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CONTENTS

1	INTRODUCTION AND BACKGROUND.....	4
1.1	AN OUTLINE OF RURAL CREDIT FACILITIES.....	4
1.2	MAJOR CREDIT AND RURAL POLICY DEVELOPMENTS IN 2005.....	5
1.3	ACCESS TO RURAL CREDIT – UPTAKE AND ISSUES.....	6
2	AVAILABILITY AND PERFORMANCE OF RURAL CREDIT FACILITIES	7
2.1	ASSESSMENT OF SHORT-TERM CREDIT SOURCES.....	7
2.2	ASSESSMENT OF MEDIUM-TERM AND LONG-TERM CREDIT SOURCES.....	8
2.3	ASSESSMENT OF THE ADEQUACY OF CREDIT SOURCES.....	9
2.4	EVIDENCE OF CREDIT MARKET FAILURE.....	10
2.5	OVERVIEW AND PROSPECTS.....	10
3	REFERENCES.....	11

1 Introduction and background

1.1 An outline of rural credit facilities

Prior to the political transformations in the beginning of 1990s, Poland's credit policy concentrated mainly on state-owned enterprises with a relatively easy access to credits that were often written off. In the 1970s and 1980s, the policy also related to privately-owned, mostly specialist-farms (**Kulawik 2000**). In general, however, the debt level of the private agricultural sector in the 1980s was lower than that of the state-owned farms (**Klepcki 1997**). Credits and loans were usually appropriated for investment purposes. After 1989, the economic transformations in Poland related to both the rural areas and the agriculture.

Initially, the liberation of prices for agricultural products led to the increase in agricultural income, but the successive liberation of prices for the means of production caused the situation to deteriorate, especially in that the demand for food decreased as well. At the beginning of the 1990s, farmers used no preferential forms of lending. However, the lack of means for the financing of the ongoing expenditure, combined with the protests of farmers in 1990-1991, resulted in credit lines for purchasing mineral fertilizers, plant protection agents, agricultural produce, and animal husbandry (**Kulawik 2000**). From 1991, preferential loans also involved the financing of capital expenditure aimed at adjusting farms to ecological forms of production, purchasing land, and reclaiming land by means of the purchased agricultural machines and devices (**Koziol 1997**). In 1992, the number of farms and agriculture-related enterprises that had lost their repayment capacity was at its highest (**Kulawik 2000**). At that time (mid 1992), the number of farmers with overdue debt was estimated at thirty thousand, whereas the value of the overdue debt totalled PLN 60 mln.

As a result of aid for indebted farmers, offered by the Ministry of Agriculture and Food Economy from 1991, banks withdrew certain titles of execution, exempted debtors from repaying overdue interest exceeding the basic interest rate applied by banks, postponed the repayment of credit instalments and carried out credit conversions (**ARMA 2004**). This aid, however, failed to solve the problem of debt on a systemic basis. Neither was the situation improved by the Agriculture Restructuring and Writing Off Debt Fund (Polish: Fundusz Restrukturyzacji i Oddłużania Rolnictwa (FROR)) which was established in 1992 in order to carry out tasks in the area of credit protectionism (**Kulawik 2000**). Consequently, in order to find a new solution with a view to avoiding the FROR's errors, the solutions implemented in France were adopted (**Kulawik 2000**). Based on the solutions, adequate rules and regulations were prepared in 1993, in order to establish the Agency for Restructuring and Modernisation of Agriculture (ARMA). Among the numerous tasks which were initially imposed on that institution, subsidizing the interest rate of investment credits was one of the most important.

Taking into consideration the investment activities of farms and entities operating within the widely understood agribusiness, entities creating new jobs in the rural areas should be recognised as a step in the right direction, especially in the light of the needs shared by this part of the Polish economy and the necessity to compete on the international market, including the common European market. During the entire period of the functioning of the

ARMA's preferential credits, their availability for specified entities (entity limits) and investments (purpose limits) have depended on the current rules connected with individual credit lines. Consequently, they indirectly depend on the current policy. Other important tasks of ARMA during the accession period included: subsidizing the working capital and guaranteeing the repayment of credits (ARMA 2005).

1.2 Major credit and rural policy developments in 2005

Poland's accession to the European Union resulted in, among other things, the adjustment of the national agricultural policy to the Common Agricultural Policy of the EU. The system of financing was also changed, which impacted the tasks of ARMA. Still prior to the accession, ARMA was a payment agency of SAPARD, handling Union funds and directing payments after the accession to the EU. The current activity of subsidizing credits was continued as well. Since 2004, 13 lines (Appendix no. 2) of investment credits (ARMA 2005) have been operated by 16 banks (LIENHYPERTEXTEAppendix 3).

The prospect of accession was also reflected in the credit rules and regulations. In the first year of ARMA's existence, credit-supported investments were mainly for economic purposes such as the increased scale of production, improved production quality, or reduced costs. Around the year 2000, the list of purposes was broadened with issues related to the adjustment to EU standards (e.g. the industrial dairy programme BR/15). In 2005, despite the fact that EU funds have involved the Polish agribusiness, preferential credits are still very popular. There can be a few reasons for this. It is true that funds are more beneficial in terms of finance because they are a non-returnable subsidy, but they are connected with bigger requirements for potential beneficiaries, the biggest of which is the necessity to carry out an enterprise with own money, which in the event of insufficient own capital makes it necessary to use a commercial, bridging loan. Besides, in order to use the union help, the farm must meet requirements in the area of hygiene, animal husbandry and environmental protection.

Another obstacle in carrying out business based on UE funds is a limited pool of funds for individual activities, which means that subsidies are not available for all the willing. Preferential credits also pay better in the case of investments involving bigger funds. The maximum amount of subsidy varies according to SPO's and PROW's activities, but it never exceeds PLN 200 000 for farm-related investments. Thus, according to ARMA (www.arimr.gov.pl), in 2005 banks granted 21 060 investment credits (including 21 the so-called "disaster credits") for the total amount of PLN 2 109 727 000. Apart from this, 62 769 disaster credits were granted, 62 748 of which were working capital loans with a value of PLN 804 564 000 (Appendix no. 4). In 2005, the Agency budgeted PLN 48.4 bln for subsidizing projected credits with the potential maximum amount of ca. PLN 2.3 bln (ARMA 2005).

Taking into consideration the value of taken out credits (investment, and disaster - working capital) the budget was met in 79%. Also, according to the Ministry of Agriculture and Rural Development (2005), from June 2005 to October 2005 the number and value of granted credits grew by 4.4% and 6.8% respectively on the analogical period in 2004. Rising trends have been seen with respect to the KZ, MR, NT, and GR credit lines (the symbols of credit lines are contained in Appendix no. 1). With regard to agriculture and food processing, investments based on preferential-credits aimed mostly at widening the range of goods and increasing the scale of production (38% of the credits' value), introducing new technologies (20%), improving the land structure of farms (20%), and adjusting to the EU sanitary-

veterinary requirements (8%). Although the Polish agribusiness must adjust to the union standards, credits are usually taken out for economical reasons, which is understandable taking into consideration the undercapitalisation of this sector (mostly privately-owned farms).

1.3 Access to rural credit – uptake and issues

For the last 11 years, ARMA's preferential credit lines have been the basic source of credits for the widely understood rural areas. These credits are granted to entities operating in: agriculture, special divisions of farming, food-processing, services for agriculture, agritourism and other enterprises that create new permanent jobs for the rural community. The essence of these credits is subsidizing interest rates from the state budget through ARMA. It is necessary to mention that initially the commercial interest rate of preferential credits exceeded 20% (www.nbp.pl), which was a considerable impediment to using external capital by economically weaker entities. From its inception, ARMA has launched 54 credit lines (Appendix no. 1) of different budget support (ARMA 2004) that can be divided into three groups: the highest level of support (KZ, MR, GP); industrial credits (BR) and regional credits (RE); the lowest level of support (IP, MP, RP). The lowest interest rate applied to credits directed mostly to farms, especially privately-owned farms, which usually used the MR line – 35.7% of all granted credits, and 43.2% of their total value (ARMA 2004). However, in 1995-2001 the MR credit line was used by only 5% of all privately-owned farms (**Sadowski 2003**).

Some agribusiness companies could use credits of the medium level of support—especially industrial credits, and until 1998 – regional credits. The other enterprises, which do not carry out production related to the programmes, as well as all entities that create jobs in rural areas, could use credits with the lowest support – mainly from the IP and MP credit line. Therefore, although the Agency's activities resulting in credits for the whole range of enterprises operating in rural areas should be recognised as positive, the relatively high interest rate for entities that are not farms has limited the potential effects of the transformation of the rural areas in Poland. This especially relates to enterprises that create jobs. Apart from the fact that they were subject to high interest rates, these companies have long been required to contribute 40% of own funds (compared to 20% in the case of farms and 30% in the case of other borrowers).

This situation was reflected in the mix of granted credits. In 1994-2003 banks granted 290 437 investment credits for the total amount of PLN 16786.49 mln (**ARMA 2005**). Apart from the MR line, most credits were from the IP (30.3%) and KZ (24.6%) lines, whereas the highest share of amounts were for the IP (25.1%) and BR and RE (20.6%) lines. Credits for jobs represented merely 1.3% of the number and 2.9% of the amount. In 1997, when the interest in credits was the highest in the Poznań province (**Sadowski 2003**), the mix of accepted applications with regard to the conducted activity was as follows: agriculture – 80.4%, special divisions – 4.87%, agritourism – 0.16 %, food processing – 3.25%, services for agriculture – 1.79%, and new jobs – 9.53%. With regard to the amount of credit applications, the share was as follows: 49.84%, 11.19%, 22.38%, 0.09%, 5.64%, and 10.86% (**Sadowska, Sadowski 1998**).

Apart from preferential credits, the inhabitants of rural areas have recently had an opportunity to use other sources of capital. The most important are: credits and loans from the Labour Fund, the programme of micro-loans of the Rural Development Foundation and grant

programmes as well as credits for enterprises in the area of small business and credits of the Agricultural Property Agency (Goraj *et al.* 2004).

2 Availability and performance of rural credit facilities

2.1 Assessment of short-term credit sources

Both agriculture and food processing is characterised by a long production cycle, which results in separate periods of operational activity – which is dominated by expenditures – and generating income. Such a situation often causes periodical financial deficiencies, which, however, can be prevented by using short-term credits for supporting the operational activity. In the case of Polish farms that use the FADN accounting system, short-term debts represent 2.59% of all liabilities, and achieve the highest value in gardening farms (4.59%) and those that specialise in breeding animals fed with concentrates (4.18%). The debt is also growing in successive classes of economic size to achieve the value of 7.28% in very big farms (FADN 2005). In recent years in Poland, short-term credits and investment credits were preferential with a lowered rate of interest. Since 1995, ARMA has subsidized credits earmarked for purchasing the tangible means of agricultural production (the so-called fertilizer credits), agricultural produce, and storing crops and seasonal crop surpluses (the so-called purchase credits) and – since 2000 – purchasing and storing sea fish (ARMA 2004). According to the Agency, fertilizer credits are earmarked for agricultural producers in order to purchase such production means as fertilizers, plant protection agents, fodder, fuel, etc.

Taking into consideration the general number of short-term preferential credits granted in 1994 – 2003, fertilizer credits represented 99.6%. However, only 29.7% of the total amount were appropriated for them. The average value in the analysed period of the fertilizer loan was PLN 4.2 thousand. The maximum lending period was 12 months, and the amount of loan could not exceed the equivalent of 10dt of rye per 1 ha of arable lands, according to prices adopted for the calculation of the agricultural tax (Goraj *et al.* 2004). On the other hand, purchase credits were earmarked for food processing entities, so their average value was higher in the discussed period and totalled PLN 2 327 000.

In general, in 1994-2003 banks co-operating with AMAR granted 3 847 206 working capital credits for the total amount of PLN 53.89bln; most of which were in 1996 (670.8 thousand) and 1997 (542.3 thousand), similarly to investment credits. (ARMA 2004). On 30 April 2004, the government order on detailed directions of ARMA's operations of 30 January 1996 was amended, in order to enable subsidizing credits taken out in 2004 for purchasing the means of agricultural production, which allowed Polish farmers to use the national aid during the first months after accession.

With regard to purchase credits, an adequate amendment of the order was effected on 6 July 2004. Also, on 30 April 2004, the Act on subsidizing the interest rates of selected bank credits was amended, which made it possible to prolong – from 12 to 24 months – the period of subsidizing credits for the purchase of the tangible means of production taken in the 2nd half of 2003, and from January to April 2004 (Olejniczak 2005). Since the beginning of 2005, preferential working capital credits have been lifted, because their goals have been reached by

the tools of the Common Agricultural Policy. Nevertheless, banks handling the agribusiness sector offer commercial working capital credits.

2.2 Assessment of medium-term and long-term credit sources

Long-term credits, due to their long repayment period, are usually earmarked for investment purposes. In rural areas, there is a special need for investment capital due to the considerably run down condition of the property of farms and other enterprises, as well as because of general infrastructural shortages. Until the accession to the EU, the basic source of investment capital was ARMA's investment credits and – especially in the case of self-governments – the accession funds PHARE, ISPA and SAPARD, which are also earmarked for the wide sphere of agribusiness. Farms usually co-financed investments with preferential credits, especially when they planned larger investments and strived to make the farm the basic source of income (Czerwińska – Kayzer 2002).

This form of financing was used mainly by commodity farms (Alińska 2001) Kawecka (2003) adds that agricultural producers interested in credits were usually young and better educated, and owned larger farms. Also, according to Kulawik (1997), farms using preferential credits were different from the control group in many respects – e.g. they were farms with a 2.2 times bigger area. These observations are also confirmed by Mikołajczyk (2003) and Sadowski (2005). In addition, Podstawka and Czupryńska (1997) say that the demand for preferential credits in a particular province is positively correlated with the number of farms, the area of arable land, the agricultural population, the professional activity of the population, the number of people in working age, the number of banks handling agribusiness, and the provision of farms with the means of production.

According to Klepacki (1997), farmers' interest in credits depends on: the political and economical situation of Poland, the level of inflation, the tendency to and the possibility of saving by the society, the relations of prices in agriculture, the conditions of sourcing credits and loans, the availability of information on credits and the cultural determinants of farmers.

The rules of granting preferential credits have changed considerably during the operation of the Agency, in order to adjust to the current needs of the Polish agribusiness and the financial possibilities of the country. The biggest changes were in 1998 when all regional programmes and most industrial programmes were eliminated, and in 2000, when the rules and regulations concerning individual credit lines began to take into consideration the goals connected with the prospect of the accession to the EU.

However, the basic rules of using credits did not change. The most important of them is restricting credits only to entities that operate within agribusiness and create jobs in rural areas. Simultaneously, each credit line is characterised by a unique scope of entity restrictions: for example, the MR line can be used only by people who are below forty years of age and run a farm whose area is not smaller than the average in a given province. The MP loan is only available to enterprises that do not carry out agribusiness, food processing or services for agriculture, but they create permanent jobs on rural areas and towns of up to twenty thousand inhabitants. The credit application procedure is also similar for all credit lines. Apart from meeting general criteria of the repayment capacity, each entity must demonstrate that their investment purposes are in line with the purposes of a given credit line

and present an economic rationale for their activities. Therefore, in each case it is necessary to prepare a business plan and have it approved with regard to the contents and formal-legal requirements by an adequate agricultural consulting centre. In addition, individual lines vary with respect to the repayment period and the grace period.

2.3 Assessment of the adequacy of credit sources

Credits for agribusiness and rural areas can be assessed from different points of view. The sectoral view takes into consideration transformations in agriculture or the progress in the development of rural areas. The micro-economical view takes into consideration the processes that impact on the borrower's situation. Taking into consideration the aspect of budget support in the case of preferential credits, it is also possible to make an assessment with regard to the efficiency of using public funds. Due to the fact that lending is one of many elements of the changing economic reality, there are serious methodical problems with regard to the assessment of their impact on the ongoing changes (Kulawik 1997).

According to the Ministry of Agriculture and Rural Development (2005), there has been an investment recovery in food processing since 2003, which is caused first of all by the necessity to adjust to the requirements of the EU. In 2004, investment expenditure in this sector of the economy reached almost PLN 6 bln, and ca 1700 plants have the right to sell their products in the Community (721 plants are subject to transition periods). It is difficult to assess the influence of the offer of preferential credits, but it is worth mentioning that food processing plants can use industry programmes and IP lines e.g. for the realisation of aims connected with adjustment to EU standards. However, a few years earlier Kulawik (2000) had noticed that in the case of dairy there was no improvement in spite of the fact that industry was involved in the system of preferential lending.

The numerous papers related to the influence of credits – mainly investment credits – on the situation of farms. Kulawik (1997, 2000) stated that credit-based investments boosted economical growth, taking into consideration the fact that the profitability of some farms was below the interest rate of the cheapest credits. The influence of preferential lending on farms was also examined by Sadowski (2005). When analysing farms from the Wielkopolska region, he noticed that between the pre- and post-investment periods there was an increase in both the production features (labour, land and capital) and their productivity, measured by the value of sales. Cerwińska-Kayzer (2000) paid an attention to the improvement of the relation between the production factors and an improvement of their structure. Also, according to the Agency itself preferential credits contributed to better competitiveness and increased agricultural income (ARMA 2005).

However, it is more difficult to define the influence of credit-based investments on the situation of rural areas. This results from, among other things, a considerable fragmentation of the Polish agriculture. This is manifested by many small and economically weak farms that, due to formal reasons (e.g. lack of credit capacity and credit lines' entity restrictions), and other reasons (e.g. low productivity, low inclines to take risk), do not use credits, but significantly influence the general picture of Polish agriculture. Also, the recent global transformations were influenced by a number of macro-economical factors, which makes it difficult to specify the role of the credits themselves.

Similar difficulties are found in the case of credits earmarked for the creation of new jobs in the rural areas. When considering the problem in global terms, one may notice that in recent years the unemployment in rural areas has been rising although credits are taken out for the creation of new jobs. In 1998, 835.7 thousand people were registered as unemployed (FDPA 2002), and in 2004 –1060 thousand. (Chief Statistical Office 2005). However, it is necessary to take into consideration the fact that this situation was influenced by a number of factors, and investments carried out with the help of credits slowed down the process in many areas.

2.4 Evidence of credit market failure

Although, in general, credits earmarked for agribusiness and rural areas are assessed as positive, they have some important disadvantages. First of all, the list of urgent problems in the Polish rural areas often exceeds the state's financial possibilities and even the support of the European Union can hardly solve them completely. Banks that bear credit risk prefer to sign agreements with entities with a strong financial standing only. This undoubtedly positively affects the general efficiency of the co-financed investments, but leaves many problems of the rural areas unsolved.

The authors also raise a number of qualifications with regard to enterprises executed with aid of credits. Kulawik (1997) points to the fact that agricultural investments are rarely connected with modern solutions. He also notices (2000), other negative aspects of preferential lending. There is, for example, a large number of industrial and regional programs, which, on the one hand, is an example of a lack of coordination, and on the other hand, demonstrates the manipulation with interventionism by different groups of business. There is the setting of low minimum thresholds when applying for a loan from industrial program, which does not guarantee any effective investment; treating preferential lending as an instrument for hiding the shortages in other segments of the agricultural policy.

There are also considerable privileges in the sphere of the ongoing functioning of agribusiness juxtaposed with a low priority of tasks connected with a universal development of rural areas. An important element when seeking preferential credits is also the complicated procedure, both the banking procedure as well as the procedure connected with obtaining a positive opinion of ODR (Kulawik 2000, Kawecka 2003). In spite of the above-mentioned disadvantages, it is necessary to stress that the economic situation of farms and other entities allows them to make timely repayments, and lack of repayments are incidental only, and they have never been a massive problem since the inception of ARMA.

2.5 Overview and prospects

Preferential credits made it possible to modernise a number of production entities by improving their competitiveness in the new, EU market. Although the scale of transformations was too small to make radical changes in the Polish rural areas, providing the strongest agricultural producers and agribusiness enterprises with more capital must be recognised as a considerable achievement. Apart from assessing the merely economic effects, it is necessary to pay attention to the social consequences as well. The realisation of investments in one farm makes other imitate, which stimulates transformations in the neighbourhood.

The complicated procedure contributed to a better identification of the administration mechanisms of providing help with public means. This is extremely important now, since entities operating in the rural areas in Poland must know how to apply for EU funds that are available for them. Preferential credits, as a source of a cheap investment capital or working capital, were most significant when the commercial interest rate was low enough to reach for bank credits by economically weak units such as farms, many food-processing enterprises or companies that invest in the rural areas.

The number of credits granted in 2005 indicate that although the interest rates of commercial credits decreased and a great number of new offers appeared (e.g. foreign exchange credits), the interest in preferential credits still remains considerable. The offering of such credits after the accession to the EU was presented to the European Commission as the so-called “existing help” that can be continued during the first three years of the membership (**Olejniczak 2005**). Consequently, they will be offered in the present form until 30 April 2007. According to ARMA’s employees, works are now in the process on continuing the help after that date.

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Annex

Appendix 1

List of investment credit lines with ARMA's subsidies to interest rates launched from the beginning of ARMA's operation until 2004

Item	Credit line	Date of launch
1	Credit for carrying out investments in agriculture, food processing and services for agriculture (IP)	06.06.1994
2	Credit for the purchase of agricultural land (KZ)	15.05.1995
3	Credit for establishing or equipping farms by people who are not older than 40 (MR)	16.05.1995
4	Credit for investments in agriculture and special divisions of agricultural production aimed at using the existing production base of farms and special divisions, by commencing or increasing the production in these farms or special divisions (RP)	01.03.1996
5	Credit for investments in agriculture aimed at using the existing production base of farms and special divisions of agricultural production by resuming production in these farms of special divisions after a break in production lasting at least 1 year or commenced before 24 February 1996 due to reasons beyond the control of the business entity (WP)	01.03.1996
6	Credit for renewing the production in farms and special divisions of the agricultural production that are located in areas affected by drought, hailstorm, excessive precipitation, destruction by frost, flood, hurricane, fire, plague of rodents or landslide (KL)	01.03.1996
7	Investment credit for creating new permanent jobs in non-agricultural business in rural communes, rural-municipality communes and town of up to 20 000 inhabitants, which guarantee employment for rural populations (MP)	01.03.1996
8	Within the framework of the approved by the Minister of Agriculture and Food Economy and the Minister of Finance programme of agricultural settlement on the land of the State Treasury (OR)	30.04.1997
9	Credit for carrying out investments in agriculture, food-processing and services for agriculture by groups of producers established under the Law on groups of agricultural producers and their associations of 15 September 2000 and the amendments of other Laws / Dz.U No. 88, item 983/ (GP).	17.04.2002
10	Credit for the purchase of agricultural property earmarked for establishing or equipping family-run farms in accordance to the Law on developing the agricultural system of 11 April 2003 (GR)	01.01.2004
11	Credit for carrying out investment enterprises on new production technologies in agriculture (NT)	01.01.2004

Industrial credits:		
12	Credit within the framework of the dairy restructuring and modernisation programme (BR/01)	01.08.1994
13	Credit within the framework of the cattle husbandry and breeding development programme in Poland (BR/02)	01.05.1995
14	Credit within the framework of the curbing the decline and rebuilding the population of sheep programme for 1994-2000 (BR/03)	03.03.1995
15	Credit within the framework of the restructuring and modernisation programme for potato processing (BR/04)	19.10.1995
16	Credit within the framework of the programme for storehousing of grains and seeds of other plants in farms (BR/05)	04.12.1995
17	Credit within the framework of the programme for the pressurised watering of soil cultivations and shielded cultivations (BR/06)	11.01.1996
18	Credit within the framework of the programme for restructuring and developing poultry farming and poultry processing (BR/07)	17.12.1996
19	Credit within the framework of the programme for cultivating plants and breeding animals in AWRSP companies and research & development units (BR/08)	12.03.1997
20	Credit within the framework of the programme for supporting the restructuring of the sugar industry and sugar beets production (BR/09)	12.03.1997
21	Credit within the framework of the programme for developing the shared usage of agricultural machines and devices (BR/10)	03.01.1997
22	Credit within the framework of the programme for production modernisation and increasing the meatness of porkers (BR/11)	07.04.1997
23	Credit within the framework of the programme for fishing development in Poland for 2000-2006 (BR/12)	07.11.2000
24	Credit within the framework of the programme for the modernisation of starch potato processing in Poland (BR/13)	07.11.2000
25	Credit within the framework of the programme for developing the restructuring and modernisation of the meat industry in Poland (BR/14)	07.11.2000
26	Credit within the framework of the industry dairy programme (BR/15)	21.09.2000
27	Credit within the framework of the industry programme for developing the restructuring and modernisation of the utilization industry in Poland (BR/16)	06.09.2002

Regional credits:		
28	Credit within the framework of the programme for developing the production of sheep and breeding goats in the Krosno province (RE/01)	13.03.1995
29	Credit within the framework of the programme for rebuilding the poultry base and poultry-processing in the Bydgoszcz, Kalisz, Konin, and Poznań provinces (RE/02)	18.05.1995
30	Credit within the framework of the programme for the restructuring and development of gardening in the Rzeszów province (RE/03)	10.11.1995
31	Credit within the framework of the programme for restructuring and developing the poultry farming in the Suwałki province (RE/04)	10.04.1996
32	Credit within the framework of the programme for developing the poultry production in the Legnica province (RE/05)	22.04.1996
33	Credit within the framework of the programme for restructuring and developing the poultry farming in the Toruń province (RE/06)	16.05.1996
34	Credit within the framework of the programme for developing the restructuring of the sugar beets production of the Śląska Spółka Cukrowa S.A.(RE/07)	14.05.1996
35	Credit within the framework of the programme for restructuring and developing the poultry farming in the Olsztyn province for 1996-2000 (RE/08)	27.07.1996
36	Credit within the framework of the programme for developing the poultry production in the Tarnów province (RE/09)	26.06.1996
37	Credit within the framework of the programme for restructuring and developing the poultry farming in the Białystok and Łomża provinces (RE/10)	23.09.1996
38	Credit within the framework of the programme for developing the gardening in the Radomsko and Skierniewice provinces (RE/11)	21.08.1996
39	Credit within the framework of the programme for developing the restructuring of the sugar industry and the production of sugar beets of the Mazowiecko-Kujawska Spółka Cukrowa S.A.(RE/12) until 29.06.1997.	02.10.1996
40	Credit within the framework of the programme for restructuring and developing the gardening in the Wałbrzych province (RE/13)	16.11.1996
41	Credit within the framework of the programme for developing agritourism in the Jelenia Góra province (RE/14)	24.01.1997
42	Credit within the framework of the programme for developing agritourism in the Piła province (RE/15)	17.02.1997
43	Credit within the framework of developing the production of sugar beets and its processing in the operational area of the Lubelsko-Małopolska Spółka Cukrowa in Zamość (RE/16)	12.11.1996
44	Credit within the framework of the programme for restructuring and developing the gardening in the Małopolska macro-region (RE/17)	24.01.1997
45	Credit within the framework of the programme for developing the restructuring the sugar industry and the production of sugar beets of the Poznańsko-Pomorska Spółka Cukrowa S.A (RE/18)	02.01.1997
46	Credit within the framework of the programme for developing the gardening production in the Kalisz province (RE/19)	06.03.1997
47	Credit within the framework of the programme for restructuring and developing the gardening in the Piotrków province (RE/20)	19.03.1997
48	Credit within the framework of the programme for developing agritourism in the Bielsko, Krosno and Nowy Sącz provinces (RE/21)	03.04.1997
49	Credit within the framework of the programme for developing agritourism in the Wałbrzych province (RE/22)	28.03.1997
50	Credit within the framework of the programme for restructuring and developing the gardening in the Włocławek province (RE/23)	09.04.1997
51	Credit within the framework of the programme for restructuring and developing the gardening in the Białystok province (RE/24)	19.05.1997
52	Credit within the framework of the programme for restructuring and developing the gardening in the Ciechanów province (RE/25)	07.07.1997
53	Credit within the framework of the programme for restructuring and developing the gardening in the Warszawa province until 2010 (RE/26)	24.09.1997
54	Credit within the framework of the programme for restructuring and developing the gardening in the macro-region of Central-Eastern Poland (RE/27)	06.10.1997

Source: Agency for Restructuring and Modernisation of Agriculture – Achievements and Plans. Collective paper under the direction of W. Pomajda. ARMA. Warszawa, 2004.

Appendix 2

List of investment credits with ARMA's subsidies to interest rates available in 2005

ITEM	Credit line
1	Credit for investment enterprises in agriculture, food-processing and services for agriculture (IP)
2	Credit for the purchase of agricultural land (KZ)
3	Credit for establishing or equipping farms by people who are not older than 40 (MR)
4	Credit within the framework of the programme for developing the shared usage of agricultural machines and devices (BR/10)
5	Credit within the framework of the programme for the modernisation of starch potato processing in Poland (BR/13)
6	Credit within the framework of the programme for developing the restructuring and modernisation of the meat industry in Poland (BR/14)
7	Credit within the framework of the industry dairy programme (BR/15)
8	Credit within the framework of the industry programme for developing the restructuring and modernisation of the utilization industry in Poland (BR/16)
9	Within the framework of the approved by the Minister of Agriculture and Food Economy and the Minister of Finance programme of agricultural settlement on the land of the State Treasury (OR)
10	Credit for carrying out investments in agriculture, food-processing and services for agriculture by groups of producers established under the Law on groups of agricultural producers and their associations of 15 September 2000 and the amendments of other Laws / Dz.U No. 88, item 983/ (GP)
11	Credit for the purchase of agricultural property earmarked for establishing or equipping family-run farms in accordance to the Law on developing the agricultural system of 11 April 2003 (GR)
12	Credit for carrying out investment enterprises on new production technologies in agriculture (NT)
13	Credit for renewing the production in farms and special divisions of the agricultural production that are located in areas affected by drought, hailstorm, excessive precipitation, destruction by frost, flood, hurricane, fire, plague of rodents or landslide (KL)

Source: www.arimr.gov.pl, ARiMR 2005

Appendix 3

List of banks and the present interest rates of investment and disaster credits

Item	BANK	Interest rate paid to the bank by the borrower under lines:					KL - investment	KL - working capital
		IP, OR/IP ¹	BR, DM/B Rz ² OR/BR ¹	MR, KZ, DM/M Rz ³ OR/MR ¹ , OR/KZ ¹ , GR	GP	NT		
1	Bank Gospodarki Żywnościowej S.A.	3	2	1.2	1.125	1	1.2	1.2
2	Bank BPH Spółka Akcyjna	3	2	1.2	1.125	1		
3	Bank Polskiej Spółdzielczości SA	3	2	1.2	1.125	1	1.2	1.2
4	PKO BP S.A.	3	2	1.2	1.125	1	1.2	1.2
5	Kredyt Bank S.A.	3	2	1.2	1.125	1		1.2
6	ING Bank Śląski S.A.	3	2	1.2	1.125	1		1.2
7	SGB GBW S.A.	3	2	1.2	1.125	1	1.2	1.2
8	Bank Zachodni WBK SA	3	2	1.2	1.125	1	1.2	1.2
9	Bank Millennium SA	3	2	1.2	1.125	1		1.2
10	Bank Ochrony Środowiska SA	3	2	1.2	1.125	1		1.2
11	BRE Bank S.A.	3	2	1.2	1.125	1		1.2
12	Bank PKO S.A.	3	2	1.2	1.125	1		1.2
13	Nordea Bank Polska S.A.	3	2	1.2	1.125	1		
14	Bank Inicjatyw Społeczno - Ekonomicznych SA	3	2	1.2	1.125	1		1.2
15	Mazowiecki Bank Regionalny S.A.	3	2	1.2	1.125	1	1.2	1.2
16	Raiffeisen Bank Polska S.A.	3	2	1.2	1.125	1		

¹ interest rate of the OR credit in the case that the borrower meets the conditions of the IP, KZ, MR or BR line (note of A. Sadowski),

² applying and increasing the Agency's [subsidies to the interest rates of credits as well as for industrial credits](#),

³ applying and increasing the Agency's subsidies to the interest rate of credits as in the case of credits for establishing or equipping farms by young farmers,

Source: www.arimr.gov.pl

Appendix 4

Comparing the number and amount of positive decisions of ODR with the number and amount of preferential credits granted from 1 January 2005 to 31 December 2005. (according to credit lines)

Name of credit line	Positive decisions issued by ODR		Granted credits	
	Number	Amount of sought credits (in PLN k)	Number	Amount (in PLN k)
Credits for young farmers (MR)	9 390	1 391 586	8 356	1 065 255
Credits for the purchase of agricultural land (KZ)	7 030	421 237	6 257	330 402
Basic investment credits (IP)	5 395	460 374	4 593	316 835
Credits for family-run farms (GR)	567	77 576	468	53 232
Credits for new technologies (NT)	730	241 228	635	185 999
Credits for groups of producers (GP)	9	5 884	7	5 071
Industrial credits (BR), including:	818	182 077	723	151 821
Industrial programme for the shared usage of agricultural machines and devices (BR/10)	66	20 379	56	19 625
Industrial programme for restructuring the potato processing for starch in Poland (BR/13)	0	0	0	0
Programme for developing the restructuring of the meat industry and egg processing in Poland (BR/14)	59	52 100	48	37 391
Dairy industrial programme (BR/15)	692	108 954	618	94 161
Industrial programme for restructuring and modernising the utilization industry in Poland (BR/16)	1	644	1	644
Credits for agricultural settlement (OR)	2	1 835	0	0
Credits for eliminating the consequences of natural disasters (KL), including ¹⁾ :	X	X	62 769	805 677
Disaster investment credits (KL/01)	23	983	21	1 113
Disaster working capital credits ¹⁾ (KL/02)	X	X	62 748	804 564
Total of investment credits	23 964	2 782 779	21 060	2 109 727
Total of credits (investment and working capital)	X	X	83 808	2 914 291

¹⁾ Pursuant to the rules of granting credits, a positive ODR's decision must be obtained only in the case of disaster investment credits (such requirement does not exist in the case of disaster working capital credits).

Source: ARMA's System of Managerial Information, made on 13.03.2006.