European Union Enlargement and the Central European Agricultural Sector: Have Benefits Met Expectations?

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Abstract
Were the expectations in the agricultural sectors of Poland, Hungary, and in European Union ministries met following European Union enlargement in 2004? Perceptions and expectations of stakeholders in the agricultural sectors of these three political entities were studied through qualitative case study methodologies comprised of a series of 65 individual and group interviews conducted in 2000 and 2002 prior to European Union enlargement. Following the ascension of Poland and Hungary to the European Union, follow-up interviews and economic data analysis were conducted in 2007. Data was collected in Brussels, Belgium; Rome, Italy; Washington, D.C.; and rural and urban areas throughout Poland and Hungary. Objectives were to determine expectations prior to enlargement; ascertain whether expectations were met; and determine how agricultural sectors may be enhanced through information diffusion. Prior to enlargement, Central European respondents had largely negative expectations and expressed considerable fears. Following enlargement, respondents expressed largely positive feelings. This study indicates that although there were disappointments in some areas, fears prior to enlargement were largely misguided and failed to materialize. Implications are that in future large-scale shifts in agricultural economic structures, better information could be provided to agricultural stakeholders thereby enabling improved decision-making capacity.

Keywords: European Union enlargement, European agriculture
Introduction

Created in 1952 in the aftermath of World War II, the European Union is a multi-national institution managing economic and political cooperation among its 27 member nations. The European Union comprises 12 percent of the world’s population, 40 percent of its wealth, and half of all global commerce (European Union, 2008). The European Union is the largest economy in the world as measured by Gross Domestic Product (GDP), and is the second largest exporter in the world (after Germany, a European Union member) and the world’s second largest importer after the United States (The World Factbook, 2008). The European Union is the largest importer and exporter of agricultural products in the world. Clearly, the economic impact of the European Union is colossal.

Considered the keystone of European integration, the Common Agricultural Policy (CAP) was established in 1962 to stimulate agricultural production and to guarantee food supply and farm income in postwar Europe (Commission of the European Union, 1993, Cochrane, 1999). Forty two percent of European Union spending is devoted to assistance for farmers or poor regions, including $63 billion dispensed every year through CAP and $20 billion for rural development activities (European Union, 2008). In 2004, the European Union implemented a major enlargement adding 10 new countries including the Central European agricultural countries of Poland, Hungary, and the Czech Republic. While joining a rich market such as the European Union presented allure to Central European farmers and their agricultural sectors as a whole, there were also concerns that Central European farmers and agribusiness lacked the training and capital to compete with their European Union counterparts (Cochrane, 1999). Following European Union enlargement in 2004, it was possible to ascertain the extent to which these hopes and fears by agriculturalists in Central Europe were realized. The objectives of this study were to analyze pre- and post- perceptions in Poland, Hungary, and European Union ministries regarding European Union impacts upon the agricultural sectors of these countries, and also to ascertain opportunities for improved information transfer to these agricultural sectors in the future when such large-scale shifts in economic structures are pending.

Poland and Hungary were the key countries with regard to agricultural impacts of European Union enlargement as they constituted the largest agricultural producers of the candidate countries (Cochrane, 1999). Of the two countries, Hungary seemed better positioned as it was a net exporter of agricultural products to the European Union while Poland was a net importer. The Hungarians were in fact concerned that that their accession would be delayed by Poland’s lagging economic progress and failure to meet European Union benchmarks (Cochrane, 1999). Now that enlargement has occurred, one must bear in mind that there were no assurances at the time that the venture would succeed and there was a great deal of concern and intense negotiation taking place with regard to agricultural policies (Cochrane, 1999, Expanding the European Union, 2002). This study documents that process and seeks to provide data useful in similar processes.

Purpose and Objectives

The purpose of this qualitative case study was to gauge perceptions of agricultural stakeholders at European Union offices, in Poland, and in Hungary prior to and following enlargement in 2004. The following objectives guided this inquiry.

1. Assess stakeholders’ pre-ascension perceptions and expectations.
2. Assess stakeholders’ post-ascension perceptions and expectations.
3. Compare pre- to post-experiences and analyze accuracy of expectations in light of actual occurrences.

4. Assess agricultural education and extension opportunities for providing information management and planning assistance to the Central European agricultural sector.

**Methods**

The focus of this study was human expectations, fears, and ambitions and the extent to which they may have been realized with regard to European Union enlargement. This study utilized a qualitative case-study methodology to secure a diverse source of data. Qualitative design was based upon methodologies outlined by Creswell (2003) and Gall, Gall, and Borg (2003). Creswell noted that qualitative research is fundamentally interpretive, and that analysis of data for themes or categories is a mechanism for interpreting data to develop conclusions. Data collection may identify purposefully selected individuals under such a qualitative research design to help the researcher understand the problem and research question. Finally, triangulation of different data sources of information is a procedural strategy utilized to build a coherent justification for themes. Such data sources may include published data – such as economic data – in addition to interview transcripts. Gall, Gall, and Borg (2003) noted that one of the main characteristics of qualitative research is its focus on the intensive study of instances, that is cases, of a phenomenon.

Utilizing qualitative design methodology as outlined by Creswell (2003) and Gall, Gall, and Borg (2003) the phenomenon of European Union enlargement and human perceptions was studied. Qualitative data was secured from interviews conducted by the researcher on location throughout Poland and at United Nations Food and Agricultural Organization offices in Rome, Italy in July/August of 2000. In August of 2002, data were collected from officials located at the European Union headquarters in Brussels, Belgium, the European Union embassy in Washington, D.C., and throughout Hungary. A third data collection was implemented in the later half of 2007 through interviews conducted with academics, and with agricultural officers at the European Union, Polish, and Hungarian embassies. Qualitative data resulted from information provided in interview sessions which were subjected to theme analysis. These interview data were bolstered with published economic and political data collected by government agencies and academics prior to and following European Union enlargement. In particular, economic data documenting the performance of the Polish and Hungarian agricultural sectors were critical in helping to ascertain post-enlargement impacts upon Poland and Hungary.

Data were collected within activities conducted by the researcher as a University of Minnesota Human Rights Fellow (2000) and a Cargill Research Fellow (2002). Over 65 individual interviews and/or group meetings were held to collect data for this project. Forty three of the sessions were held in 2000 on location in Rome and throughout Poland (including Sandomierz and seven group facilitations with Polish farmers in small towns serving as regional centers) and 18 of the sessions were held in 2002 in Washington, DC; Brussels; Belgium, and across Hungary. Finally, four key interviews were conducted in 2007 using phone or e-mail with agricultural governmental officials at European Union, Polish, and Hungarian embassies in Washington D.C. By intention, data-collection mechanisms sought to maximize the diversity of interview subjects in an effort to secure maximum opinions from the widest variety of knowledgeable sources possible. Accordingly, opinions were solicited from farmers, agribusiness officers, elected officials, academics, economists, agricultural attaches representing a variety of affected countries, and officials of ministries of agriculture. Quantitative data were
Sample questions presented at interview sessions were as follows:

- When do you believe EU enlargement will occur?
- What will be (or were) the impacts of enlargement on your national agricultural sector specifically, and Central European economies in general?
- What will be (or were) the impacts of enlargement on the EU agricultural sector?
- What is unique about your country’s agricultural sector that enlargement will need to take into consideration?
- Will EU subsidies to farmers grow? Shrink? Remain constant?
- What about the enlargement process would the EU (or your country) do differently if it were to be done over again?
- The EU and the U.S. are two of the largest global agricultural importing and exporting entities. Do you see this continuing into the future?

Results

Following compilation of the responses to the interview questions, data were analyzed using the protocol outlined by Creswell (2003) and Gall, Gall, and Borg (2003) and a number of themes were identified. These themes were divided into two categories: pre-enlargement themes and post-enlargement themes. Four themes emerged from the analysis of the interviews conducted before European Union enlargement, and four themes emerged from interviews conducted following enlargement as follows:

Themes Prior to Enlargement

Theme I: The Polish agricultural sector was very concerned about joining the European Union, but the Polish government was supportive of the concept.

From the beginning of this study in 2000, it was clear that Polish agricultural representatives were very concerned about joining the European Union. There were concerns that the whole concept was something advanced by the Polish government and that Polish agriculture was being sacrificed for the overall political and economic good of the nation. For example, hosts of the researcher at the Center For Promotion and Support of Agricultural Enterprise indicated that there was a great deal of opposition to European Union enlargement in the Sandomierz district and that it was hoped that the researcher’s visit would increase local support through generating interest in a more global view:

“I am writing to invite you to come to Poland in July-August of (2000) … In particular, we are concerned that the wealth that has been generated in the new Poland has not benefited rural areas, and has not benefited farmers. We are concerned that this problem will grow worse when Poland joins the European Union in the relatively near future” (letter to researcher, January 21, 2000).

Meetings with groups of farmers were initially quite difficult. There was a palpable contempt of outsiders perceived to be telling Polish farmers about agriculture, but there was also simultaneously an interest and curiosity regarding perceptions and realities outside of Poland.
“What is the U.S. view of Poland’s joining the EU?” was asked by one questioner at a meeting. After several rocky meetings, a strategy by the researcher was developed to stress the interest in collecting input from Polish farmers before moving to a discussion of global agricultural trends.

One professor at Warsaw Agricultural University indicated that a key problem was that Polish agriculture would need to change even without unification because of the market forces at work and the desire of the Polish government to open borders and reduce protection of all types. In the end, those farms and businesses that survived would be stronger because they would be more competitive. Many farms and processing facilities would not be able to compete -- not because they lacked skills but rather because they lacked a market mentality. “It is more of a social problem than an economic problem,” reported this source.

**Theme II: Agriculture was the largest political and economic issue with regard to European Union enlargement.**

There was a real perception in 2002 just prior to the vote on enlargement that the 10 candidate countries would be accepted as a package. However, there was also a perception that if enlargement were to fail, it would be due to disagreements over agriculture and Polish farmers would be a primary reason for the failure. Agricultural issues notwithstanding, it was hoped that in the end the mutual benefits to be derived by all parties would ensure that enlargement would occur and that Hungary and Poland would be included in this group of countries approved by the European Union in December of 2002 with formal membership accruing in 2004. Concluded an economist with the European Union in 2002, “I think the main idea is to get them (all) in. I don’t see how one could be left out. Enlargement is a tremendous boon for Europe as a whole in many ways. Looking at the EU budget (cost) is peanuts.”

**Theme III: Negotiations proceeded up until the last moment with key issues being transition periods (zero years vs. 10 years) and payment levels (25 percent vs. 100 percent).**

There was a sense of brinksmanship in 2002 with the candidate countries demanding (at least publicly) that their agricultural sectors should receive 100 percent of the European Union payment rates immediately upon accession. The European Union was holding the line at 25 percent of European Union payments phased in to 100 percent over 10 years. According to one European Union official in the Agricultural Directorate in Brussels, agriculture would be one of the last issues to be resolved in negotiations surrounding enlargement. Why? Because European Union agricultural programs were technically complex and involved serious issues of market competition among which there were strong competitive aspects. Nevertheless, enlargement would occur according to this official: “The EU will expand … it’s the natural way.”

The Polish and Hungarian position regarding enlargement was one of strong support for joining, but as full members with full benefits for the agricultural sector. Hence, their position was that their farmers should receive 100 percent of European Union farm program benefits beginning immediately upon ascension in 2004. Poland and Hungary argued that this was only fair and proper given European Union unfettered access to Central European markets and population. The European Union negotiating position (10 years and 25 percent) amounted to $1 billion in lost payments annually in Hungary alone. “This of course we cannot accept. We don’t
Theme IV: There were genuine concerns that the entire enlargement venture might fail due to agricultural issues in Poland.

From an agricultural prospective, Poland was the big problem because it had so many farmers and such a large agricultural base. Consequentially, the European Union was concerned about the cost of providing full benefits to so many farmers. Sentiment against enlargement was running high in Polish agricultural sectors, with strong and vocal criticism that Poland’s farmers were being sold out to the “Eurocrats.” To counteract this dissent, a large public relations effort was undertaken with visits to Poland by European Union Agriculture Commissioner Fischler on September 10, 2002 (“Fischler Visits Poland: Time to Stress the Positives”) and Enlargement Commissioner Verheugen on July 11, 2002 (“We are talking about a lot of money flowing into the Polish agricultural sector”) (European Union, 2007). Articles from The Economist which covered enlargement very closely on an on-going basis demonstrate the sense of frayed nerves and tension in the enlargement process (Expanding the European Union: Is the Venture Now in Peril?, 2002; Poland and the European Union: The Angry Farmers, 2002; Europe’s Farms: Will These Modest Proposals Provoke Mayhem Down on the Farm?, 2002). In short, there were hopes and aspirations that the venture would succeed, but also concerns that it might fail due to opposition by agricultural sectors in places like Poland.

Themes Following Enlargement

A ten-nation enlargement of the European Union did occur in 2004. In December of 2002, the ten candidate countries were officially deemed ready to join the European Union with their economies and regulatory systems held to be sufficient. In the spring of 2003, the ten candidate countries held referendums where Poland and Hungry (and all candidate countries) voted to join the European Union. And on May 1, 2004 the ten new countries officially joined the European Union (EU Welcomes 10 New Members, 2004). Consequentially, it was possible in 2007 to collect post-enlargement data from agricultural officials to draw conclusions as to the accuracy of pre-enlargement predictions and expectations. Four themes emerged from a close analysis of the interview data as well as published economic data.

Theme I: The Polish agricultural sector was one of the largest beneficiaries of European Union enlargement.

A clear, obvious, and ironic post-enlargement theme was that the Polish agricultural sector was one of the largest beneficiaries of the enlargement process. As the United States Department of Agriculture Foreign Agricultural Service (2007) indicated:

“In 2006, income of Polish farmers was up over 80 percent in comparison to the 2000 level and was almost 11 percent higher than in 2005. The increase comes mainly from the direct payments received by farmers from the EU and higher demand for exports of Polish food to the other EU countries. Although a majority of Polish farmers railed against EU membership, a recent EU report reveals that they are clearly benefiting from what they had earlier opposed. … EU direct payments … are a key reason behind the
rise in local farmer income. … In 2005 and 2006, Polish farmers received as direct payments … US$2.6 and 3.0 billion respectively. Other reasons for farm income growth, all tied to accession, include increased Polish agricultural exports to other EU countries (up 25% in value between 2006 and 2005) and higher farm-gate prices” (USDA, 2007, p.2).

As one Polish consul general indicated, “everyone is very happy with the enlargement.”

**Theme II: Financial benefits from Polish and Hungarian membership in European Union remain unevenly distributed.**

The data indicated that small, subsistence farmers (“hobby farmers”) are not receiving substantial benefits and this is a cause for concern in Poland. The United States Department of Agriculture Foreign Agricultural Service (2005) reported the following:

The distribution of direct payments which are based on farm size, is causing strong uneven income distribution among farmers. Major farm unions have expressed concern about this issue, but otherwise seem satisfied with developments in Polish agriculture since accession. … Despite the positive income news, many Polish farmers remain impoverished due to the small size of their farms. Nearly 70 percent of local farms are less than … 12.5 acres in size and size is the basis on which EU direct payments are made. … In 2005 about 95 percent of Polish farms averaged less than … US$1,600 in direct payments. … (while) less than one percent of Polish farms received nearly 20 percent of total direct payments” (USDA, 2005, p. 3).

The issue of small farmers suffering – or at least not benefiting substantially – from EU enlargement was anticipated prior to enlargement. It was anticipated that many would go out of business. What was clearly a surprise, however, was the extent to which commercial agricultural enterprises in Poland received an economic boost. As one European Union official indicated: “There is no sector being a net loser from enlargement … There were some false expectations. The rise of this sort of political view shows evidence of some disenchantment. But the (2007) elections in Poland show more of a mainstream EU outlook.” This official went on to say that everyone could benefit, even the smallest farmer down to one hectare. “The safety net is very fine …. (the question is) are you talking about an ag policy or a social policy?”

**Theme III: Some agricultural sectors benefited more than others from membership in the European Union.**

Some agricultural sectors benefited greatly from enlargement, and some benefited little or were harmed. One economic source reported that “to date, accession has proven to be a mixed bag for Polish farmers. Poland was not flooded with EU products, as many feared prior to accession. In reality, some sectors thrived, other appeared untouched and a few suffered from increased competition. Sugar producers gained the most. The livestock, meat and dairy sectors experienced a significant increase in exports to other European Union countries due to the elimination of tariffs and modernization of these sectors with the use of pre- and post-accession structural funds” (USDA, 2005).
Ironically, it was in Hungary that there was greater concern expressed following European Union enlargement than there was in Poland. “I think that people are disappointed with EU policy,” indicated on Hungarian agricultural official. “I think that right after enlargement, the mood was more optimistic. … in 2005, 2006 less optimistic because the support did not come. Most of the farmers are a little bit disappointed with the EU. They think the EU just brings decisions behind their back. They were optimistic to start with, now disappointed.”

**Theme IV: General satisfaction with enlargement benefits secured and pre-enlargement fears largely not materializing.**

Specific disappointments notwithstanding, in general a theme of overall contentment could be sensed in the Polish and Hungarian agricultural sectors. According to one professor of international agricultural trade and development at Humboldt University of Berlin:

“I think both the Poles and in particular the Hungarians are quite happy. … In ag everybody is happy as prices are high. The expectation of farmers to get the same high direct payments as the old member states is not going to materialize and disappointment may be rather pronounced once prices go down again. My expectation is for a further reduction in ag subsidies and more in non-ag subsidies for bio-energy. The people I talk to are quite optimistic and upbeat, but in industries in which they now face competition from the old member states the mood is less optimistic. In sum, more optimism than pessimism.”

As one European Union agricultural official stated, “things are going very well, especially as compared to expectations. … It does not come as a surprise …. That is my personal conviction. … Prices and farm incomes, on both indicators the results are very good.”

And while there were specific concerns in various agricultural sectors, and national pride at stake, there was also a perception in Poland and Hungary that they became part of a large and powerful political/economic entity with the ability to safeguard their interests. As Reid noted, “because the united Europe is the world’s largest trade market, it is the “Eurocrats” in Brussels, more and more, who make the business regulations that govern global industry” (Reid, 2004, p. 5). Mitchener also emphasized this point, saying “Americans may be surprised to learn that rules governing everything from their food to software to manufactured goods are increasingly being set by the European Union” (Mitchener, 2002, p. 8A).

Benefits also came from globalization and integration with the global economy in the estimation of one European Union agricultural official who indicated that globalization and huge demand is “rising all boats … big farms and small farms … Enlargement is not the sole factor of all changes … when you look at the growth rates in Poland and Hungary, there is a lot going on outside of agriculture.”

**Conclusions and Implications**

What can educators do to assist agricultural producers, agribusiness leaders, and public policy officials in decision-making when large, structural economic changes are looming? Rogers’ (2003) analysis of change theory presents cause-and-effect scenarios regarding the
diffusion of innovations and impacts of early adaptors in new technologies. Arguably, the dramatic expansion of the European Union in 2004 is an example of a major change requiring new strategies for agricultural production, marketing, and processing in Poland and Hungary. Public policy officials in the European Union also needed to change their views of European agriculture to accommodate a larger agricultural sector, and more traditional agricultural systems (Cochrane, 1999).

The European Union is an economic entity with enormous economic power, and a strong desire to increase economic competitiveness in all sectors with a goal of emerging as the most powerful economic block in the world (Reid, 2004, Mitchener, 2002; Leonard, 2005, Rifkin, 2004). Skill development for agricultural sectors, and training and education in vocational fields, was identified as a priority by the European Union, which has stated by official resolution that “whereas the development of human resources by means of vocational training is one of the essential elements in increasing the competitiveness of the European economy … the achievement of the Single Market must be accompanied by increased access to continuing training” (International Labour Organization, 2002). The Directorate-General for Education and Culture stated that “the EU today faces new challenges, not least globalization. To become more competitive while remaining a fair and caring society, the European Union needs to get more people into new and better jobs and to give them new skills” (EU Directorate-General for Education and Culture, 2004). Another European Union report stated “increasing globalization and competitive pressures combined with rapid technological change have … made education and training – human capital growth – of increasing if not paramount importance in securing modern economic growth” (Hannan, 1999, p. 6).

Implications of this research are that the agricultural sectors of Central Europe would benefit from additional investments in agricultural and extension education programs. With regard to global entrepreneurship, those farmers and agribusiness enterprises in Central Europe that invest in extension and farm business management training will be best positioned to compete in the global economy. Given the wealth of West European markets, opportunities for export from Central Europe are good. However competition from the large, well-educated, and highly capitalized agricultural sector in Western Europe could also result in the Central European agricultural sector losing ground to their West European counterparts if upgraded agricultural and extension education are not adopted.

“What is the EU for? … Look at what the EU actually spends its money on, and you may be forced to conclude that its real purpose is to subsidize agriculture” (Europe’s Farms, 2002). The European Union is a wealthy entity that expends billions of dollars annually on its agricultural sector and rural development. Notably, large swathes of its agricultural sector (in regions like Poland and Hungary and across Central Europe) are lacking up-to-date agricultural technologies and business training. This combination of European Union wealth and Central European need makes this region of Europe a prime candidate for expanded agricultural and extension education programming.

According to one professor of international agricultural trade and development at Humboldt University of Berlin, “extension education in particular in economics and management and marketing will be a key for the competitiveness of the ag sectors.” One Hungarian agricultural official indicated that “there is an increasing need for some kind of extension. Farmers are aging. Before ascension, the farmer management system worked well. But after ascension, the EU complexity makes it harder. The people who are suppose to be providing advise do not know, much less farmers.” One European Union agricultural official pointed out
that “The need is there obviously … but the private sector is there too …. Cargill, ADM, … fulfilling extension sort of activities.”

These indications of opportunity (financial capacity and need in the Central European agricultural sector) and stated intent (as indicated by reports stating importance of education and training in vocational sectors) do not necessarily indicate that there will be a substantial European Union initiative to expand agricultural education and extension training. Clearly however, there is an opportunity to expand programming in these geographic regions of Central Europe.

The conclusion of this research study is that European Union enlargement benefited some agricultural sectors in Poland and Hungary, but forced other enterprises to leave the industry. In particular, traditional agricultural enterprises, often utilizing draft animals and extremely small farming plots, have suffered in some regions – or at least not benefited substantially. Larger farmers, and agricultural enterprises, have benefited from securing markets and capital investment from Western Europe.

Equally important to the economic and agricultural impacts is the impact upon the psyche of the ascension countries. As Polish President Aleksander Kwasniewski announced in Warsaw on the eve of ascension, “Ladies and gentlemen, we are making history … Today our dream is becoming reality. Poland is returning to its European family” (EU welcomes 10 new members, 2004).

References


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