

THE EUROPEAN UNION POLICY INTERVENTION IN AGRICULTURE - EXPERIENCES AND PERSPECTIVE

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Chudec A. The European Union policy of intervention in agriculture – experiences and perspective

The sphere of interventional policy changes in European agriculture is analyzed in this article. Tendency to de-mission of agricultural market regulations and to improve new instruments to support farmers' incomes on a base of decoupled direct payments is clearly indicated. Among new policy instruments more important becomes environmental requirements and support for rural development. Common Agricultural Policy reforms have in-creased market orientation for agriculture moving from product to producer support and now to a more land-based approach, to gain economic, social and environmental effects, what is important not only for farmers but also for the worldwide society.

Key words: agriculture, rural areas, intervention policy.

Czudec A. Polityka interwencjonizmu wobec rolnictwa w Unii Europejskiej – doświadczenia i perspektywa

W artykule poddano analizie zakres i kierunki zmian instrumentów polityki interwencjonizmu wobec rolnictwa w Unii Europejskiej. Wskazano na występowanie wyraźnej tendencji do rezygnacji z instrumentów polityki ekonomicznej, regulującej przebieg procesów rynkowych i wprowadzanie nowych instrumentów, wspierających dochody rolników w formie dopłat bezpośrednich niepowiązanych z poziomem i strukturą produkcji rolnej. Wśród nowych instrumentów polityki coraz większe znaczenie mają także różne formy wsparcia dla działań służących poprawie stanu środowiska przyrodniczego, walorów krajobrazowych, bioróżnorodności i rozwijanie obszarów wiejskich. Stwierdzono, że polityka interwencjonizmu w rolnictwie w coraz większym stopniu służy osiągnięciu celów ekonomicznych i społecznych, ważnych nie tylko dla ludności rolniczej, ale mających znaczenie ogólnospoleczne.

Słowa kluczowe: rolnictwo, obszary wiejskie, polityka interwencjonizmu.

The European Union agriculture belongs to the spheres of the economy that are heavily subordinated to various instruments of economic policy. Intervention on agricultural markets is a permanent feature of the European economy, although the instruments of intervention in the following years underwent fairly significant changes. In the first years of the European Community, policy towards agriculture was mainly serve to increase food security by increased agricultural productivity, stabilizing the main vertical markets and support agricultural incomes. However, this targeted intervention – apart from achieving main goals – has also brought negative effects, mainly in the form of a permanent over-production of food (and thus increasing the cost of its storage and sales outside the Community), as well as the deterioration of the natural environment as a result of the rapidly growing capital-intensification in agriculture, resulting in an increasing degradation of agricultural land by using industrial means of production.

Bearing in mind the need to reduce the negative effects of agricultural support – since 1992

– began the introduction of new instruments to support European agriculture. The need for change was also dictated by rapidly progressive process of globalization on the agri-food market, and therefore the pressure to improve the competitiveness of agriculture in the EU. Moreover, is important the liberalization of the agricultural market making under the influence of the active role of the World Trade Organization (WTO).

At the same time however, actual was the issue of ensuring food security for EU citizens not only today, but also in the long term and was still not solved the problem of relatively low incomes of the rural population.

Solving these problems requires therefore an active policy intervention, because – as noted by J. Wilkin – «in addition to the market must still exist sphere of public choice, where decisions are taken by people representing political institutions. In this sphere they are created and implemented different types of public policy, including agricultural policy. Any such policy comes out of certain values, which is to serve. The range of values, which is to serve agricul-

tural policy, is particularly broad, particularly in developed countries. In recent years it binds primarily to the new concept of multifunctionality of agriculture, in which the important task of agriculture is to provide public goods, which are financed or co-financed with public funds. Agricultural policy is firmly rooted in the axiological sphere» [11, pp. 43–45].

All this means that the objectives and policy instruments should be in direct relationship with the values that are important socially and operate in the field of public choice.

In this context, the question arises about the adequacy of policy intervention instruments in relation to the underlying value of its agriculture. Referring to this issue have the main goal of this paper is to analyze the direction and scope of the change of intervention policy approach towards agriculture in the European Union in recent years and – and at this background – presenting the main objectives of this policy by 2020.

As the research method was used dynamic analysis of the figures published mainly by the European Commission and OECD on various aspects of interventionism towards agriculture.

Agricultural policy paradigms. In the literature, which deals with the problems of agricultural policy there are four paradigms characterizing the approach to agriculture:

- paradigm of dependent on the state agriculture (Dependent Paradigm);
- paradigm of competitive agriculture (Competitive Paradigm);
- paradigm of global agriculture (Globalised Production Paradigm);
- paradigm of multifunctional agriculture (Multifunctional Paradigm) [3, p. 93–110].

The first paradigm is based on the assumption that agriculture as a sector of the economy is not able to compete for resources with non-agricultural areas of the economy on domestic or international market, and also the global food market is unstable and characterized by a very high risk, which can not guarantee food security. In these circumstances, the funding of agriculture by state institutions is a legitimate role of agriculture as a provider of basic goods (food security) and therefore, the state is responsible for determining the volume of agricultural production, protect the domestic food market, management of surpluses and promoting agricultural exports. Such an approach to agriculture is to the greatest extent realized in Japan, South

Korea, and to a large extent in Switzerland and Norway.

The opposite to paradigm of dependent agriculture is agriculture competitive paradigm, according to which agriculture is treated as a sector that could develop according to market rules and provide farmers expected revenues, which depend exclusively on individual production costs. The role of the state comes down here to the short-term help for this farm, which are in the process of restructuring and temporarily ceased to be competitive. In contrast, farming families whose farms are unable to compete in the long run give up agricultural production and receive help facilitate the abandonment of the agricultural sector. Such a policy towards agriculture is conducive to accelerating the process of concentration of resources (especially land) in economically strong farms and strengthens their competitive position on the world market.

A practical example of the implementation of a policy based largely on paradigm of agriculture competitive assumptions are New Zealand and Chile.

The third paradigm (Global Production Paradigm) treats agriculture as one of the links of the food chain, which in addition to agriculture form the industries supplying agriculture and the food sector in the means of production, agro-industry and food trade sphere. Entities operating in each of the cells that strongly vertically integrated chain must take into account in their decisions demand from consumers and adapt to changing market conditions. Revenue in agriculture are dependent primarily on the role of individual farms in the food chain, including the strength of the relationship with the non-agricultural segments of the chain. The role of the state and its institutions comes to setting standards to guarantee expected by the consumer food quality and to determine the legal rules of operation of individual participants in the food chain, including the provision of conditions to compete.

In turn, the paradigm of multifunctional agriculture based on the assumption that agriculture – beyond the production of agricultural raw materials and food products – provides public goods (values of the natural environment, varied landscape, biodiversity, life settlements in rural areas and preservation of cultural heritage). State support for such a model of agriculture is justified by the need to compensate farmers for lost benefits due to the small share of households in multi-market, and above all, the provi-

sion of public goods. Policy support multifunctional agriculture is mainly carried out by the European Union.

Based on the overall characteristics of the different paradigms, there are various models of agricultural development and closely related, different forms and scope of intervention. Each model also brings a different balance of benefits and costs. Agriculture operating under the paradigm of competitiveness guarantees high efficiency, which is a natural consequence of forcing on the farms need to make adjustments to the requirements of global competition. However, the fulfillment of this requirement is only possible if agriculture is visible continuous process of concentration of land resources and capital (for economies of scale of production) associated with growing steadily intensified, leading to deterioration (and often to the degra-

ation of) the natural environment, and moreover, it accelerates the process of migration of people from rural areas.

Similar benefits and costs brings agriculture organized according to the paradigm of global agriculture, with the only difference being that in this case the constraint of high efficiency is determined by the non-agricultural segments of the food chain, especially the food processing and entities engaged in the food trade.

On the other hand, agriculture functioning according to the principles of paradigm of dependent agriculture, and in accordance with the paradigm of multifunctional agriculture does not create serious risks for the environment and rural areas, but the condition of its development is active policy intervention, the implementation of which requires the involvement of significant public resources (Fig. 1).

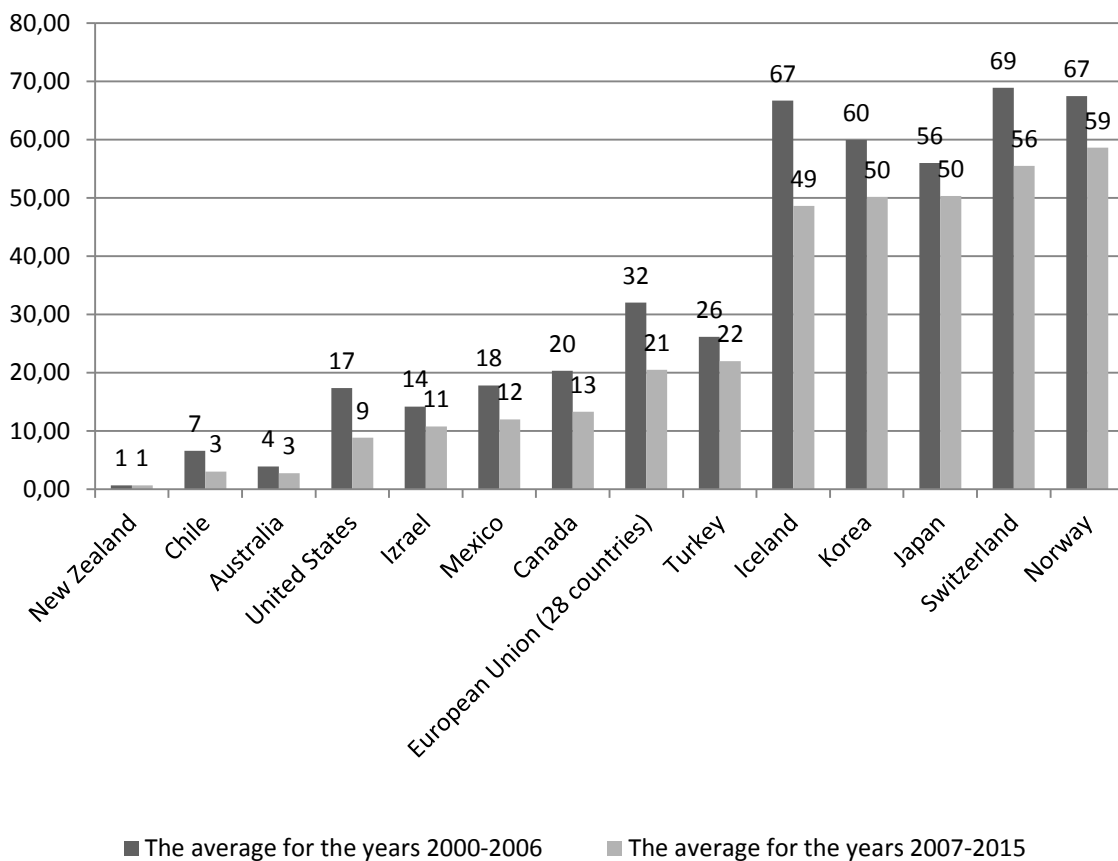


Figure 1. The share of public revenues farms in selected countries (in%).*

*Source: own study based on <http://data.oecd.org/agrpolicy/agricultural-support.htm>.

Numerical values shown in Figure 1 confirm the thesis that vary widely in scale intervention in agriculture in different countries. On the one hand are the economy, in which agriculture does

not use a significant scale with public funds, which means that farmers' incomes are almost exclusively derived from the efficient use of land resources, capital and labor at the disposal

of households. They are the opposite of the state where the functioning of agriculture is based on the wide support of the agricultural income of public funds and where the income from agricultural activities are only a supplement to the income of farm families. In the European Union support the farms of public funds can be evaluated – against this background – as a moderate.

It is characteristic while reducing the share of public revenue farms in 2007–2013, against the background of previous years. This is correct for each group of states, regardless of the scope of intervention in agriculture. It can be assumed that they had herein four groups of reasons:

- to reduce the scale of income support for agricultural public funds due to the effects of the economic crisis in the world economy and the problems with budget deficits of most countries;
- rising prices of agricultural products on the world market in the last few years, due to the increased dynamics of demand for food, especially in developing countries;
- pressure from the WTO on the liberalization of agri-food industry in developed countries;
- the growing importance of income from work outside the farm, as a result of action by the members of the farm family activities unrelated to agricultural production, but increasingly shaping the family incomes of the farmers.

The latter activity is particularly characteristic of agriculture in the EU, which is related to the implementation of the policy of multifunctionality of agriculture.

The basic ideas for multifunctional agriculture policy implementation in the EU. Multifunctionality of agriculture is one of the priority areas of support under the Common Agricultural Policy. Multifunctionality means that agriculture has not only the basic functions of production (production of high-quality raw materials and agricultural products), but also the provision of goods such as biodiversity, preservation of the rural landscape, the protection of soil, water and air, sustaining rural tradition and culture. As noted by A. Szymecka-Wesołowska, the objectives pursued in the context of multifunctional agriculture gained in recent years the nature of the strategic [9, pp. 37–42].

The concept of multifunctional agriculture is part of the «European Model of Agriculture», which consists of three basic segments:

- farms able to compete in an increasingly open global market and integrally incorporated

in the developed agribusiness, not requiring therefore a fixed subsidy of public funds;

- farms producing high-quality agricultural products and providing public goods to society in the form of natural and landscape values;
- agriculture well fit within the structure of the rural environment by cultivating a tradition of community villagers behavior specific to the local environment of agricultural products and to prevent the destruction of the settlement network in rural areas [8, pp. 15–35].

The reasons for which the EU is implementing the European Model of Agriculture can be summarized as follows:

- dissemination of new social expectations towards agriculture – which – apart from ensuring food security in terms of quantity must take account of the need to improve food quality and supply of public goods, which in turn requires a balance between competitiveness and cohesion, between modernity and social solidarity, as well as between society and space [6, pp. 19–36];
- disclosure of the negative effects of existing forms of agricultural support manifested in excessive intensification and concentration of agricultural production, resulting in degradation of the natural environment, as well as the progressive migration of the rural population, which in turn leads to depopulation and impoverishment of rural areas;
- the pressing need to seek other than the mechanism of market intervention methods to support agricultural incomes, especially in the context of negotiations with the World Trade Organization [5, p. 99–119].

There is no doubt to say that multifunctional agriculture is an essential component of the European Model of Agriculture, because by its various forms, it becomes possible inhibition of negative processes caused by industrial agriculture and a highly developed agribusiness. This does not mean that multifunctionality has to be an alternative to the highly productive agriculture, specialized and characterized by a high degree of concentration, without which it would be difficult to ensure food security. Rather, it is the direction of development, which creates a large part of the farmers a chance to remain in this sector of the economy without the need to constantly strive to improve competitiveness in the global market, and whose active presence in agriculture is achieving important social and environmental goals. It is important that multifunctionality creates the ability to choose differ-

ent forms of activities with regard to the resources of farms production factors and natural environment values [4, pp. 43–44].

According to the concept of the European Model of Agriculture, farms can be an important part of the rural economy, and the various forms of multifunctional agriculture should be a component of the rural environment. It underlines in this way the importance of the relationship between agriculture and the rural areas. The role of multifunctional agriculture in developing such relations is to rely on the creation of offers for the rural population and the rural population products and services such farming as well as creating new jobs in rural areas using the rural space [1, pp. 17–32; 10, pp. 385–405].

The European Model of Agriculture and including the concept of multifunctional agriculture is not just the result of natural processes of development, but is shaped largely by policy instruments towards agriculture and rural areas.

Policy intervention instruments in agriculture. As previously mentioned, one of the basic functions of agriculture has its positive impact on rural areas, which is why the instruments supporting agriculture are closely linked with the policy towards rural areas. The need to reorient policies towards agriculture and rural areas strongly emphasized in the Council of the European Union adopted in 1997, which gave rise to the reform of the Common Agricultural Policy (CAP) in 2000–2006, known as Agenda 2000. Reforms of agricultural policy under Agenda 2000 confirmed the need for change in the direction of ensuring the multifunctional development of agriculture, taking into account the protection of the natural environment, but also to enhance competitiveness. Reduced due to the level of intervention prices for cereals and introduced compensation for this in the form of increases in direct payments. It was also important to increase the funds allocated for environmental protection and the new instruments of rural development policy supporting changes in the structure of production and promoting structural adjustment of less developed regions (improvement of product quality, measures for the development of processing and marketing of agricultural products, vocational training for farmers) [2, pp. 224–229].

A new stage of reforming the CAP and the introduction of new instruments was adopted in 2003 and its implementation began in 2005. The most important changes had been consisted in

the further reduction of the price intervention level of cereals and standardize the system of direct payments. At the same time there has been a reduction in direct payments to farms of medium and large. Obtained in this way savings shifted to rural development and support for the smallest farms. Another important change was the introduction of cross-compliance, or addition public assistance, compliance by farmers with environmental standards and food production of high value quality.

Continuation of the CAP reform was adopted in 2006. The most important was the EU Council decision about strategic guidelines for rural development in 2007–2013. The document highlighted, among others, multifunctional role of agriculture in shaping the richness and diversity of the landscape and perpetuating cultural and natural heritage throughout the Community. It was shown an important role of multifunctional agriculture in the structure of the European Model of Agriculture.

Each member state was required to prepare a national program for rural development, consistent with the priorities of the Community, but also taking into account the specific conditions of rural areas in individual countries and regions. This was an important step towards decentralization of objectives and instruments to support agriculture and rural areas in the Member States, while ensuring the financing of the European budget.

Changes in objectives and instruments of support for agriculture and rural areas in the EU were heavily linked with a restructuring trends in public spending on the Common Agricultural Policy. The scale of these changes is illustrated in Fig. 2.

As shown in Fig. 2, spending on the Common Agricultural Policy showed in the last dozen years continuous upward trend and in nominal terms in 2013 were significantly higher than in 1995. However, fundamental changes have occurred in terms of the structure of expenditure. They consisted primarily on:

- clear reduction of export subsidies, which in 2010–2013 had no meaning, but several years earlier accounted for a significant part of the expenditure on the CAP;
- reducing the importance of intervention on the internal market of the EU's agricultural (especially in 2007–2013);
- systematic increase in the importance of direct payments;

when it comes to the integration of actions in the first and second pillar of the CAP, as well as their relationship with the specific features of the regions in the EU;

- increasing the freedom of the Member States of the Community in the selection of instruments of intervention due to the large differentiation of agriculture, climate, environment and socio-economic conditions;

- removing constraints hindering farmers to compete, including the resignation of determining production quotas;

- motivating farmers to work together as a way to reduce production costs and increase

competitiveness (groups of producers, processing farms, direct sales);

- the development of cooperation between science and practice through advisory centers, for the implementation of innovations and new technologies.

A new solution is to create a budget reserve, which is to be launched in crisis situations. In the period 2014–2020, expenditure on the Common Agricultural Policy are expected to reach more than 408 billion euro (in current prices), which will constitute 37,8% of the total EU budget expenditure [7, pp. 1–10]. The main directions of spending of these funds is shown in Fig. 3.

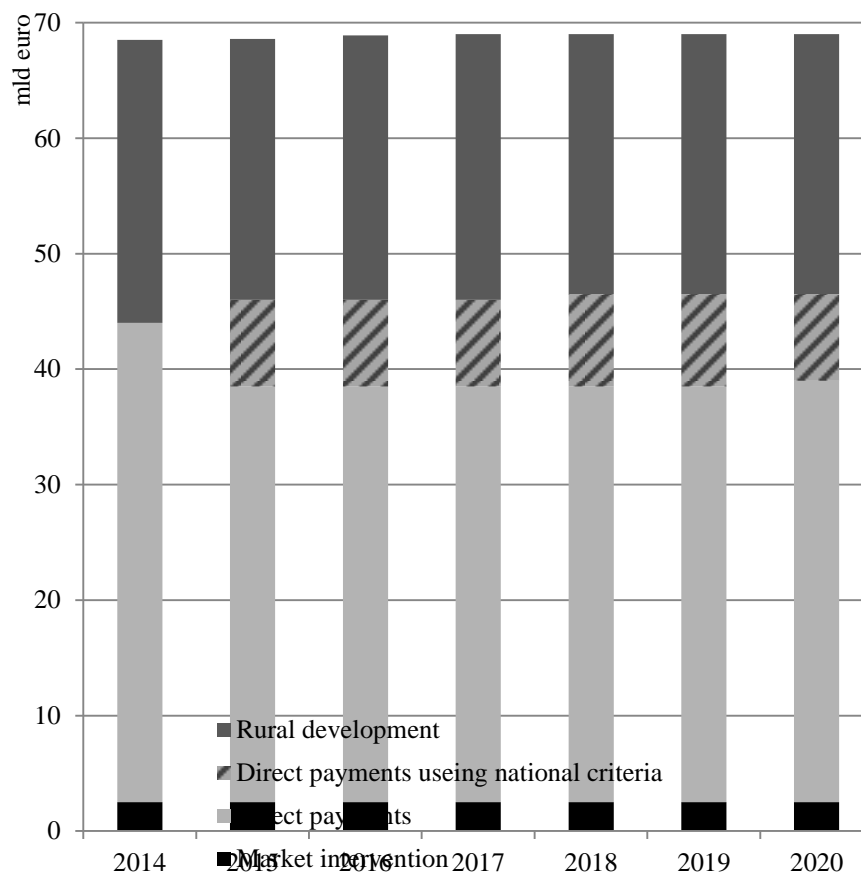


Figure 3. Planned spending on the Common Agricultural Policy in 2014–2020 (in current prices)

*Source: own documents on the basis Overview of CAP Reform 2014-2020, European Commission, No. 5, 2013.

The economic importance of the different instruments of intervention is determined by the amount of financial resources allocated for the use of these instruments in practical activities. As shown in the Fig. 3, in the current financial perspective has no funds for direct payments linked to production, while the main part of the

budget will be allocated to finance direct payments independent of the size and structure of agricultural production. In addition, marginal to have the funds for intervention in the internal agricultural market in the EU. This means the continuation and even stimulating the process of reducing market intervention and opening the

possibility (or rather necessary) becoming stronger competitive farms not only within the Community, but also in the global market. So constructed structure plan expenditure for the Common Agricultural Policy for the period 2014–2020, transfers to the farmers' responsibility for decisions about what and how much to produce, because unlike in previous years, no production direction will not be covered by the special preferences (a good example is the decision to abolition of the «quota» of milk production in the EU).

New and important solution introduced in 2014 is the release of funds for the implementation of national intervention instruments in agriculture, adapted to the specific characteristics of the national agricultural sector. This is primarily for payments to young farmers and small farms. It provides for the possibility of transfer spending in the Member States of the Community between the first and second pillar of the Common Agricultural Policy (to 15% of national quotas). It is therefore proof of the continuation of «decentralization» of the Common Agricultural Policy, which is to serve a more efficient use of European funds and improve the effectiveness of the priorities of the Common Agricultural Policy.

A significant part of the expenditure to finance the objectives of the CAP in the period 2014–2020 will be allocated to rural development policy. Also in this case, each Member State shall develop and implement national rural development programs financed from European funds. The condition is taken into account in the national program of at least four (out of six) rural development priorities set at European level.

Conclusion. An important feature of the intervention in the agriculture and agricultural

market of the European Union in the last twenty years has been quite clear tendency to reorient instruments of this policy in the move away from market intervention and increasing the role of the instruments supporting the stability of agricultural income, care for the natural environment and rural development. This approach is on the one hand to ensure the continued competitiveness of European agriculture on the global market, on the other hand to alleviate the negative effects of the industrial model of agriculture.

An important new element in the policy of intervention is more and more integrated approach to solving economic, social and environmental problems in agriculture in connection with widely extensive rural development programs. This approach is expressed not only by the ever closer integration of the objectives of agricultural support with the development objectives of rural areas, but also by separating the Community budget significant funds for the implementation of rural development programs. All this means the systematic expansion of the objectives pursued under the Common Agricultural Policy and the appropriate adjustment of policy instruments interventionism. Such a policy is to be continued in 2014–2020, and in the coming years will be implemented new solutions consisting primarily on the transfer of powers to the national level to formulate and implement national policy objectives and instruments of interventionism, correlated with the priorities of the Community.

In conclusion it should be noted that the so-constructed intervention policy is less and less used to support only one group like the farmers, and increasingly is delivering important effects for the whole society.

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КЛАНОВО-ОЛІГАРХІЧНЕ УПРАВЛІННЯ КРАЇНОЮ, ЙОГО ВПЛИВ НА РІВЕНЬ ЖИТТЯ НАСЕЛЕННЯ ТА МІЖНАРОДНІ МІГРАЦІЙНІ ПРОЦЕСИ

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Магійович І., Більський І. Кланово-олігархічне управління країною, його вплив на рівень життя населення та міжнародні міграційні процеси

Розглянуто важливу проблему державного значення – бідність населення та його міграцію. Висвітлено соціально-політичні причини бідності і міжнародної трудової міграції. Основною причиною бідності є те, що за весь час так званої незалежності України при владі були і є представники кланово-олігархічної системи. Політичні інститути, які діють в Україні, дають змогу зосереджувати владу в руках вузької корумпованої «еліти» і забезпечують їй безмежність прав. Ця владна «еліта» вибудувала за 25 років і економічні інститути, за допомогою яких відбирає і контролює ресурси більшості суспільства. Рівень зарплати встановлюється без економічних розрахунків, які повинні базуватися на певних нормативах.

Розмір зарплати державних службовців і чиновників та зростання повинні бути прив'язаними до рівня і зростання ВВП. Працівник за свою працю повинен отримувати прибуток. Без прибутку за працю відбувається експлуатація людини. Для вирішення проблеми необхідно на всенародному рівні привести до влади та управління країною нових представників не олігархічно-кланової системи, які знають як і зможуть вивести Україну на рівень економічно розвинених країн світу, забезпечать свободи і вільний розвиток особистості, де основною цінністю стануть рівні економічні та політичні права кожного.

Ключові слова: рівень бідності, заробітна плата, прожитковий мінімум, мінімальна зарплата, соціальна справедливість, міграція населення.

Mahiyovych I., Bilskyi I. The clan and oligarchic governance, its impact on the living standards of population and international migration processes

The issues of national importance such as poverty population and its migration their social and political reasons were examined in the article. The main reason of poverty is the fact that representatives of clan and oligarchic system have been in power for the period of the so-called «independence» of Ukraine. Political institutions which are operating in Ukraine make it possible to concentrate power in the hands of a corrupt political group and give them boundless rights. The economic institutions through which resources are robbed from the majority of society and controlled by the minority have been built by this ruling «elite» for 25 years. The salary is set without any economic calculations which must be based on certain standards. Growth of civil servants and official's wages should be tied to the GDP level and its growth rate. An employee should get profit for their work. There is exploitation of man without profit for work. To solve the problem, new representatives of non oligarchic and clan system, who know how to bring Ukraine into one of the economically developed countries are able to do this, who will allow freedom and the free development of personality, where the main value will be equal