

# INTRODUCTION TO THE MONOGRAPH

Agriculture is one of the oldest forms of satisfying food supply needs and of man's economic activity. The role of agriculture in the functioning of economies and societies has changed over time. In the current world agriculture is no longer perceived only as a producer of agricultural raw materials and today many other objectives are implemented within the framework of the agri-food sector. The basic objective is ensuring sustenance for the constantly increasing number of Earth's population, at the same time, paying respect to the environment. It requires effort and cooperation, both on the side of the agricultural raw materials sector, and of the processing sector. The present-day agriculture and food industry faced a difficult task to meet the international competition that forces a decrease in the food production costs, while increasing the requirements regarding its quality and nutritional value. This puts a new light on the problem of producing a sufficient supply of agricultural products and their distribution in a manner which would make it possible to eliminate the phenomenon of hunger and malnutrition. Moreover, taking into consideration the global problem of the effect of environmental changes, especially the climate change, the principles governing the operation of this sector are assessed in a more and more thorough manner. The expectations related to the contribution of the agricultural production to the energy security are also on the increase.

Apart from that, the present-day agri-food sector operates under the conditions of dynamic development of the global food market on which new (non-European) global food production centres are formed. The international competition is no longer limited by geographic factors and institutional barriers, which forces a change in the approach to the issues of competition and agri-food products competitiveness on global markets. In the age of trade liberalisation the competitiveness of Polish food products is defined with their ability to find their way to foreign markets and export efficiency.

A specific feature of the present food economy covers, on the one hand, transfer of agricultural functions and resources to the non-agricultural environment, and on the other, absorption of new areas of activity. The multi-functionality of agriculture and rural areas becomes an indicator of process and sustainable development in the agri-food sector, which can stand to the current challenges. These cover also social issues, which follows, *inter alia*, form the sector's considerable share in the labour market and the hidden unemployment in rural areas.

The post-transformation period shaped the agriculture model in Poland, which consists of segments of the Polish agribusiness; these are active agricultural holdings (approx. 1 million, including approx. 220 thousand large holdings); traditional holdings carrying out small scale commodities production and targeted at the local market; small holdings allocating their work and capital resources to non-agricultural activity and holdings carrying out marginal agricultural activity for their own needs basing on the revenues from social programmes. Another identified group covers holdings, which hold land but do not carry out agricultural activity. A separate category is formed of agricultural families without land, which have an increasing impact on positive changes not only on rural areas, but also in the agriculture.

Therefore, the agri-food sector and rural areas are characterized by great differentiation of socio-economic situation of agricultural holdings in the sector, and on the average, by lower quality of life of the population related to agriculture and rural population as compared to other social and professional groups, especially urban households. Hence, what becomes a challenge is undertaking activities for socio-economic development of rural areas and equalling the quality of life between rural and urban populations.

In Poland, the integration with the EU and covering the country with Common Agricultural Policy played an especially important role in shaping the agri-food sector.

The Health Check completed in 2008 pointed to some new challenges that have to be faced by this policy, *inter alia*, related to biodiversity, water management and climate change. Further enlargement of the EU (10 countries in 2004 and 2 more in 2007) increased the share of small holdings in the EU agrarian structure. The co-existence of different models of agriculture in the European Union, with special emphasis on the role of small holdings, becomes another challenge. It gains special significance at the background of strong stimuli to intensify agricultural production recommending, at the same time, to balance the production methods in respect to environment. It is a contemporary issue also for the Ukrainian agri-food sector, which has a considerable potential of agricultural holdings owning small area of agricultural land.

The Ukrainian agri-food sector plays an important part in shaping the market economy of this country, mainly because of its large scale. At the beginning of 2007 over 57.8 thousand of agricultural enterprises, under different forms of ownership, operated in Ukraine. This large number of enterprises on the market contributes to, *inter alia*, increase in competitiveness between producers. It is assumed that agriculture and processing related thereto, will be in the future a prominent source of Ukrainian export, both of agricultural raw materials, as well as pre-produced food products. Therefore, agricultural establishments are being set up on a large scale, which will create conditions to increase soil fertility and accelerate the implementation of efficient technologies. It will result in increased production, wider range of products, improved competitiveness and food products export. In this manner the agri-food sector will start to play a more and more important role in the development of Ukrainian economy.

It should be stressed that agriculture is a sector that can develop normally only provided that it will mobilize additional financial resources from external sources (first, in the form of short-term loans for implementation of its current activity). Unfortunately, the majority of agricultural enterprises in underinvested and has out-dated machinery. There are not enough financial resources to modernise machinery and introduce efficient production technologies. One of the main tasks of Ukrainian agrimarket is implementation of energy-efficient and clean technologies, as well as non-waste production, which will help to increase competitiveness of domestic production on internal and external markets.

Ukraine expects an increase in the export of production from agri-food industry. It relates to a need to direct financial resources to agriculture development and modernisation, because it is necessary to increase the global agricultural production to cover the expected growth in export and internal consumption. Currently the food sector is placed among the most important sectors in Ukrainian economy.

The agri-food sector in Poland and Ukraine may and should make the necessary adjustment efforts to meet the current challenges, *inter alia*, linked to the implementation of the Lisbon Strategy, as well as to shaping territorial cohesion.

The following monograph presents the approach and opinions of the scientific circles involved in agri-food sector on the issue of changes, tasks and perspective of development in the sector in Poland and Lithuania - countries covered with Common Agricultural Policy of the European Union, as well as in Ukraine - a country on the path of economic transformation.

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