

ANALYSIS OF THE POLISH FARMERS INVESTMENT ACTIVITY SUPPORTED BY PUBLIC FUNDS

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Summary. Paper presents analysis of investment activity among Polish farmers according to the statistical data coming from governmental Agency for Restructuring and Modernisation of Agriculture. Moreover demand for investment credit was analysed and important state policy measure – subsidies to interest rate were described. Paper is ended with prognostic and application conclusions for the agricultural policy in Poland.

Key words: investment, Polish farms, public support, governmental agency.

INTRODUCTION

According to the economic theory the basic foundation of long-term growth is connected with investment activity [Czarny et al. 1998]. Entrepreneurs in order to improve capacity and quality of their production assets and implement technical progress should buy new fixed production means. Afterwards modern knowledge is provided and efficiency of capital and labour is increased [Nasiłowski 1999]. Investments are the crucial elements of economic headway in the agriculture where one can observe specific production conditions strongly depended on natural environment and biological processes. In this case economic policy should support free-market regulations facilitating particular direction of farmers purchases. Polish agricultural policy is realised among others by the governmental Agency called Agency for Restructuring and Modernisation of Agriculture (ARMA) founded in 1993 to support agricultural investment, changes in agrarian structure and educational undertakings in the rural areas [Act of Agency... 1994]. One of the measure used by the Agency is connected with subsidies to interest on investment credits granted from resources of selected banks cooperating with ARMA. The aim of the paper is to analyse range and structure of the credits with subsidies comparing to the demand of farmers, in 2000.

MATERIAL AND METHOD

Basic statistical data of the paper were collected in Agency for Restructuring and Modernisation of Agriculture in Warsaw and considered data about number of preferential credit, values of the particular credit lines, observed credit demand in agricultural enterprises in Poland and regional differences in the given credits. Moreover some governmental analyses and reports were discussed in order to determine premises of credit changes. Mainly the documentation analysis method was used with special consideration of inductive way of concluding. Apart from this description, statistical methods were adopted to present of the selected source materials. Comparison analysis was partly used.

INVESTMENT CREDITS DEMAND

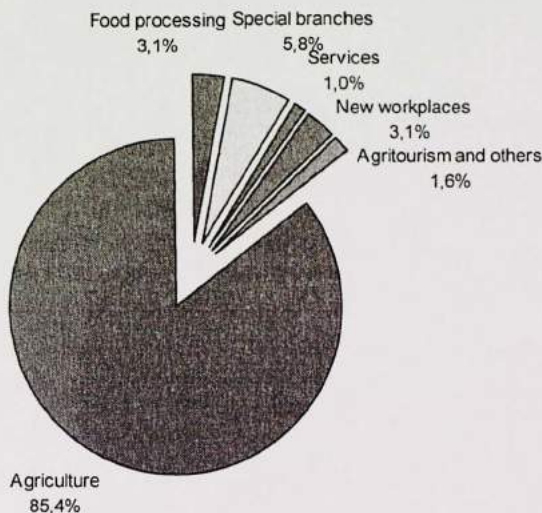
The basic credit lines with ARMA subsidies offered by commercial banks for investment activity of the farmers comprised in 2000:

1. Investment credits for basic undertakings in agriculture, food processing and services (symbol IP).
2. Preferential credits for agricultural land purchase (KZ).
3. Young farmer investment credits for the people under 40 years of age (MR).
4. Credit lines for special branches activity like dairy farmers, machinery and equipment, meat industry, fishery (BR).
5. Credits for undertakings in special agriculture activities (horticulture) (RP).
6. Credits for new jobs creation in non-agriculture enterprises in the rural areas (MP).
7. Credits for removal of damage caused by natural disasters (KL).
8. Settlement program credits for farmers removing from Eastern Poland to the Western Areas organising their farms in the State Assets of land (OR).

Main condition required from the credit-taker is the preparation of the investment plan which is estimated by the Regional Offices of Agricultural Extension Centres. In 2000, all centres analysed total number of 21 522 business plans for investment credits, and accepted as the positive ones 21 506 (99.9%). Average value of demanded credit was equal to 111.9 thousand PLN that means 66.4% of total investment cost.

When you look at the structure of positively estimated credit demands, it is visible that most of them refer to the agriculture enterprises (85.4%). Other important destinations of investment consider special agricultural activities, food processing and creation of the new workplaces in the rural areas (see graph 1).

When one can analyse the values of demanded credits, 43.6% of the money was planned to be invested in agricultural activity, 22.2% in food processing, 21.6% in special agriculture enterprises, 4.2% in new workplaces establishing – out of farms and 4.5% in agritourism and other undertakings. Table 1 presents on the details about investment types and values not only for 2000 but as well for the period of 1994–2000 which is overall result of Polish farmers credit demand.



Graph 1. Positively estimated credit demands structure according to investment type in 2000
Source: Selected data of Agency for Restructuring and Modernisation of Agriculture 2000, Warsaw.

Interesting conclusion can be derived from presented data, that average value of the applied credit permanently increases and number of agricultural investment projects is high comparing to the number of market-orientated farms in Poland (600–700 thousand).

STRUCTURE OF SUBSIDIED CREDITS

Another part of the research was focused on the analysis of value and structure of accepted credit applications. In 2000 commercial banks cooperating with the ARMA granted 17 175 investment credits for total value equal to PLN 1,413.5 mio. When we look at the particular credit lines (types of credit) we notice that the most credits were granted in the line for young farmers under 40 years of age (5707 credits) in order to found or modernise their enterprises. Second important group of undertakings were supported by basic investment credits (IP) usually used for machines and equipment purchase. These two lines covered 42.8% total value of granted loans and 33.2% of total number accepted and realised applications of farmers (Graph 2 and 3).

Much less investment undertakings were realised with the support of line called KZ (land purchase) and branches lines.

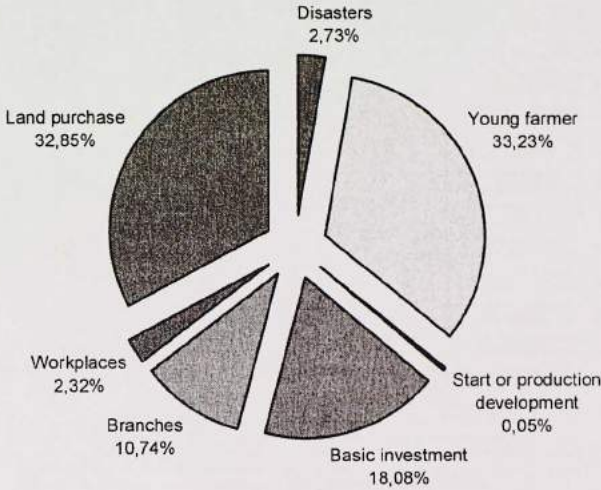
Next results of research are connected with regional division of the total number and value of granted credits. According to the reports of Agency for Restructuring and Modernisation of Agriculture, the biggest share of credits value was observed in Wielkopolskie district, Mazowieckie district and Lubelskie district. The smallest credit values were reported in the regions Podkarpackie, Świętokrzyskie, Lubuskie and Opolskie (Graph 4).

Table 1. Demand for investment credits in Poland estimated by Extension Centres in 1994–2000 period

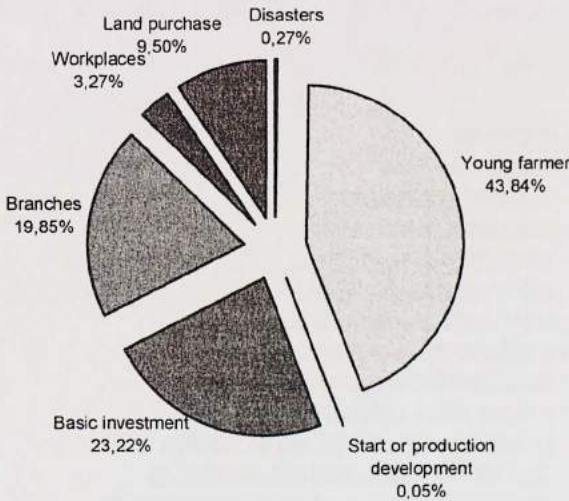
No	Specification	Type of activity								
		Agriculture	Food processing	Special branches*	Services	Agritourism	Small business	New jobs	Others	Total
2001										
1	Number of applications	18 598	759	1 512	167	167	–	391	92	21 686
2	Positive opinions	18 592	757	1 512	166	165	–	388	92	21 672
3	Planned investment costs ('000 PLN)	2 022 670.6	1 567 656.9	1 045 839.5	89 711.0	17 746.5	–	121 072.9	56 781.9	4 921 479.3
4	Credits applied value ('000 PLN)	1 490 734.4	980 626.3	701 249.1	61 894.2	12 457.6	–	56 777.1	42 598.6	3 346 337.3
5	Average credit value ('000 PLN)	80.2	1 295.4	463.8	372.9	75.5	–	146.3	463.0	154.4
1994–2001 period										
1	Number of applications	254 803	8 138	11 838	2 137	1 018	8 503	5 038	3 701	295 176
2	Number of positive Opinions	253 296	7 975	11 689	2 111	992	8 306	5 005	3 632	293 006
3	Planned investment Costs ('000 PLN)	11 911 007.3	6 094 881.0	4 093 522.7	580 808.6	97 854.4	610 211.0	1 545 759.3	383 228.8	25 317 273.1
4	Credits applied value ('000 PLN)	8 261 117.6	3 356 459.1	2 574 882.9	376 859.8	65 911.9	295 143.8	711 531.3	318 590.5	15 960 496.9
5	Average credit value ('000 PLN)	32.6	420.9	220.3	178.5	66.4	35.5	142.2	87.7	54.5

*Horticulture and husbandry.

Source: Selected data of Agency for Restructuring and Modernisation of Agriculture 2000, Warsaw.

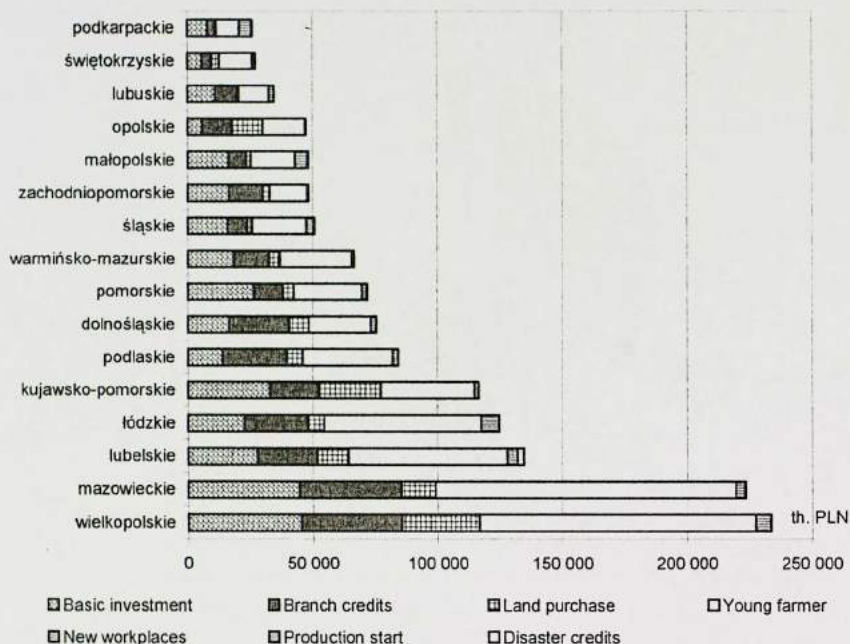


Graph 2. Structure of granted investment credits in 2000 according to credit line
 Source: Selected data of Agency for Restructuring and Modernisation of Agriculture 2000, Warsaw.



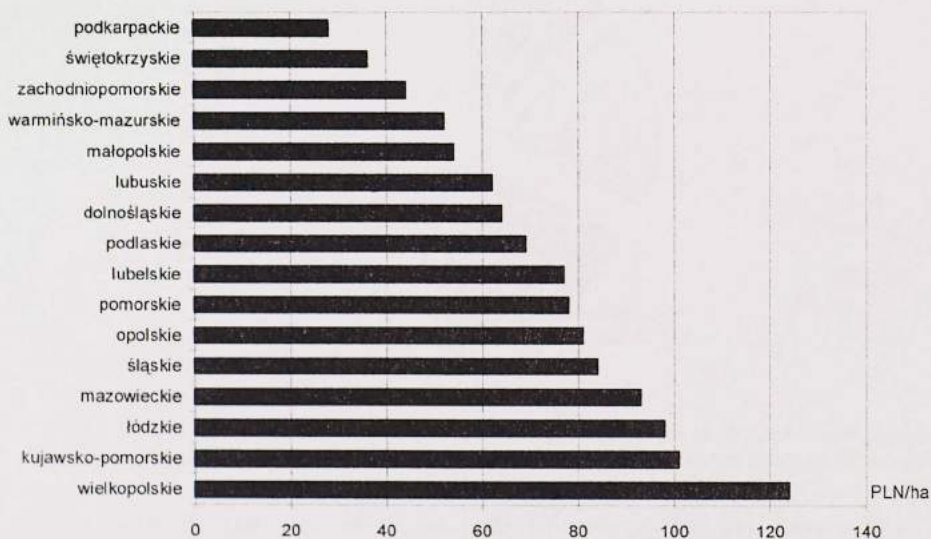
Graph 3. Structure of value of granted credits in 2000 according to credit line
 Source: Selected data of Agency for Restructuring and Modernisation of Agriculture 2000, Warsaw.

Interesting data can be obtained when we divide the values of given credits in particular districts into area of the arable land. The highest indicator in this analysis goes to Wielkopolskie region and the lowest one to Podkarpackie, but the other districts are characterised with different level of the ratio (Graph 5).



Graph 4. Investment preferential credits quotas given in 2000 according to the districts (in thousand PLN)

Source: Selected data of Agency for Restructuring and Modernisation of Agriculture 2000, Warsaw.



Graph 5. Investment preferential credits per 1 ha of arable land in 2000 according to districts (PLN/ha)

Source: Selected data of Agency for Restructuring and Modernisation of Agriculture 2000, Warsaw.

Table 2. Number and values of investment credits given in 2000 according to voivodships

No	Voivodeship	Basic investment		Branch credits		Land purchase		Young farmer		New workplaces		Production start		Disasters credits		Total	
		Number	Value in th. PLN	Number	Value in th. PLN	Number	Value in th. PLN	Number	Value in th. PLN	Number	Value in th. PLN	Number	Value in th. PLN	Number	Value in th. PLN	Number	Value in th. PLN
1	Dolnośląskie	124	16 551	69	23 986	278	7 794	165	25 008	16	2 161	0	0	0	0	652	75 500
2	Kujawsko-pomorskie	312	32 866	95	19 357	805	24 980	349	37 595	17	1 665	0	0	0	0	1 578	116 463
3	Lubelskie	444	27 732	231	23 992	865	12 362	798	64 013	39	4 041	1	77	321	2 399	2 699	134 616
4	Lubuskie	38	11 021	9	8 784	27	576	67	12 145	16	1 974	0	0	0	0	157	34 500
5	Łódzkie	276	22 597	80	25 423	394	6 485	586	63 113	59	7 003	1	143	1	20	1 397	124 784
6	Małopolskie	100	16 308	14	7 129	98	1 777	158	17 894	44	4 770	1	12	36	488	451	48 378
7	Mazowieckie	458	44 719	420	40 709	779	13 652	1 216	120 496	35	3 578	1	60	7	257	2 916	223 471
8	Opolskie	59	5 903	40	11 869	339	12 241	128	16 912	4	267	0	0	0	0	570	47 192
9	Podkarpackie	67	8 013	22	2 738	50	786	110	9 271	35	4 809	0	0	28	193	312	25 810
10	Podlaskie	301	13 823	493	25 732	397	6 279	433	36 204	16	2 125	0	0	0	0	1 640	84 163
11	Pomorskie	129	26 541	55	11 571	169	4 316	232	27 382	16	1 784	0	0	29	255	630	71 849
12	Śląskie	78	15 990	21	7 934	43	1 718	94	21 732	26	2 975	1	217	47	268	310	50 843
13	Świętokrzyskie	112	5 760	4	3 715	207	3 124	204	13 210	10	1 199	1	64	0	0	538	27 072
14	Warmińsko-mazurskie	81	18 540	102	13 949	181	4 404	281	28 722	10	991	0	0	0	0	655	66 606
15	Wielkopolskie	458	45 269	160	40 216	911	31 176	770	110 902	46	6 091	2	92	0	0	2 347	233 746
16	Zachodnio-pomorskie	68	16 628	30	13 472	99	2 612	116	15 066	10	775	0	0	0	0	323	48 553
	Total	3 105	328 261	1 845	280 576	5 642	134 282	5 707	619 665	399	46 208	8	665	469	30 880	17 175	14 413 537

Source: Selected data of Agency for Restructuring and Modernisation of Agriculture 2000, Warsaw.

All the collected information about numbers and values of analysed granted credit with the subsidies from state budget funds are presented in the Table 2.

From the beginning of the ARMA activity till the end of 2000 commercial banks in Poland have granted 225991 credits for investment activities in farms calculated for total values of PLN 10.103 mio. This amount of credit money can be given by the bank system with the important help of the Agency for Restructuring and Modernisation of Agriculture. The total value of subsidies transferred during seven-year period as the subsidies to preferential credits was equal 3 655 586 thousand of PLN. In the period 1994–1998 one can observe dynamic growth of state budget expenses with the stability of value. It was caused by worsening of public finances situation in Poland and growth of budget deficit. In particular years of analysis the spent amount of budget expenditures were reported as follows:

Years	Value in th. PLN
1994	5.885
1995	150.211
1996	390.615
1997	673.846
1998	810.523
1999	743.086
2000	881.402

This measure of state agricultural policy is very important in the context of high inflation rate and lower increase of agricultural products prices. Cheaper credits to farmers can facilitate improvement of economic efficiency in basic agricultural enterprise. But on the other hand, it can be difficult to maintain this instrument of policy within the European Union Common Agricultural Policy in two or three years time because it is not legal measure in EU. It will be replaced by direct payments system depended on Accession Treaty notices.

CONCLUSIONS

1. Demand for investment credits among Polish farmers is relatively high, what means that in the future farms should be modernised and new investments will be needed.

2. Very important measure of economic policy toward agricultural sector is connected with the state subsidies to commercial interest rate of investment credits that significantly decrease the costs of many projects financed by private farmers.

3. Adjustment process of Polish agriculture to the European Union requirements needs much bigger investment funds coming not only from the banks but also in the form of grants financed by the European aid program like SAPARD or PHARE II.

4. At the same time, Polish rural areas should be developed in the field of technical and social infrastructure, educational network and communications techniques. This is the "sine qua non" condition for the future progress.

5. As far as the investment financing sources are considered should be prepared more effective incentives like: leasing, co-operation modules, insurance system that can attract more even venture capital to be involved in food industry and create new work-places in the rural areas.

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ANALIZA AKTYWNOŚCI INWESTYCYJNEJ GOSPODARSTW ROLNYCH NA PODSTAWIE FUNDUSZY PUBLICZNYCH

Streszczenie. Artykuł przedstawia analizę aktywności inwestycyjnej polskich właścicieli gospodarstw rolnych zgodnie z danymi statystycznymi Agencji Restrukturyzacji i Modernizacji Rolnictwa. Przedstawiono ponadto popyt na kredyty inwestycyjne według liczby i zakresu wniosków, a także wielkości dopłat do tych kredytów z budżetu państwa. Artykuł kończą prognozy i wnioski aplikacyjne dla polityki strukturalnej wobec rolnictwa.

Słowa kluczowe: inwestycje, polskie gospodarstwa rolne, pomoc publiczna, agencja rządowa.

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