lastly, the technical equipment, which was used on the state farms, is not only difficult to distribute among the new owners but at the same time it is too big and thus not feasible for the new rural structure anymore as this is more parcelled again with a share of 67% of all UAA used by family farms with an average size of 3 ha (Europäische Kommission Generaldirektion Landwirtschaft 1998:13). As a consequence, the old machinery is now overdimensioned. On the other hand, this bears a great potential as it creates a need for new machinery and therefore the mechanical service sector attracts most FDI (European Commission Directorate General for Agriculture (DG VI) 1998:16). However, due to the low spending power of farmers they are not able to invest in new techniques and the applied machinery is still very old compared to the European average. The tremendous changes also affect productivity during the first years of transition. This can be seen when assessing the GAO.

		1990	1991	1992	1993	1994	1995	1996
GAO (1989 = 100)	volume index	97.1	97.8	84.8	93.5	93.7	97.8	99.6
	% change	-2.9	0.8	-13.3	10.2	0.2	4.5	1.8

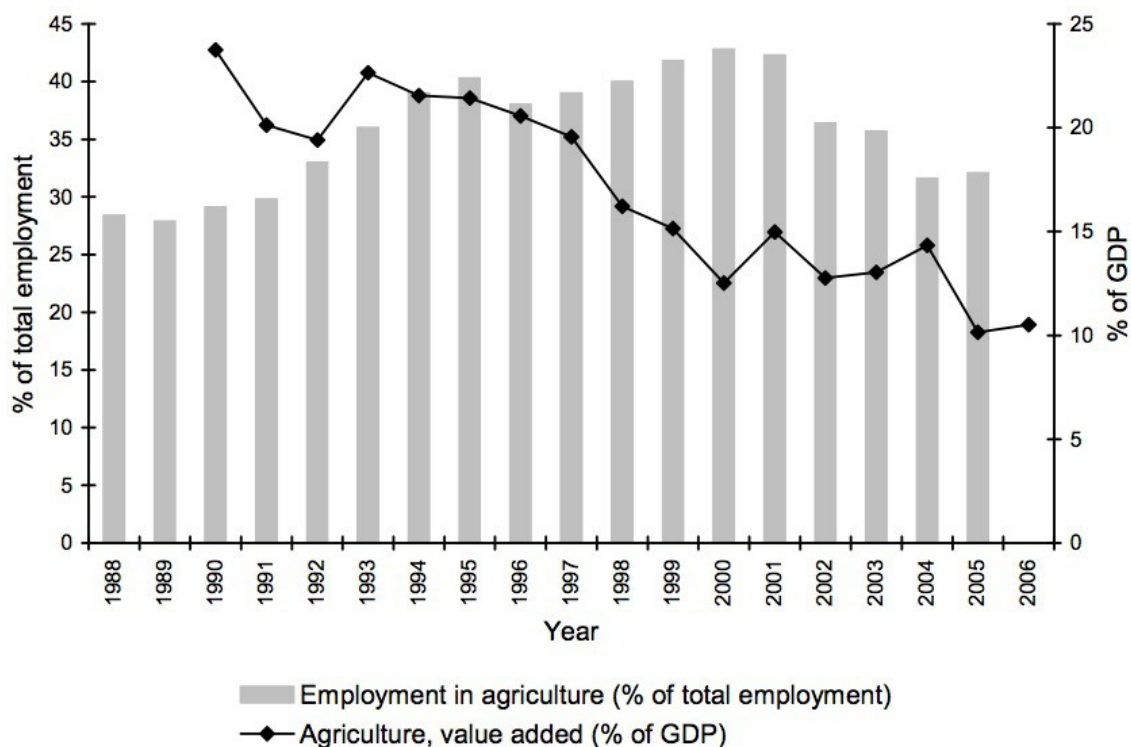
Structure of agricultural output in Romania in the 1990s first half

(European Commission Directorate General for Agriculture (DG VI) 1998:22)

It is obvious, that the first years after communism are characterised by instability and uncertainty about the transformation process. Ten years later, some major trends can be seen. The agricultural share of the country's GDP rises moderately to 14.5% in 2001. Looking at the arable land, privatisation can now be seen as completed and in 2002 the Romanian UAA covers almost 14 Mio ha whereof natural persons cultivate 99.5% and juristic persons administrate 0.5% of all holdings. There are great differences between the two types. The average size of a farm holding of the first group is 1.6 ha while it is 269.3 ha for the second group and consequently, the latter's share represents 44.6% of all UAA. The latter are also much better equipped with technology. They hold 77.2% of all irrigation systems and 23.3% of Romania's tractors. Thanks to state subsidies the share of tractors is higher now than in 1989 and this trend is even more significant for seeders but compared to the European level the use of technology is still low. In Romania, there is one tractor for 50.5 ha of land whereas in the rest of Europe one tractor is used for maximally 19 ha of land (Gabanyi 2003:9 ff.). What is achieved, though, is that apart from the arable land also the technological sector of agriculture as well as the processing industry is continuously privatised. Romania sees the remigration of the urban population to the countryside and this is closely interrelated with the employment structure. Two facts are influential for this development such as the demanding economic conditions and the restitution process making many people land owners again. The agrarian sector thus gains in attractiveness as it creates the possibility to work or at least to support the own household through individual production on self-supporter farms. Statistics on the agrarian employment rate show a great variance of between 40.9% of the workforce to 28.3% of the workforce in early 2000. It depends on what is measured as agricultural work. Nevertheless, it is a matter of facts that compared to an employment rate of 27.5% by the end of communism, the employment in agriculture grows and at the same time this is also the sector where underemployment is strongest (Gabanyi 2003:13 f.). The combination of these two trends is a strong sign for a very low overall productivity.

On the eve of the entry into the European Union the average size of farm holdings registers a minimal decrease (Benoist and Marquer 2007) but in general the tendency about Romania's preconditions to enter the European Union are rather stable since the early 2000s. The

country's farm structure is parcelled since the years of transition and this is difficult to match with the CAP's structure. Also the agrarian employment rate is much higher in Romania than it is in the rest of the European Union. Technological supply increased since the end of communism but the machinery used is still older and less than in most European countries. Finally, productivity is comparably low even though the agrarian sector measured in the share of a country's GDP plays a much more important role for Romania's economy than for the European average. A good understanding of the recent developments can be gained by looking at the share of agriculture in total employment and GDP:



Share of agriculture in total employment and GDP in Romania

(Salasan and Fritzsche 2009:10)

3.2.2 Outcome of production: Commodities and consumer habits, trade balance, tariffs and quotas

Traditionally, Romanian exports overweigh in the agricultural sector and the country is already famous for its cereal production in Ottoman times when it was the world's fourth biggest wheat exporter. Even during the years of war, it is known as the breadbasket of Europe. However, during the years of war, its cereal production falls from 44.5 Mio tonnes in 1939 to just over 10.6 Mio tonnes in 1945 (Cartwright 2001:53 f.). Other products do not perform much better and the government is desperate to ensure the food supply especially in urban areas. During the following years of communism, hunger is a phenomenon that never disappears in Romania even though the country has the potential to feed its people. The

reason is rather to be seen in the political measures taken under communism and so just like collectivisation also agricultural production is a politically loaded topic.

The strict state intervention begins early, as already in 1945 the state claims “the authority to become the sole official buyer of agricultural produce [and...] each cereal farmer [i]s obliged to deliver a portion of his harvest to the National Co-operative Institute at state determined prices” (Cartwright 2001:59). This quota is so high that starvation continues during the post-war years as a lot of the crops produced are transferred to Russia for war compensations.

“As Romania [i]s on the verge of famine in the late 1940s, the increase in output during the ‘50s [i]s significant but relative. Output f[alls] again in the ‘60s, during the collectivisation years, when the urban population [i]s the poorest-supplied in Central and Southeastern Europe” (European Commission Directorate General for Agriculture (DG VI) 1998:11).

Apart from using the quota to pay war compensations, there is also another component to it. The deliveries serve as a political instrument for over proportionally reducing the power of wealthy farmers. While from 1949 onwards, the owner of one cow is obliged to deliver 200 l of milk a year, this number rises to 600 l for two cows and 1,100 l of milk for three animals. If the requested amount is not delivered this causes debts and a penalty of an additional 20% quota for the following year (Cartwright 2001:71). The first reaction to this is hiding the harvest, but this is often not possible as the state employees providing the agricultural technical support have a good inside into the production. Another practice is to divide the agricultural possessions among the family members and to thereby reduce the basis for quota calculation.

For the first decades of communism, it is very difficult to assess the Romanians’ real supply situation as the official data is not reliable. The government’s five-years production plans rather indicate the desired output than reflecting the true achievements. However, one indicator for the supply not being sufficient is the fact that in the late 1960s and mainly in the 1970s, the planners start to concretise the production plans more and more and they push the concept of specialisation with the goal to increase productivity. Quotas are something that the communist regime introduces early in the post-war transformation process, but while older plans only require the delivery of a certain share of the goods produces, this changes in the 1970s. By specifying the quota requirements for every commodity the state now dictates what is planted where and to whom it is sold (Cartwright 2001:89). The plan of the years 1976 to 1980 requires reducing the areas used for the cultivation of wheat as here a potential for higher productivity through better seeds and fertilisers is expected so that the same output

can be generated on less ground. The free area is planned to serve for the growth of corn and other grains instead. The consequence is that the production area for wheat indeed decreases but areas used for corn stay mainly stable and most of the time this plant is cultivated on inappropriate cropland. This causes a deficit of overall production with far reaching consequences as corn is Romania's major commodity for consumers but also for animal feed. Therefore, a lack of corn does not only affect the population directly but also indirectly by causing deficits of other commodities especially meat (Anon 1982:161 ff.) and it takes great efforts to still produce successfully. However, the political incentives for meat production are very high so progress is made even if it is slow. Looking at the meat production between 1970 and 1975 one can see an increase starting from 888,000 tonnes to 1,373,000 tonnes but its composition changes. A focus on poultry production increases the output. While the share of beef declines from 25.2% to 19.4%, pork increases slightly from 52.7% to 54.9% sheep and goat meat reduces from 8.6% to 5.2% and poultry increases from 13.5% to 20.5% and this has positive effects on the supply with eggs as well (Anon 1982:154). As there is still no abundance of food but merely a relaxation of the domestic supply situation all available agricultural products are consumed. Compared to citizens in other countries Romanians take in much more wheat while the consumption of meat is very little and this is a sign of a general malnutrition. It is difficult to say what the Romanian consumption preferences really are. As shortage is so severe that every available grocery is consumed preferences can only be judged from the lengths of queues in front of the grocery stores but this means that no reliable data exists. It can be assumed that a greater variety of products is desired and that the supply is not sufficient for any commodity. Another trend to be observed during the 1970s is the increasing importance given to foreign trade with agricultural products. As the feed supply in Romania is little, this is what needs to be imported in order to later export proceeded products so that the overall trade balance is positive for Romania.

		1970	1975	1976	1977	1978	1979
Proceeded food	Export	1,345	2,882	2,964	4,523	3,581	4,160
	Import	358	595	617	741	854	1,259
Agricultural Foreign Trade	Export	2,981	6,005	6,876	8,531	7,377	7,461
	Import	1,839	4,164	4,795	5,110	5,535	6,543

Romania's agricultural imports and exports in Mio Romanian lei during the 1970s

(Anon 1982:208)

However, the relaxation of the Romanian supply situation in the 1970s does not last. It could be maintained in a well performing agriculture, but the sector is hindered from flourishing through long lasting underinvestment. Whatever increases agricultural productivity – such as machinery and fertilisers – is used for exports and this creates a shortage for the domestic agrarian performance.

This becomes obvious during the 1980s. Even though there is a severe domestic food shortage the strict concentration on exports is not given up because it is so essential in order to increase the inflow of foreign currency and to pay all foreign debts, which is only possible through a harsh inner austerity. In 1981, the rationalisation of bread and other staple food is inevitable (Anon 1982:147) and still the Romanians are obliged to spend a much higher proportion of their income on food than other countries of the region. The focus on export is so heavy that even though production drops “Romania remain[s] a net agri-food exporter throughout most of the decade. This [i]s achieved by cutting food imports – they fell from 800 Million ECU to 450 Million ECU in 1988 and 600 Million in 1989 – and domestic consumption suffering” (European Commission Directorate General for Agriculture (DG VI) 1998:12). Analysing the structure of Romania’s agricultural exports shows that wheat is still the main product for exports but even living animals are exported for the purpose of slaughter. The main receiver is the Middle East as this is where Romania has to pay its debt for oil-imports and even if products are sold to other Soviet states the purpose is to achieve better conditions for mineral oil prices in exchange (Anon 1982:140 f.). However, the export plans for the years after 1989 never come into action, as the end of the communist regime is marked by a radical shift in agricultural foreign trade. Romania now starts to import goods because for the first time since communism the domestic demand is given higher priority than austerity.

The problem with Romania’s poor supply is not necessarily productivity only. Looking at cereal production one can see that the amount of arable land is reduced by a quarter and still the overall cereal harvest more than doubles. While the total harvest is a little less than 9 Million tonnes in 1938 it increases to almost 18.4 Million in 1989 (Cartwright 2001:90). Even though this is no evidence for a good productivity level - it is indeed higher than before the Second World War but does not mean that it is good compared to other countries of the region – the reason it not so much an unfavourable agrarian structure. Collectivisation indeed has a positive impact on productivity but what hinders this development is rather the five-year planning than the collectivised structure. In contrast to all other communist countries where long term planning is based on the achievements of previous years this is different in Romania where the five-years plans are based on the numbers in previous plans and not on real

performance. This makes state forecasts more and more unachievable and the gap between real achievements and plans widens every time. Also the unrestricted focus on exports prevents the country from investing into measures to increase productivity (Cartwright 2001:92) and due to the precarious domestic supply situation, radical changes are made after communism.

The commodities produced do not change very much in the 1990s and cereals remain Romania's most important product being planted on 62% to 70% of all arable land. Maize obtains a major share of 40% to 60% as it can be harvested by hand which is for two reasons very important in the first years after communism. Firstly, technological supply is very low and cannot be raised quickly as money for investment is missing. Another aggravating factor is that irrigation systems are destroyed under the 1989 revolution and as they are an essential tool in Romania's agriculture the domestic production is very low in the first years of transition. At the same time consumption needs rise significantly so that from 1990 to 1995 more cereals are imported and imports overweigh exports by far.

Cereals	production	imports	exports	available
1989	18,309	36	296	17,651
1990	17,107	1,146	0	18,103
1991	19,275	1,761	123	18,363
1992	12,250	1,653	9	18,394
1993	15,457	2,604	7	17,304
1994	18,169	526	9	18,286
1995	19,859	261	850	17,863
1996	14,177	146	1,740	16,183
1997	20,058	118	340	

Romanian trade balance for cereals in 1000 tonnes during the years of transition

(European Commission Directorate General for Agriculture (DG VI) 1998:27)

The production of sugar beet is not attractive for the small scale producers after privatisation as here the relations to the processing industry is monetarily disadvantageous for them. Therefore, sugar beet production registers a decrease from 6,771,000 tonnes produced in 1989 to 1,776,000 tonnes in 1993 and in this sector imports become inevitable. Regarding oilseeds small producers prefer sunflowers to soy so that the latter is only produced in commercial companies. Exports in this sector are marginal. The production of potatoes decreases and the little that is still produced is used for own consumption on the farm, for feeding pigs or for sales on the local markets so that there is no significant foreign trade with

this commodity. Fruits and vegetables are less important to the Romanian agriculture as only 4% of the UAA is used for their commercial growth. As a consequence, for both commodities imports are higher than exports. What is important, though, is the production of wine in Romania. The country generates amounts comparable to those produced in Portugal or in Germany. In 1998, it “ranks eighth among the world’s wine producers” (European Commission Directorate General for Agriculture (DG VI) 1998:31) and is a net exporter to western countries primarily to Germany, the United Kingdom and the USA. Overall tendencies show that production areas for crop growth remain mainly stable since the breakdown of the communist regime even though the farming structure and according to this also the preference for certain commodities changes. As opposed to this, stability is not given regarding the Romanian livestock. Here, the redistribution of state possessions according to the idea of privatisation is even more difficult than for real estates. Due to a reduced herd size, stables and installations are now over dimensional. This is closely interrelated with the reason why dairy production decreases. Private owners cannot meet hygiene standards and Romania imports dairy products ever since. While the country has been an important meat exporter during Soviet times, this is different after the political shift due to the fact that Romania’s status as an exporting country never rested on an overproduction of meat but on a severe domestic undersupply. Due to the bad economical situation, also the consumption of meat declines by 25% in the 1990s and is far below the European average.

	Production	Imports	Exports	Selfsufficiency %
1989	1,454	72	93	101
1990	1,6	182	2	90
1991	1,577	57	54	100
1992	1,434	53	64	101
1993	1,405	46	87	103
1994	1,374	56	108	104
1995	1,22	62	46	99
1996	1,261	17	41	102
1997	1,249			

Romanian meat supply balance in 1000 tonnes during the years of transformation

(European Commission Directorate General for Agriculture (DG VI) 1998:35)

Most of the livestock still produced is privately owned. Beef loses in importance as it becomes too expensive after the removal of consumption subsidies in the 1990s. Also productivity is low for meat in Romania as the weight of an average animal is low and this causes an additional increase in beef prices. Also pork consumption falls while poultry breeding is easy enough so that private ownership gains in importance. The main reason for the declined meat consumption in Romania lies in the high prices for these commodities. While poverty is still common in Romania in 1997, food is generally expensive. 57.5% of a household's income is spent on food and beverages whereas the average European percentage is 18.2% in 1995. This makes the private production of food very attractive and it is estimated that farmers cover 80% of their consumption through self-supply. Prices, however, are the major subject of the new government's agricultural trade policy and price controls on essential commodities are introduced in order to protect consumers. At the same time, minimum prices for production are fixed until 1993 and reduced henceforward until the complete liberalisation of prices in 1997 (European Commission Directorate General for Agriculture (DG VI) 1998:48). Regarding this aspect, Romania is one of the exceptions among the Eastern European Countries because most of them have some form of price control. The state offers indirect subsidies for the growth of crops and livestock but the aids for production unrelated investment is low and this makes structural change difficult. At the same time, it is hard to assess the Romanian price and subsidy structure in detail as the country suffers from a high inflation in the 1990s. Special rules also apply to foreign trade and this is of major importance as a ban on food exports is released in 1990 and in the same year imports increase heavily so that Romania records an agricultural trade deficit of \$1.2 Billion and is a net-importer of food since then (Gabanyi 2003:12). The positive side effect of this economically demanding situation is that the government is also successful in having Romania recognized as the only Central European developing country according to the GATT, "which allow[s] it to set very high ceilings on binding tariffs for agricultural products" (European Commission Directorate General for Agriculture (DG VI) 1998:52 f.) but through additional agreements, the EU benefits from special conditions anyway. However, what makes trade with the EU difficult is a non-compliance with EU standards regarding some commodities like dairy products or processed meat. During the 1990s, the trade with the European Union reflects an average negative Romanian balance of -140 ECU but with a tendency for a development that is in favour of Romania (Peters 1998:20). Another agreement is made with other CEECs and it includes the mutual preference in trade through a steady reduction of tariffs.

A major change in agricultural politics of the early years of 2000 is that the government starts

to support the purchase of fertilisers, tractors of domestic production, mineral oil and irrigation systems (Gabanyi 2003:13). This is supposed to meet the major problems of Romania's agricultural sector which "are a lack of efficiency, often outdated technological equipment and lack of access to credit and extension services" (Heidhues and Von Braun 2000:185). A glance onto the trade balance with the European Union shows that imports from Romania increase by 183.3% between 1999 and 2006 while processed and unprocessed cereals hold the highest share. On the other hand, the European exports to Romania increase by 282.3% in the same period of time, and here the focus is on meat as well as on processed and unprocessed vegetables (European Commission 2013b). The influence that being a member of the European Union has upon the Romanian agricultural sector is assessed in the next chapter.

3.3 Conclusion: Differences and similarities in the agricultural sector of Poland and Romania

The agricultures of Poland and Romania and generally those of the Eastern European Countries differ from the rest of Europe in many respects. Productivity is generally lower, the consequences of a long lasting underinvestment in the agrarian sector still reflect on agriculture today as the machinery supply is poor and outdated and not only the shortcomings of the communist era but also the disarrangements during the years of transformation can be noticed today. However, wrapping up the development of agriculture in Poland and Romania shows very many similarities and it is therefore important to compare how both countries develop under the European CAP.

Historically, the challenges for the two countries' agricultural sectors are equal, even if they differ in their severity. In both states, the establishment of the communist regime leads to a collectivisation policy until the 1950s. While the state intervention is comparably soft in Poland, the Romanian government puts great pressure on the rural population and tries to stoke hatred among the farmers. This is a clear sign that in Romania the ideological aspect of politics is much more accentuated. In both countries, a farm size structure of big state holdings is aimed for but in reality Romania and Poland suffer from their parcelled structure in agriculture. In Poland this set-up could never be overcome whereas Romania was once organised in large-scale farming but since the transformation years this advantage is lost (Gabanyi 2003:11). Now, self-supporting dwarf farms can be found in both countries and it is expected that they will remain as they have an important function in securing people's food supply in times of underemployment. In both countries, this is a severe problem for the sector

and in Soviet times Poland and Romania hold Europe-wide top positions when it comes to the share of employment in agriculture (Buchhofer 1981:65). This indicates once more how low productivity is. Regarding the agricultural output over the years, even here similarities are enormous. None of the countries was able to generate enough agricultural products to meet the population's consumption needs but while severe food shortage is rare in Polish history it is a common phenomenon in Romania. In both countries the natural conditions allow a sufficient supply situation but in favour of exports the domestic supply receives too little attention for years. During communism, the foreign trade with agricultural products is essential in Poland and Romania as this is how they have access to foreign currency and can pay their national debt. While Poland has a focus on exporting processed food to western countries the Romanian main markets have historically been the oil delivering states. The country supplied them with primary agricultural products and the increased trade with the states of the European Union is a rather recent development. The import structure is historically different in the countries of comparison. While Poland has relied on imports under communist times enabling the country to proceed and resell them, Romania cut its imports to a minimum. For both countries, however, imports rise to a maximum during the transformation years and the original balance is just about to establish again now. Even the size of UAA and its share in the country's total area are comparable in Poland and Romania and both states rank amongst the CEECs with most agricultural holdings showing the general importance of this sector for each national economy (Jabłońska-Urbaniak 2011:7). The key agrarian numbers of both countries are as following:

		Poland	Romania
	UAA (in 1000 ha)	18,220	14,767
Situation by the end of communism (1987)	% land farmed privately	78	9
	% land in collective farming	4	61
	average size private & collective farm (ha)	300	2,400
	% land in state farms	18	30
	average size state farm (ha)	2,700	4,900
Situation at the end of transition (1996/97)	% household plots	82	67
	average size household plot(ha)	7	3
	average size private or state owned holding (ha)	426	2,491
	% land in state farms	18	30
	average size state farm (ha)	2,700	4,900
Share of agriculture (%)	in total are	58.8	61.9
	in GDP	3.3	12.6
	in employment	18.8	42.8
	in private household expenses	35	58
	in all imports	11.0	7.6
	in all exports	11.0	8.8
	major products	cereals, potato, pork, milk	maize, wheat, sunflower, wine

Key figures of agriculture in Poland and Romania

(Europäische Kommission Generaldirektion Landwirtschaft (DG VI) 1998:12; Petersen, Jan-Erik and Hoogeveen 2004:12 f. Verdery 2003:86)

Studying all the key figures and comparing them to the other European accession countries of the year 2004 and 2007, makes clear that both Romania and Poland are countries with very many similar features regarding agriculture. At the same time, two factors of great importance are very different. This is on the one hand the share of employment in the agricultural sector and on the other hand the average size of an agricultural holding. The share of labour is above average in both countries and they rank on position one and two in a Europe-wide comparison but nevertheless the agrarian employment rate is clearly much higher in Romania and this can be seen as a disadvantage because in this regard the Polish number is much closer to a modern state's economy and hence to the European average. Looking at the farm size, Romania has to be seen as being in an advantageous situation because here modern agriculture predicts more promising results for large scale farming and even though this is in large parts lost during the years of transformation the remaining structure is still much more oriented towards large scale than is the case in Poland. It is the aim of the last chapter to assess the different features' relevance for agricultural performance under the CAP and to find out how the two states perform. In case of structural differences those shall be explained.

4 DISCUSSION: CAP MEETS EASTERN EUROPEAN PERIPHERY – THE DEVELOPMENT TOWARDS A MODERN AGRICULTURE?

The following chapter is designated as a synthesis bringing together the previous two. While the reader is at first informed about the background of the CAP making it the heavily discussed European policy that it is today, he later learns about the history of agriculture in Poland and Romania. These two countries serve as examples for the agricultural special features in the CEECs. They display the common problems faced by the countries in the European periphery when being confronted with the agricultural political measures applied in the Old EU Member States. These are the low productivity, the low mechanisation, the low quality and health standards, the low degree of large scale farming and the great role that agriculture still plays for the states in Europe's east. At the accession of the NMS it is one of the most heavily discussed questions if including the CEECs is at all desirable for both sides, the EU15 but also the candidate countries, when looking at their agricultures. In this sector, differences between the Old and the New EU-Members seem to be very big. Having been incorporated into the Union and being under CAP rule for several years now, it is interesting to assess how Poland and Romania really perform lately. To find out about this is clearly the most important point of the matter and offers possibilities to learn for possible further enlargements. During Polish and Romanian enlargement negotiations it is discussed at length what would be the best way to foster development and progress but only the academic analysis of the achievements generated by political measures can really reveal what turns out to be successful and what is not. The general aim is always to derive at an agriculture that is understood as modern and competitive and to implement this all over Europe. Consequently, the first question to answer in this chapter is what the European vision of such an agriculture in the CEECs is and to understand in what way the Union tries to support its implementation. The second step is then to assess the actual performance of agriculture in Poland and Romania under European influence. It would be fundamentally wrong to assume that for such an evaluation the time after the EU-entry is most decisive. The opposite is the case. Countries prepare for the Union-entry and bring their agricultures in line with the European system so that at the moment of entry, the systems are already comparably equal. Therefore, the assessment has to focus on developments during the years of preparation and it has to be investigated if tendencies for an increasing level of modernity can be found, in which form they can be found and if they are equal or different in both countries. In case there are discrepancies they have to be explained. This two step analysis then qualifies for further

conclusions and finally the question can be answered whether or not the European influence succeeds in making Poland's and Romania's agricultures more modern.

4.1 A modern European agriculture

A modern form of agriculture is often claimed but in order to develop this it is essential to be clear what modernity in this sector really means. Is the focus on fulfilling consumers' wishes to the cheapest possible price, is it on building up the Member States' rural areas and in case it implies both, how can contradictions between the two requests be solved?

One approach to answer this question is to look at a currently successful agricultural system in Europe and to find out what makes it so outstanding. Here, the candidate of choice is the former GDR. "Die Entwicklung der ostdeutschen Landwirtschaft nach der Wiedervereinigung ist eine ökonomische Erfolgsgeschichte jener Agrarbetriebe, die ihre zu Zeiten der DDR ausgebildeten großbetrieblichen Produktionsformen nach 1990 beibehielten" (Martens 2010:1). They are successful because their large scale farming structure fits the concept of the CAP as it offers very good preconditions for mass production and industrial farming. As soon as these holdings are financially supported they perform exceptionally well so that nowadays this agriculture is "geprägt durch große Betriebe mit hoher Produktivität, guter Gewinnsituation und oftmals umweltverträglichen Produktionsverfahren" (Martens 2010:1). This allows the conclusion that a form of agriculture like the one in East Germany meets the modern standards of what this sector should ideally look like today. Consequently, the goal of all support programs in the eastern European periphery should be to develop a comparable system and to build on the countries' past of a Communist large scale farming. However, nowadays more and more opposition against this model is uttered and it can be doubted if it is still perceived as modern. Even Ciolos's vision of a modern agriculture as he articulates it in his speech on 13th March 2013 differs from the East German model. He sets his focus not on large holdings but wants to initiate a change away from this model.

"This change must be accompanied by additional tools that allow us to respond to the realities of farming and to the expectations of society. Let me give you three examples:

Young farmers - ensuring young people get established in farming is a Europe-wide challenge and therefore warrants a European approach.

Small- and medium-sized holdings - these form part of our food production model and of our economic fabric. In my opinion, the simplified scheme for very small holdings is important. I am also open to the idea of a 'first hectares' bonus.

Less favoured areas. We have to equip ourselves with the means to maintain farming throughout the whole of Europe” (Cioloş 2013).

Obviously, his idea is to refrain from a system of political support for successful industrial large scale agrarian holdings with high productivity rates and to focus on small and medium size holdings instead. A second emphasis is to promote the strict adherence to European standards of cross compliance for all beneficiaries of EU support. Today, there is still room for many exceptions regarding this requirements but “convergence of direct payments should not remain a concept but should become a tangible and ambitious reality by 2019” (Cioloş 2013). Obviously, a different picture of modernity in the agrarian sector is drawn here. Last but not least there is a third version of a modern agriculture in Europe. In times of increasing grocery prices on the world market, an anticipated food shortage due to a change in climatic conditions and a global growth of population as well as an increased energy demand, which could be covered by extending the cultivation of energy crops, one can question if the European Union will continuously be able to permit itself an agrarian model characterised by medium and small scale farming with lower productivity and thus lower output rates. Especially in Europe, where agricultural conditions are more favourable than in most other parts of the world (Marsh and Tangermann 1996:17), it is only logical to increase agricultural production. How to offer wholefood products for Europe and parallel to this supply the world with food?

“Such [...] expectations can only be addressed by the coexistence of intensive agricultural production in regions with good conditions, supplying high added value products to world markets, alongside smaller farms which often operate in more difficult conditions, but offer high quality food primarily to local markets” (Sawicki 2011:6).

Clearly, the ideas of a modern agriculture are diverse and sometimes even contradictory. What distinguishes them is that for each version the underlying time horizon is different. While the first model focuses on a successful agriculture of today, the second idea is about desired developments for the near future and the last model is visionary enough to anticipate the agricultural development under future conditions. How should it now be possible to make a statement about the achievements of the European political measures in making the agricultures of Poland and Romania more modern if the definitions of modernity vary so much? Obviously, another indicator for EU success has to be found.

To evaluate the success of a political measure one should look at its original intention and

compare it to the final outcome to see if all goals could be realized. In the case of the agricultural support in Poland and Romania they “ha[ve] two major goals: First, to contribute to building institutions which [a]re necessary for [a] successful integration with [the] EU and second, to accelerate [the] modernization of agriculture, food industry and rural areas” (Wilkin 2008:477). If this could be realised is examined here.

4.2 Assessing the EU influence on agriculture in Poland and Romania

When studying the European influence on NMSs’ agricultures it is – paradoxically as it might seem – less important to look at the development after the countries’ actual entry to the Union, because this is when standards already have to be established. Instead, the focus is here on the countries’ preparation to meet these European requirements on agriculture, which are included in the CAP regulations, because this is the time when structural changes towards a EU model of agriculture take place. During this time, the EU grants the candidate countries SAPARD payments in order to financially support their efforts of restructuring the agricultural sector. These payments start in 2002 and “there [a]re 15 measures available in the SAPARD program. Each candidate country select[s] some of them according to its priorities in the field of agriculture, food processing and rural development” (Wilkin 2008:478). If investors in Poland or Romania are now willing to launch a project fostering these developments they can seek SAPARD support. The number of projects per investor is limited in order to provide chances for new entrepreneurs instead of supporting already profitably operating big companies. The administration of these requests is organised in a dual structure. A central national institution is incorporated but also decentralised county authorities play a role in promoting the program, consulting applicants and proceeding their forms. In case of a successful application, the local entrepreneur receives SAPARD payments, which are borne by the EU and the particular nation state. As SAPARD measures are regarded as a support to the countries’ preparation for EU-membership, the countries are no longer entitled to such aids upon accession. From then on, the NMS receive SAPS funds, which are a form of direct payment replacing all previous measures. SAPS underlie the same conditions in all NMS and just differ in size. In paying them the EU applies a system of phasing-in so that in the first year only 25% of all SAPS payments are granted, but they rise in 5%- and later 10%-steps each year until the full amount is reached (Stawowiak 2007:371). Right from the start, though, each nation state may grant additional national aids to a maximum of the pre-accession support level (Nello 2002:17). SAPS can be received until 2013 and they are bound to special requests on cross compliance with EU norms. Their standards are lower than for the

other Member States but nevertheless, each nation state is responsible to ensure the recipients' conformity with the EU requirements and the European Commission is entitled to draw control samples. The effectiveness of the aid programmes reflects in the countries' agrarian performance but there are more influencing factors on it. The discussion of Poland's and Romania's agrarian development will thus involve the general economic performance, the developments in agriculture and the details about the aid programs for each country.

4.2.1 Poland

Poland enters the EU in May 2004 and this is when the CAP replaces the country's agricultural policy. However, the collaboration starts already when the Europe Agreement with Poland is concluded in 1991 and tightened in 1997 when accession negotiations begin (Brockmeier 2003:6). Consequently, this is when the assessment of Poland's agrarian sector under the EU begins.

Looking at the Polish economy in recent years in general, one can draw a positive picture of a growth in GDP and a continuously positive development on the domestic market but also of the country's international trade position. Its balance is positive for Poland and covers a value of €13.5 Million. Poland expects to be hit by the financial crisis but the recession fails to appear and so in 2010 the overall economic performance registers a GDP-growth of 3.8% even though only 1.7% are expected (Jabłońska-Urbaniak 2011:9). This trend is unbroken and so also in 2012 the Polish GDP-growth of 2.5% is the highest all over Europe (Ministry of Treasury 2013a). This indicates that even though there is a global financial crisis, Poland's economic success proofs robust enough to not drop and this makes Poland an economically successful country with strong trading partners. Nevertheless, the Polish unemployment rate registers an increase from 12.1% in 2009 to 12.3% in 2010 and is up to 12.4% in 2012. Even though this tendency is not improving, Poland still performs better than the European average in terms of employment (Ministry of Treasury 2013b).

Also the performance of agriculture is positive. The primary sector of predominantly rural areas in Poland presents 8.2% of GVA (European Commission Directorate General for Agriculture and Rural Development 2012:68) and the cross output in this sector constantly rises in the years when Poland's agriculture is under European influence. While in the mid 1990s when Poland just recovers from the tremendous influence of its transition the output level is only slightly above the value of 1990, it is up to 154% of it in 2000 and after years of continuous growth the cross output is by now at 240.9% of the 1990-value (Dmochowska 2012:36 f.). However, a look at the details of this sector is important and first of all, structural

characteristics are of interest. The share of UAA declines to only 8.6% of the country's total area in 2010 even though it is at 13.1% in 2000. The reason for this is mainly to be found in EU incentives for set-asides. Due to the direct payments, which are granted under the CAP and calculated on the basis of historical data, and thanks to an improvement of the conditions for early retirement, laying down agriculture becomes more attractive. Also land prices increase since Poland is part of the EU. These factors in combination cause a reduction of UAA (Jabłońska-Urbaniak 2011:14). Likewise the number of farms reduces since 2002 while their average size is growing simultaneously.

	0-1	1-2	2-3	3-5	5-10	10-15	15-20	20-30	30-50	>50
2000	34.0	15.7	9.4	12.1	15.7	6.5	2.9	2.2	1.0	0.5
2002	33.3	17.6	9.6	11.9	14.6	6.2	2.9	2.1	1.1	0.7
2005	34.6	16.3	9.5	12.0	14.2	6.1	2.8	2.4	1.3	0.8
2007	29.9	16.4	10.6	13.2	15.5	6.5	3.0	2.5	1.5	0.9
2009	29.3	16.5	10.7	13.1	15.6	6.7	3.1	2.5	1.4	1.1
2010	31.4	15.0	10.1	12.7	15.4	6.7	3.2	2.7	1.6	1.2
2011	26.5	17.4	11.4	13.6	15.2	7.0	3.3	2.8	1.6	1.2

Share of Polish farms grouped by their size during the 2000s

(Dmochowska 2012:105)

So indeed, the Polish agricultural sector registers a shift in its holdings' structure and in terms of farm size Poland adjusts to the European model where farms are generally bigger. Not only the farm size, but also the employment structure is subsumed under the topic of agricultural production. For the latter, statistics vary very much because of different underlying standards of calculating productive labour, but the general trend is towards a still high agrarian share of the total workforce. The number is in absolute terms still the highest in Europe and accounts for 12.7% of the population. Interestingly, agriculture does not only offer possibilities for employment in the primary sector but also in the second sector and finally in the service sector. The latter two are about to expand in Poland and one can see that while only 25.3% of all agricultural jobs can be found in the first sector the second and third sectors account for 29.6% and 45.1% respectively (European Commission Directorate General for Agriculture and Rural Development 2012:74). This shows that agriculture offers more and more a variety of jobs and in order to perform them education gains in importance and thus improves significantly (Sawicki 2011:4). It can be concluded to be expanding in rural Poland where even in agriculture the primary sector only accounts for approximately a fourth of all positions. With a tendency to rise people exchange their jobs in agriculture to employment in other sectors and so a trend can be registered towards a

"langsame, aber sichtbare Verbreitung des Modells einer multifunktionellen Landwirtschaft unter kleinen Betrieben, welche nichtlandwirtschaftliche Tätigkeiten aufnehmen und dabei vollständig oder teilweise auf Ausübung landwirtschaftlicher Tätigkeiten verzichten" (Jabłońska-Urbaniak 2011:15).

At the same time as agricultural employment is still very high, great job losses can be found in this sector in recent years, and so one can see that also the unemployment rate in Poland's rural areas increases by 2.5% since 2008 (European Commission Directorate General for Agriculture and Rural Development 2012:84 ff.). In the Polish countryside it is higher than in the urban centres. Another decisive factor in terms of employment is the age structure of the agricultural workforce. While Poland was a country with a high share of elderly people, who improve their old-age pension through self-supplying farming, the government increases incentives for early retirement and now "verfügt[...] Polen [seit] 2007 mit 12% über den höchsten Anteil von Junglandwirten an allen Betriebsinhabern" (Agrarheute 2013d) in Europe. The consequences of this age structure are controversial. On the one hand, young farmers seldom possess a lot of capital. Their holdings are smaller and less equipped and this makes them less productive. On the other hand, a younger workforce has a higher personal productivity and additionally, this age structure bears the potential of development through future accumulation of wealth and investment into the holding. Therefore, the young workforce in agriculture can generally be regarded as a positive development for the future of Poland's agricultural productivity. Looking at today's technological supply, there is a steep increase in the areas' coverage with machinery and chemicals. For years the use of fertilisers and pesticides is much lower than the European average (Petersen, Jan-Erik and Hoogeveen 2004:15 f.). In recent years, though, technology becomes more and more widespread in Poland and while in 2000 only one tractor is used for 14 ha of land, this UAA per tractor falls to 10 ha in 2009. For the private farming sector the number is even lower (Dmochowska 2012:158). While the Polish production of tractors sees a decrease, Europe-wide price differences diminish, and so the continuously high demand of machinery is covered through increasing imports. Also the use of fertilisers increases as they get comparably cheap. While 1,526,500 tonnes are applied in 1999/2000 this number rises to 1,954,400 tonnes in 2010/2011 (Dmochowska 2012:163). Even though the cultivated area diminishes and also the labour force in rural regions gets more diverse instead of focusing on the production of agricultural output only, this does not reflect negatively upon the production output, which is relatively stable since 2000. Regarding horticulture, Poland ranks among the European top performers and this sector of agricultural production is still dominant. Nevertheless, the crop

production sees a decline between 2009 and 2010 but this can be explained by disadvantageous weather conditions. In contrast to this, animal production increases. Regarding livestock the Polish production level is among Europe's top10 even though here the performance is not as outstanding as for crops (Dmochowska 2012:412). Going into detail about the commodities, a shift in production can be seen.

“Rückläufig sind Anbauflächen für Getreide (um 12%), Kartoffeln (um 51.8%) und Zuckerrüben (um fast 32%). Angestiegen dagegen sind Anbauflächen für Raps (um 115%) und Futterpflanzen (um 60%). [Außerdem gibt es einen] Anstieg des Viehbestandes insgesamt, während der Kuhbestand rückläufig [ist]. Dieser Trend ist die Folge eines verstärkten Interesses an Schlachtrindererzeugung nach dem EU-Beitritt und der verbesserten Rentabilität. Der Abbau des Kuhbestands ist auf die Einführung der Milchquotenregelung nach dem EU-Beitritt, sowie auf hohe Qualitätsanforderungen an Kuhmilch zurückzuführen” (Jabłońska-Urbaniak 2011:15).

Looking at the prices of grocery they face a stronger increase than the prices of agricultural production input. The first lies at 108.6% while the latter only increases to 101.3% (Jabłońska-Urbaniak 2011:25). This has as a consequence that more income can be generated in the agricultural sector but the major part of income increases has to be explained by the steady increase in direct payments granted by the EU. The price development does not have a negative influence on the people's consumption pattern as generally the country performs well and incomes but also pensions rise. Instead, there are other reasons for a reduced production of wheat in Poland. What seems contradictory at first – the decrease of wheat consumption while generally the conditions for consumption are positive – has an easy explanation: With growing wealth the consumers' preferences change and also the population declines in total numbers. However, the overall Polish consumption is not threatened by a slump as the individual consumption is by 3.2% higher than in 2009 (Jabłońska-Urbaniak 2011:51) and this good domestic demand offers a solid base for agricultural selling. Poland also starts promotion campaigns for its gastronomic specialities and the market for these high value products is promising both on the national and international level (Jabłońska-Urbaniak 2011:60). Since 2003 Poland has continuously been a net-exporter of agricultural products. With a value of €13 Billion, they account for an important part of the Polish international trade (Sawicki 2011:5). As a great share of the processing food industry is in private hands in the early 2000s, this provides a good possibility for FDIs and now 45% to 50% of these enterprises are foreign owned (Jansik 2004:315 f.). Their products are sold on the international market and so Poland is an exporter of high value processed food mainly to

other EU-countries.

Noticing all these changes one question naturally comes up. What causes this development? As explained above, reasons are manifold but nevertheless politics have a decisive impact. It starts in 2000 when the Commission signs the Polish proposal for a common operational SAPARD program. This is when organisational preparation for the program's implementation in Poland begins and from July 2002 on Poland becomes the greatest receiver of SAPARD funds, which make up for €945,644,705 whereof the European Union accounts for €709,409,786 and €236,234,919 is carried by the Polish state (Ministry of Agriculture and Rural Development 2000:181). The most important needs of the agrarian sector in Poland are identified and in order to prepare for EU accession

“the following strategic objectives for the SAPARD programme [are] set out:

improvement of the economic viability of the Polish agri-food sector in both domestic and international markets;

adjustment of the Polish agri-food sector to sanitary, hygiene and quality standards of the Single Market; and

encouragement of multifunctional rural development, especially via developing technical infrastructure and creating conditions for non-agricultural economic activities in rural areas“ (Ministry of Agriculture and Rural Development 2000:29)

and this means that both SAPARD priority axes – “the improvement of the market efficiency of the agri-food sector [and the] improvement of conditions for economic activities and job creation” (Ministry of Agriculture and Rural Development 2000:29) are met. A great share of the agricultural problems so far could be explained by a capital scarcity. This is why in concrete terms funds are used for the improvement of the processing and marketing of food and fishery products, for investment in agricultural holdings, for the improvement in rural infrastructure, for the diversification of economic activities in rural areas providing for multiple activities and alternative income, for agri-environmental measures and afforestation and finally also for vocational training (Ministry of Agriculture and Rural Development 2000:29 ff.). On the Polish side, the programme is managed by the Ministry of Agriculture and Rural Development, which also helps to find additional financial resources to cover the costs for projects when the entrepreneurs apply for European support funds. This agency has a long established tradition and is both familiar and successful with the administration of agricultural projects (Cochrane 2008). This also explains the great success in implementing

the program. More applications reach the ministry than can be accepted but every approved proposal is accepted by the EU and hence Poland has a consumption rate of 100% of the structural funds. 80% of this money is used to cover costs on farmers' pensions as they are extended especially for early retirement. Even though this is often criticised for not being profit generating it can still be seen as a successful structural measure that lowers farmers' average age in Poland. The criticism about funds not being used for introducing a working market economy is that

“firstly, a considerable part of the population living in rural areas function separately from the reality of the market economy because they are provided with free healthcare and social insurance. Secondly, these transfers are mainly directed at elderly people. Thirdly, as little as 20% of the transfers from the budget to the benefit of agriculture are spent on development and investment” (Grzegorz 2005:185).

However, criticism is not limited to the relative distribution of payments only. It is questionable if the main structural problems in Polish agriculture are at all touched upon when looking at who benefits most from the programme. The European funds rather seem to foster agricultural players that would have been comparably successful even without the support funds while the disadvantaged parts of agriculture still remain a hidden reserve of productivity gains that is not activated through the political measures. This impression comes up because the already rich regions in Poland with a good infrastructure submit disproportionately many successful applications. Thus funds go to the areas that are already comparably well equipped because they meet standards while the really needy regions remain underdeveloped. This weakness can be explained by the relatively decentralised administration of the programme where local authorities are either not involved or poorly informed and therefore not able to advice potential applicants properly. At the same time as the program favours developed regions over areas that lack behind, also successful farmers and agricultural entrepreneurs are favoured over small and medium scale farmers. Due to their sheer size and their ability to seek assistance, their chances to successfully apply for support programs are much higher (Grzegorz 2005:184 ff.). After the ending of these funds in 2004 Poland enters the European Union. The country is now entitled to receive SAPS payments and even though they are not granted to their maximum from the very beginning, the Polish national share is high enough to compensate this and to keep the farmers' remunerations at a constant level. The CAP's achievements are a speeding up of Poland's development in the agrarian sector but also in rural areas in general. 50% of all SAPS payments are used for businesses not directly in agriculture but tied to it. Direct payments are important “as they partially compensate[...] the costs

incurred by agricultural producers for the costs of adjustment and becoming compliant with the EU requirements“ (Sawicki 2011:4).

4.2.2 Romania

Being informed about the recent Polish developments in the agricultural sector and having understood the European influence thereof, it is now important to learn about the respective developments in Romania. Again, the time period, in which Romanian agriculture is influenced by EU measures, starts before the entry into the Union. In Romania, the adjustment to the EU is a little later than in Poland. Here, the Europe Agreement is concluded in 1996 and accession negotiations start in 2002 (Brockmeier 2003:6 f.). The country finally becomes a member of the European Union in 2007 and together with Bulgaria it is the youngest Member State. Consequently, also the time spent under a European influence is shorter and therefore achievements cannot be as far reaching as in Poland, yet. Another consequence of the short time period is that the assessment of progress is much more difficult as it is still very early to see structural changes in Romania's agriculture.

The country's general economic performance is opposed to that in Poland. While the latter proves robust against the financial crisis, Romania is hit hard. The country overcomes communism without accumulating any foreign debt and after its transformation years Romania attracts foreign investors involving in measures of reconstruction. However, this growth is based on credits. When trust is lost, the country has to turn to the IMF and the EU for financial support (Lütz and Kranke 2010:6 ff.) and Romania faces a recession. Only in 2011 the country's GDP-growth turns positive again and in 2012 it is subdued to 0.8% with domestic demand as a main driver so that a slow recovery is expected also in the future. The prospects for employment are not as optimistic and the unemployment rate of 7.4% cannot be reduced (European Commission Directorate-General for Economic and Financial Affairs 2012:99 f.). Nevertheless, this number is very low compared to the European average. In addition to this, the country's inflation increases significantly and this is mainly due to rising food prices. This shows how important the agricultural sector is for the overall development of the country.

The same trend as for the Romanian economy in general can also be found for agriculture and this is not surprising because the sector is still very large in Romania. Even though its share in GVA is lower now than it has ever been before its average is at about 10% for the years since 2000 while 2004 is an extraordinarily good agricultural year with a GVA of 14%. Simultaneously to the general reduction in agricultural GVA a slight decrease in UAA is

registered. From 13,931,000 ha in 2002 the number falls to 13,298,000 ha in 2010. At the same time also the number of holdings reduces. In the General Agricultural Census of 2010 it is by 14% lower than in the same survey of the year 2002. This leads to an increased average farm size.

“The used agricultural area returning on average in 2010 on a farm [i]s 3.45 ha, compared to 3.11 in 2002. The used agricultural area returning on average per unincorporated farm [i]s 1.95 ha (1.73 ha compared to 2002) and 190.84 ha on a farm with legal personality (compared with 274.43 ha in 2002)” (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:28).

Nevertheless, small farms still dominate the overall structure by far. Looking at the distribution of farms the following picture displays:

	0-1 ha	1-5 ha	5-10 ha	10-50 ha	50-100 ha	> 100 ha
% of total	44.9	45.7	7.0	2.0	0.1	0.2
% of UAA	5.0	31.7	13.9	9.5	2.4	37.6

Romanian pattern of farm distribution by UAA size and classes

(Cionga, Luca, and Hubbard 2008:6 f.)

A decline can also be registered in the traditionally very high agricultural employment rate. Here the problem is the same as for Polish statistics where the classification of manpower is so diverse that also numbers vary a lot. Nevertheless, the employment rate in the sector decreases by 41.1% since 2000 and is now down to 23.4%. In a Europe-wide comparison, this number is still high but the trend of a strong decline is typical for CEECs with a traditionally large agriculture. During the last years, the countries, where the agrarian sector dominates the employment structure, face the most severe job losses (Dachin 2011:153). In all the above mentioned aspects, the picture of contemporary agriculture in Romania is still structurally different from the rest of Europe but the tendency towards an increasing approximation is obvious. This is different when looking at how work in agriculture is split among the three sectors. Here, Romania is not modern and obtains the last score Europe-wide with 39% of all rural employment in the primary sector and only 28.3% in the second as well as 32.7% in the third sector (European Commission Directorate General for Agriculture and Rural Development 2012:74). Drawing conclusions from this observation, it becomes clear that productivity is still low as a lot of manpower is applied in the agricultural sector and also agriculture is still traditional indicated by a strong primary sector. This thesis is supported when looking at the development of unemployment in rural areas. Here the rate is at 7.4%, which is exactly the same rate as for the country in general but compared to 2008 this number

risers by 1.3% (European Commission Directorate General for Agriculture and Rural Development 2012:84). Alternatives to a position in agriculture are rare in Romania's rural areas because in these underdeveloped parts of the country not only the infrastructural preconditions for a modern agriculture but for all forms of a contemporary economy are difficult. Compared to the agricultural sector

“the non-agricultural rural enterprises face similar impediments. In the rural financial sector, the relatively high transaction and risk costs involved in the supply of financial services to small-scale agriculture interfere with the willingness of intermediaries to serve the potential clientele” (Heidhues and Von Braun 2000:185).

This shows that the strong agricultural sector is not able to create a market for also other forms of employment but apart from this there is another explanation for the unemployment rate in rural areas, which is not above the Romanian mean. The agricultural sector still sponges up unemployment hiding its true value and there is no trend towards overcoming this tendency. Nevertheless, one must not forget that compared to Poland the employment structure in rural Romania is still good. While in the first country unemployment rates are above the country's average in this area Romania is perfectly at the average and while unemployment increases steeply in Poland the increase in Romania is minor and clearly better than the European mean value. What is negative for Romania is the socio-economic structure in the country's rural areas. A brain drain can be registered where the young and well educated leave the rural areas for life in the urban centres or outside the country and so between 2002 and 2009 5.2% of the population are lost (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:8). This means that mainly old people remain in the agricultural sector and indeed Romania has the oldest agricultural workforce all over Europe with a share of elderly people of up to 65% (Agrarheute 2013d) even though the Romanian government doubles the agricultural pensions in 2004. A comparably old working population only possesses a relatively low productivity and the generated output is not high. Naturally, these farmers maintain their small-farm not to create surpluses but in order to farm in semi-subsistence holdings and indeed 55.7% of all European small-farms can be found in Romania, which is on the first rank followed by Poland, where 22.9% of all farms are maintained for this reason (European Commission Directorate General for Agriculture and Rural Development 2012:116). As farming for the personal needs only does not generate winnings the re-investment in the holding cannot be high either and this reflects in the low technological supply of the agricultural sector. However, Romania was so poorly equipped with technology that the increase between 2000 and 2007 is significant as a lot of state subventions are

granted for this. While before one tractor is used for an agricultural area of 92.8 ha this number falls steeply to 77.8 ha. Nevertheless, this is still much more than the European average of 20.1 ha and Bulgaria is the only country in the EU where less machinery is available. The use of chemical products and fertilisers was low in communist times and is still today. What can be seen as a disadvantage turns out to be the opposite. Due to the long lasting undersupply with chemicals the Romanian soil, which contains only minimal leftovers of ecologically critical substances, offers very good conditions for producing wholefood.

“Seit 2000 wirkt auch der Gesetzgeber auf diesem Gebiet. Es wurde bereits eine Behörde eingerichtet, die für die Akkreditierung ökologischer Erzeugnisse und für die Anpassung der rumänischen Produktions- und Inspektionsvorschriften an das EU-Regelwerk zuständig ist” (Gabanyi 2003:26).

This gives Romania the possibility to use the demand for wholefood products in the rich European nations as a market for an increase of its exports in this sector. The domestic market for these more expensive commodities is practically inexistent but Romania can export to the European Union. In 2011 exports account for €250 Million which is enormous when compared to the €100 Million of the previous year (Agrarheute 2013e). This is a great potential because so far Romania is in a disadvantageous position regarding trade with the other European States. The country spends the first half of its adaption phase on establishing the basis to meet European quality and security standards and they improve a lot but nevertheless there are the obstacles of “die im EU-Vergleich niedrigere Qualität der Produkte, die Ineffizienz der verarbeitenden Industrie, die schwach entwickelte Marktinfrastuktur und die hohen Transportkosten” (Gabanyi 2003:24). As Romania’s processing industry is poorly developed the country has to import many processed commodities while the export still focuses on primary products. The example of poultry export in 2012 makes that obvious. It increases by 18.4% compared to the year before and besides the EU also the Arabic countries are important receivers. They buy the meat, which will then be processed. Pork-exports gain in importance as well (Agrarheute 2013f) and this displays the trend of an improving Romanian trade position. For all livestock apart from cattle Romania increases its European exports between the years 2000 and 2010, the focus on poultry comes along with an increased production and export of eggs, dairy products remain on a constant level and regarding crop production the trade with potatoes is bettering but the most successful product for exports is cereals where the yields per ha increase from 18,600 tonnes to 33,300 tonnes (Dmochowska 2012:416 ff.).

The Romanian case makes clear that since the time when the country’s agriculture is first

exposed to the European influence many aspects that had been a matter of concern for the sector can be addressed. However, this does not necessarily mean, that the EU-funds are responsible for this development. To find this out one has to know about the political and institutional circumstances of the recent developments. Romania receives SAPARD payments to develop its agriculture towards a more Europe like model. The country's programme proposal is accepted by the European Commission in 2000 and in August 2002 Romania receives the first payments. A total of €150,636 Million EU-funds are granted and this represents 75% of all SAPARD money. The remaining 25% come from the Romanian side and this turns out to be one of the main obstacles to distribute payments because the SAPARD money only serves as a reimbursement but not as a payment in advance (Stoian 2005:207 ff.). This is why in order to launch a project, credits are needed and they are often difficult to obtain. Nevertheless, after Poland Romania is the second biggest profiteer of EU-funds (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:82). This money is intended to meet the most current needs, which in Romania are not limited to agriculture but are closely interrelated to the development of the rural area as a whole, and therefore the Romanian SAPARD version addresses mainly four priorities. The first is the improvement of market access and competitiveness of processed agricultural products, second there is the improvement of infrastructure for rural development and agriculture, thirdly developing the rural economy is important and finally human resources need to be put into focus. These general ideas are put into practise through several measures. For the first priority, this is to improve the processing and the marketing for agricultural and fishery products and also to improve the structures for quality, veterinary and plant health control, for the quality of food and for consumers' protection. The second priority is accounted for by a focus on the development and improvement of the rural infrastructure, which touches upon the infrastructure such as public roads and the supply with drinking water but also a good sewage system. Under the third priority a wide variety of projects are subsumed. Those are the investments in agricultural holdings, the setting up of producers' groups, the establishing of agricultural production methods designed to protect the environment and to maintain the countryside, the development and diversification of economic activities which are supposed to generate multiple activities and alternative incomes and finally also the fostering of forestry. The forth priority on human resources is put into action by a focus on the improvement of vocational training and also through technical assistance (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:71 ff.). Before the implementation of the measures, other obstacles have to be met. In Romania the institutional structure is very poorly developed and

the existing entities are not able to meet the EU requirements to control the applicants compliance with formal criteria. Therefore, a new agency is needed to coordinate the decentralised program together with the local public authorities all over Romania. This tasks proofs to be very demanding and discontinuous. The managing authority changes more than once. At first, the Ministry of European Integration is commissioned to coordinate the program. Then, authority is given to the Ministry of Finances and finally the Ministry of Agriculture, Forestry and Rural Development is in charge of the SAPARD coordination (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:55). This causes delays so that in 2003 SAPARD payments are temporarily stopped and it leads to confusion among the applicants but in the end the centralised authorities are still better evaluated than the partners in the counties, which are often criticised for being uninformed about the complex system and thus unable to consult interested potential recipients. For an application to be approved a lot of information is needed and many standards have to be met and this makes the application process very difficult. On the other hand, these very strict requirements lead to transparency and limit the possibilities for corruption to a minimum (Stoian 2005:211) and even if there is the demand to simplify the process this transparency and the establishment of a functioning institutional structure can also be evaluated as an achievement of the SAPARD implementation. The measurable results of the program, are that “almost two thirds of the investment would not have been implemented, if support was not available” (Stoian 2005:216). Nevertheless, many projects fail to be approved and only 88% of Romania’s funds can really be accessed (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:88). From 2007 on when Romania is allowed to join the EU, the country is entitled to direct payments as a measure of agricultural support. These SAPS are granted to holdings in the horticulture sector with a minimal size of 0.3 ha and also to livestock farms. In total a sum of about €12 Billion for the years 2007 to 2013 is granted (Mocanu 2009:318) and payouts are distributed over the years while they are constantly increasing. At the same time they can be topped up by Romanian national funds. Due to the fact that the spending of these funds is still going on it is too early to assess their success. What can be said, though, is that thanks to the experiences gained with the SAPARD programme the formal requirements are eased while the requirements on compliance with EU-norms regarding hygiene, safety and environmental standards are still valid.

4.2.3 Contrasting Poland’s and Romania’s agricultural performance under the EU influence

The analysis of the countries’ performance under the influence of the EU makes clear that in

both cases it is not only the agricultural sector that the structural support programmes address to but they also expend their influence to the rural areas as a whole including also the food-processing industry. This is evidence for the finding that a development guiding agriculture towards any of the modern European models cannot take place in isolation but is entangled with many other economic and socio-demographic factors. What then is the answer to the question if EU-funds in Poland and Romania – primarily the SAPARD payments – reach their goals of institution building and modernising the agriculture, the food industry and the rural areas?

The first assumption would be that the agricultural development in Romania outrages the one in Poland by far. While the first has always been one of the pioneers in Soviet large scale farming the latter has never successfully overcome small scale farming. As the example of East Germany shows, the communist agricultural structure can turn out to be very beneficial for agriculture under the current form of the CAP and as soon as the sector sees investments it can flourish because “in those countries which preserved the large-scale farming structures of the collectivist era, agriculture turn[s] out to be more tailored to global competition than in countries where substantial restructuring into small (subsistence) farms took place” (Petrick and Weingarten 2004:9). Consequently, Romania should expect a more successful development than Poland. On the other hand, history also makes clear that the advantages of large scale farming are lost during the years of transformation when privatisation minors farm sizes in both countries and Romania thus has no structural advantage any more (Balint 2004:238). Taking this factor into account one has to expect that now Poland has better conditions for success under the EU-influence. In communist times the country’s economy already includes functioning markets that are accepted and incorporated into the communist economic system while in Romania the planned economy strictly rules the sector and also regarding employment rates the Polish pattern is much more like the west European employment structure than the Romanian. However, as can be seen neither this situation arises where Poland excels Romania by far. When assessing the SAPARD payments’ success by comparing their original intention to the achieved results, the accomplishments are little.

The SAPARD goals for Poland to improve its viability on domestic and international markets, to update its processing industry to current sanitary and hygiene standards and to develop the non-agricultural structure in rural areas (Ministry of Agriculture and Rural Development 2000:29) seem to be achieved at the first glance. Rural areas in Poland are so attractive that it is one of the view countries in Europe where migration movements go from urban to rural and not the other way round (Sawicki 2011:6). The high EU-requirements to access funds make

the agricultural business more demanding (Wilkin 2008:484) but they also create an incentive to have up to date knowledge, which is needed to access EU-funds, and hence young, well educated people are in an advantageous position and thus attracted to the sector (European Commission Directorate General for Agriculture and Rural Development 2012:25). This helps to vitalise rural areas in general which then reflects back on agriculture as well. Poland is successfully establishing a market for agri-tourism, which serves as another branch in rural areas, and along with this comes an increased interest in handicraft products not least because successfully promoted delicacies are often fabricated in this traditional way. Thus, this is another expanding branch of the economy in rural regions (Jabłońska-Urbaniak 2011). Even the processing industry grows stronger. All of this seems to indicate an overall positive agricultural development in Poland and indeed even on the EU-level the perception is that “many of the relevant statistics tell an encouraging story” (Fischer Boel 2009). However, looking critically at the statistics gives reason to question this success. When focusing on who benefits from the Polish support it gets obvious that most development is registered in the economic branches around agriculture while in the sector itself the greatest profiteers are large scale farmers (Knorr 2004:8) in regions that have always had comparably good economical and infrastructural preconditions and now extend their lead instead of fostering areas, which have always been lacking behind (Grzegorz 2005:179). The few advantaged regions indeed gain from the SAPARD program but the Polish problem of great discrepancies in the country still persists. Instead of providing more jobs and decreasing unemployment in rural areas income rises for those already in work (Grzegorz 2005:188) and if agriculture related jobs are created they are mainly not located in a profitable sector of agriculture but in the administration of EU-forms. The complex application requirements bring “about not only prolonged procedures but also the necessity to employ additional officials at the [central] headquarters, who perform[...] the same works as their colleagues in the regional branches” (Grzegorz 2005:190). So statistics show an upwards trend but it is minimal and occurs slowly (Dmochowska 2012). When looking at the SAPARD success story in Poland the overall assessment should in fairness be evaluated as an incremental improvement instead of an agrarian reform overcoming the real weaknesses. The success lies rather in Poland’s ability to access all its funds and in applying them than in approaching the country’s real agrarian problems.

In the Romanian case, the primary goal is not quite the same as in Poland but more fundamental. Apart from the aim to improve the competitiveness of processed food and to expand the rural infrastructure and economy a focus is set on raising the education level in

rural areas and to have the well educated people working in institutions capable of administrating European standards. The achievements measured in hard facts fall short of those in Poland.

“The rural economy is weakly diversified and still dependant on the agricultural activities, which has as result low incomes for the entrepreneurs from the rural areas. Entrepreneurial development is weakly represented in the rural areas as effect of limited material resources, of poor education, of the low level of utilities, as well as of the phenomenon of temporary massive migration to urban areas or abroad” (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:74).

This shows that not only the goal of fostering the rural economic development is underachieved but also the focus on the expansion of education is not satisfactory. This negative influence of an economically weak agriculture has consequences for all other businesses in rural areas as well. Handicraft and services play an insignificant role and as incomes and pensions in agriculture are low even though they see increases, there is little investments to stimulate other sectors. Even the tourism sector still has a lot of undeveloped capacities (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:74). The processing industry is poorly developed and the current problems of Romania’s agriculture today are unchanged the rural population’s average age, the low degree of mechanisation and thus of productivity, the parcelled land structure since privatisation, the low activity in the secondary and tertiary sectors in agriculture. Especially the “low level of purchase of inputs is probably mainly due to the lack of financial resources of the households, however input related transaction costs may be also influential” (Balint 2004:245). It seems paradoxical that the greatest problem is a lack of financial resources even though the EU-funds are prepared to offer exactly this but there is a fundamental problem to it. This is the low consumption rate of this money in Romania. Only legal bodies are potential recipients of payments and not private people and candidates criticise that there is too much bureaucracy and too little information involved to successfully complete an application for funds (Stoian 2005:214 ff.). This makes it impossible to access funds that could technically be used for investments. The reasons for the complications are banal but fundamental. While in Poland the institutions are criticised for being unable to inform people properly due to a lack of knowledge and experience, this situation is even worse in Romania, where institutions administrating political measures did not even exist in the past (Marquardt, Buchenrieder, and Möllers 2009:100). Here the EU partner institutions are not only confronted with new political measures but at the beginning of the SAPARD payments the actual Romanian central organisation does not exist yet and

needs to be established (Ecosfera V.I.C. and Agriculture Capital & Engineering 2011:22). Of course this completely inexperienced agency faces problems when trying to correctly inform about complex processes and to support applicants in meeting all bureaucratic standards that are generally described as too extended. An easy solution seems to be to lower the formal requirements on applications but this is not possible as only thanks to clear regulations and transparency

“the possibility for corruption during the implementation of the program is very much limited. [This is considered] a big step forward as compared to the Romanian bureaucracy, and also as compared to other preaccession program implementation. However it pays a complexity cost, which impedes the effectiveness of the program” (Stoian 2005:211).

Indeed Romania suffers from one of the highest corruption rates all over Europe scoring 66 while Poland is on rank 41 and low numbers indicate a low corruption (Transparency International 2013). This means that even though the actual output of the SAPARD programme in the agricultural sector or the rural areas is less impressive than in Poland and hence Romania is never mentioned as a role model on the European level, this country starts its development towards compliance with the EU-model from a much lower lever and here it is indeed possible to initiate reformative changes. The overall assessment is thus that “the level of effectiveness of application of procedures [is] satisfactory. [However] a leap forward [is made] in the institutional building of bodies that can interact and respect the EU rules and [be] the best example for the Romanian bureaucracy” (Stoian 2005:212) and this has to be seen as a crucial and very important progress.

Apart from the fact that the modernisation process starts at the level of incremental improvements in Poland while in Romania radical improvements in the form of institution building dominate the political agenda there are other circumstances that have to be accounted for. Besides the size and the focus of EU-funds there are more factors influencing the investments into the agrarian sector. Such contextual factors form the background of the SAPARD and also CAP conditions. Those are topics like the public perception of the EU in the respective country, the bargaining during accession negotiations and the overall economic situation and finally the weather conditions reflecting upon agriculture. When looking at how the public perceives the EU-regulations it becomes clear that the Polish public opinion before accession is very critical (Stawowiak 2007:114) and thus anxiously observing that Poland negotiates the best possible deal for its accession. The reason for the fear of being treated like second class Europeans is due to three factors:

The “painful experience with market reforms and restructuring of agriculture during [the] post-communist transformation; [the] asymmetrical trade liberalization between [the] EU and [the] CEECs in the 1990s; [the] complicated, bureaucratic, and not transparent nature of [the] CAP” (Wilkin 2008:479).

This is reason enough for the Polish negotiation partners to insist on their positions and indeed the outcome of the negotiations is very advantageous for the country (Stawowiak 2007:350 ff.). In Romania by contrast “werden die im Zuge der EU-Integration fälligen Reformmaßnahmen in der rumänischen Öffentlichkeit als sinnvoll und notwendig angesehen” (Gabanyi 2003:19), which on the one hand facilitates their implementation but this also leads to a greater level of acceptance of the outcome of the accession negotiations even if Romania does not at all bargain as successfully as Poland. The country’s conditions for entering the EU are less favourable than three years before. The European negotiation partners are very strict as the Union still digests the 2004 incorporation, discusses critically about a European constitution and also considers the EU-entry of Turkey. In addition to this, the Romania negotiation partners are still inexperienced and about to learn how policy making works. Also, they have to convince not only the international antagonists but simultaneously they struggle for acceptance among the own population (Orban 2006:78 ff.) and thus the deal that Romania can negotiate creates less favourable conditions than the Polish agreements three years earlier. While Poland has a very stronger farmer lobby pushing its interests the Romanian farmers are more devotionally accepting the conditions the EU confronts them with. This reflects on the countries’ leeway of how successful the general conditions allow the agricultural sector to be. Another influencing factor on investments into the sector is the overall economic performance, which is good in Poland and unstable in Romania suffering from the financial crisis. On the other hand, statistics make clear that the overall performance of Romania is lower than in Poland because the years of crisis lower the average but after the crisis the country’s agriculture catches up quickly, which shows that the overall conditions in agriculture indeed allow economic success if also other preconditions are right (European Commission Directorate General for Agriculture and Rural Development 2012). Finally, the influence of weather conditions plays a role in this sector. While the year 2004 offers excellent farming conditions in Europe and leads to great yields, they are less favourable now and this lowers the overall output especially if it is compared to former achievements (Jabłońska-Urbaniak 2011). One can thus see that the overall performance of Romania under European influence might at the first glance seem lower than the one of Poland but apart from the fact that there is a variety of influencing factors on the agrarian performance of a country and

those are different in Romania and Poland the former starts its development from a lower level in there it is capable of launching fundamental reforms while the latter for the most parts already meets the basic requirements for a modern form of agriculture and thus achievements remain incremental.

4.3 Conclusion: Future modernity in Poland and Romania

The chapter on the influence the EU has to make Poland's and Romania's agriculture more modern makes clear how difficult it is to measure this modernity. At the beginning there is the question what the European vision of a modern agriculture is and here the answers are not clear. While a large scale industrial farming appears modern today the future of modernity might lie in a less centralised farming. An even more visionary view is to have a polarised agrarian structure with large scale farming for mass consumption and the alternatives of small and medium holdings for high quality demands. As there is no clear vision of it it is thus not possible to judge Poland's and Romania's agricultures as modern or not. Instead it has to be assessed if the goals of the EU-fund-programmes could be achieved. At the first glance, Poland performs much better than Romania but this impression is misleading. Poland is able to better access the EU-funds and to make use of them but its real structural weaknesses remain. Instead, the Polish EU-payments seem to improve agrarian conditions where the sector is already well off while the underdeveloped regions are still unreached. Romania on the other hand has a much lower success rate applying its funds gainfully but there the achievements of building institutions and fighting corruption are indeed addressed and so improvements are more radical than the incremental development of Poland. This reveals that the overall agrarian performance is not a very appropriate indicator for the success of EU-programmes especially because also other factors influence this agrarian performance such as the public perception of the EU, the negotiation process of EU-conditions regarding agriculture, the overall economic performance of a country and finally also weather conditions. When only looking at the agrarian structure, the conclusion is that Poland is on a slow but efficient way forwards. Right now it uses its agriculturally strong sides but in the future this might give the country the possibility to reach its full potential when also fostering weak areas one day. The EU plays an important role in so far that it supports and accelerates this developments but the EU does not initiate change here as Polish preconditions were already developed. In Romania, on the other hand, the agrarian sector does not appear to perform well but indeed its structural preconditions are not worse than those of Poland and the branch of economy quickly catches up as soon as the surrounding is favourable. Here, the underlying problems is

a more general one because what Romania lacks is not an agrarian structure but a dependable and transparent institutional framework and the EU helps to bring this into being. In case this continues to be successful it can be seen as a radical improvement enabling the agrarian sector to draw profits in the future. EU-payments are consequently not in vain even though they do not show off in current statistics.

The Polish and the Romanian sector thus are on their way to have equally good preconditions for modernity whatever this modern version of agriculture will look like.

5 CONCLUSION

The Characteristics of the Agricultural Sector in Poland and Romania and its performance under the EU-Influence

The headline guides the reader through the whole paper and is answered in three steps. It becomes clear that there are great historical differences between the long term EU-Members and the CEECs in terms of agriculture. The question naturally rises if the CAP can at all fit the needs of the agricultures in eastern Europe and what the consequences are when both are brought together. This is examined here at the example of Poland and Romania as they are the two biggest agricultures in the region with the highest employment share in this sector. In order to understand the complex mechanisms of interaction a lot of background knowledge is needed. This is why first, the CAP evolution is explained, then the countries' historical development is described and in a last step these two topics are brought together when judging the consequences of the EU-influence on the two countries.

It gets clear that the CAP is originally designed to guarantee a sufficient food supply in Europe and to even-handedly respect the interests of farmers and consumers. This creates an inner contradiction and also the fact that each EU-member has a different demand towards an agricultural policy causes the CAP to be expensive but resistant to any changes or improvements. Self-sufficiency is quickly reached and from then on the agrarian sector creates great surpluses. Only when the economic and political pressure on the CAP gets too much the policy can be radically changed. Even though today's CAP preserves its original goals it is now a more holistic policy also including environmental aspects and addressing not only market but also structural demands. The CAP developed from a static policy of insulating farmers from the free market to a policy allowing flexibility as it provides a safety-net for farmers but enables them to react to market demands. Even surpluses are no topic of concern any longer but this is not so much due to an improvement of the common policy but to changed conditions on the world market. While for years, the European vision of a modern agriculture was the very efficient large scale farming where great yields can be generated there is an ongoing discussion if the CAP should put more focus on the small and medium size farming sector. Reforms are just going on right now and by the end of the year a reformed CAP will be ready for implementation. The subsequent chapter puts the focus again on a historical development but now the focus is on the agrarian sectors in Poland and Romania. These two countries represent the biggest eastern European agricultures and many of their structural problems are the same even though their performance in Communist times was different. In

Soviet times, Poland mainly maintained its small scale farming, had comparably free markets, in large parts met the population's food demand and was able to export high quality food. Romania, on the other hand, was collectivised but suffered from political miss-guidance so that no free markets existed, the populations' needs for food were commonly ignored and could not be covered and also the production outcome was disadvantageous for Romania. Due to a lack of investment the country could only export low value unprocessed agrarian products and thus exports never helped the country to prosper but rather led to a depletion of the agrarian sector. After the years of transformation, the structure in both countries became relatively equal and thus they face the same problems which are a too parcelled small scale agrarian structure, a high employment rate in the agrarian sector, low productivity, a low degree of mechanisation and thus great difficulties to meet the EUs demands on hygiene and quality standards. Also the trade balance is less positive at the time when both countries prepare for the entry into the European Union. Finally, the last chapter brings the two together and assesses the outcomes of Poland's and Romania's preparation efforts to become a member of the Union and thus to harmonise their agricultures with the European model of a modern agriculture. To assess this is more difficult than it might seem at first because there is not even a common vision of what a modern agriculture in Europe is. Therefore, the success can only be evaluated by comparing the original goals of the EU-influence with the results it generates. At the first glance, the data seems to indicate that Poland performs much better under the EU-influence than Romania. A second look then reveals that the impression is misleading and that the agrarian performance is more influenced by factors lying outside the agrarian sector than by the agricultural structure itself. In fact, when looking at how many of the support programmes' goals could be realized it becomes clear that Poland successfully uses its funds to promote its already successful regions while other rural areas remain underdeveloped. In Romania, the concrete achievements are rather low but this is not due to the fact that the agrarian structure is worse than in Poland but instead the country lacks functioning institutions and suffers from corruption. Consequently, the EU-funds focus less on the agrarian development per se but on the establishment of the most fundamental preconditions in order to then be able to address the development of the agrarian sector in a second step. One can thus see that the achievements of agrarian changes in Poland are incremental while in Romania radical improvements are initiated through the EU-support funds. The overall conclusion is thus that thanks to EU-funds both countries are now better prepared to meet the requirements that a modern agriculture will put.

From an eastern European point of view the CAP has always been described as a moving

target and this it is still today. The visions of a modern agriculture are so diverse that it is not possible to tell now in which direction to develop. It could be beneficial on the long term to recentralise the agrarian structures in Poland and Romania thus allowing more large scale farming and higher productivity. It might as well be that the future of the CAP lies in the more environmental-friendly small and medium size farming and thus it could be best to preserve this structure, which emerged during the years of transformation and privatisation. When the two countries concluded the Europe Agreements it was generally seen with sorrow that the large scale farming was lost after the communist breakdown. It would be good to avoid taking hasty measures now and a planning today should be prospective enough to not destroy the small and medium scale farming if this turns out to be the future of the CAP. On the other hand, it has to be doubted if an agrarian production that does not focus on achieving the greatest possible yields can possibly be a future concept if food shortage is a growing problem on the world level.

It is thus a very interesting topic for further research to assess the consequences of the ongoing CAP reform and to find out if perhaps by the time of its implementation the agricultures in the CEECs and especially in Poland and Romania are no longer perceived as a great challenge to a well functioning European agrarian system. Is it possible to make a virtue out of necessity and to see the CEECs as role models for an environmental-friendly agriculture with traditional measures of cultivation? There is the possibility but as sociology can give explanations for societal developments but not predict the future, this analysis still has to wait. It became clear here that there are various factors influencing the agrarian performance so that not only its inner structure is important. It has to be seen as a clear achievement of this research to create a good understanding of the agrarian sector's entanglement. The question if the EU-influence indeed helped Poland and Romania to overcome structural weaknesses can be answered positively. Only with a functioning institutional setup, low corruption and enough investment into the sector and the surrounding rural area it is possible to make agriculture competitive and this is what the EU is about to achieve in Poland and Romania.

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