

The CEE Bankwatch Networks Mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation

# WHO IS SQUEEZING POLISH FARMERS?

## THE EBRD'S INVOLVEMENT IN PROMOTING BIG AGRIBUSINESS

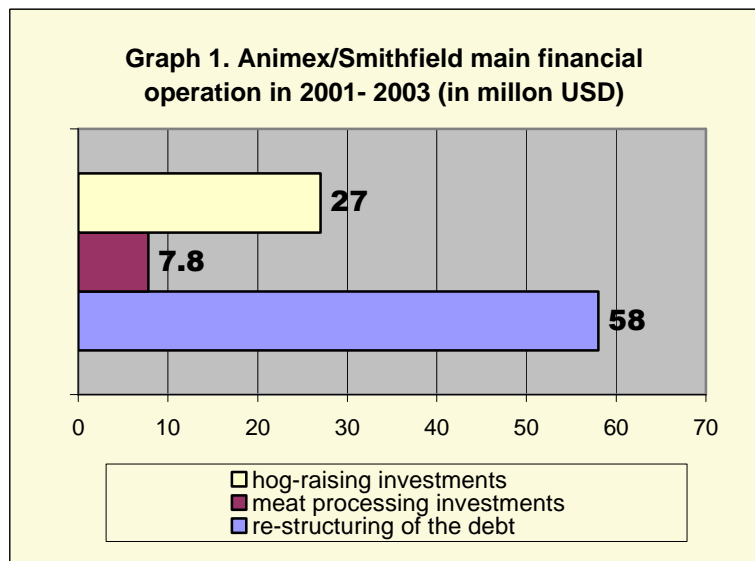
The EBRD has supported agricultural reforms in Poland for many years. Its main clients are international corporations whose standards of management and competitiveness, according to the Bank, guarantee success for the transition process. Unfortunately, the example of the Animex loan also shows the threat posed by the promotion of big business to particularly sensitive sectors of the economy like Polish agriculture. The EBRD's intended "positive (loan) impact on Polish agriculture as a whole" has turned out to be something entirely different.

### Project background

In 1999, Animex S.A., second biggest Polish state-owned meat processor and producer, was taken over by Smithfield Foods company, one of the world giants in the meat industry. Two years later Animex/Smithfield got USD 100 million loan from the consortium of Banks - Rabobank Polska, BRE Bank and EBRD (this loan apparently raised Smithfield's reputation in the eyes of other financial institutions). In the same year Smithfield started buying Polish farms, using a front company called Prima Ltd. and Animex entities responsible for hog-raising.

### Where does the money go?

According to the EBRD, its loan is devoted to modernising the meat processing line in the Animex group and has nothing to do with controversial industrial hog-raising. Bearing in mind Smithfield's management policy - vertically integrated production "from breeding to bacon" - this assumption is likely wrong, as the figures in Graph 1. suggest. Moreover, company registration documents reveal that 30% of the corporate loan provided by Rabobank, BRE Bank and EBRD, is allocated for circulating capital, which makes it possible for Animex/Smithfield to invest money also in hog-raising. However, as all Polish meat production plants were in compliance with EU standards, they do not need significant financial assistance, in contrast to hog-raising farms with poor environmental records.



Source: Bankwatch compilation from official statements and company data

### Industrial hog-raising environmental record

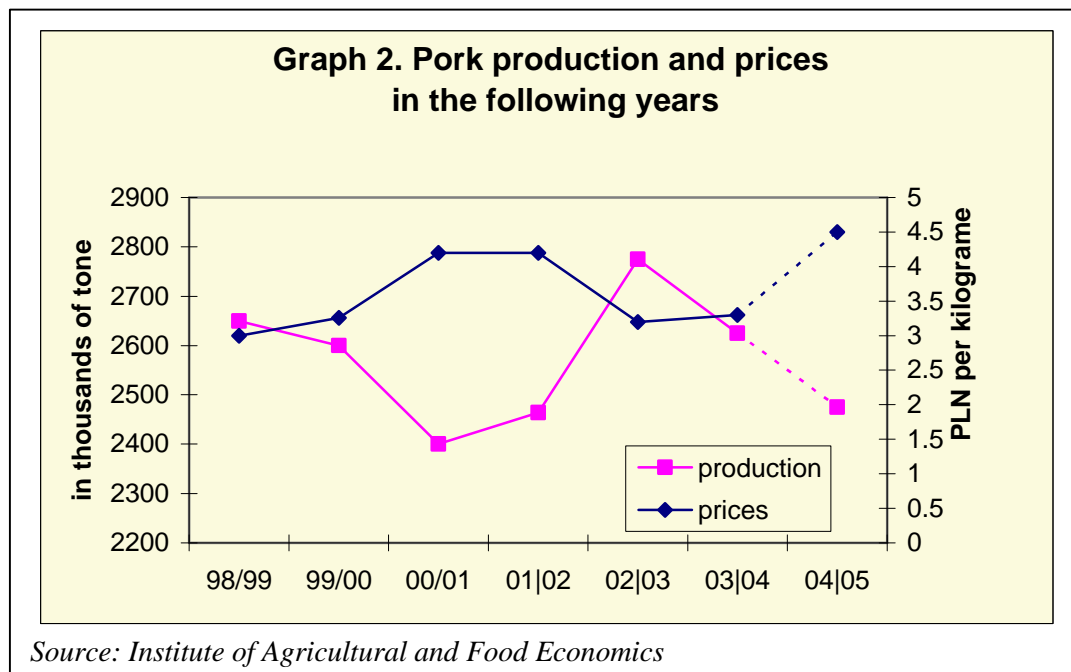
Prima Ltd. and Animex became a front for Smithfield's dirty work, enabling it to shift the costs of industrial hog-raising onto the environment and onto individual farmers. Since many of its illegal practices, including over-manuring the land<sup>1</sup> and violating veterinary laws, have been proved by NGOs and several environmental and sanitary inspections, no one is under any illusion that Smithfield's activities will positively influence the changing face of Polish agriculture. Most of the industrial farms need to obtain integrated permission under the European Union IPPC Directive by the end of April 2004. It will not happen, however. There is no chance that Smithfields' farms are able to get the legal permissions on time. From May 2004 they will be operating illegally – according to Voivodship Offices responsible for issuing permissions.

### Social and economic impacts

Irrespective of national and European environmental requirements, construction of new industrial hog-raising farms

<sup>1</sup> In March 2004 the Coalition Clean Baltic submitted a report to the Helsinki Commission about the agriculture pollution from the hog-raising farms in Poland. Examples show that farms occupied less than 15% of the required acreage to utilise their manure. The Commission recognised the importance of the problem and sent the report to the investigative bodies to put forward to the Heads of Delegate meeting in June 2004 concrete proposals for Helcom action.

is under preparation. Therefore social and economic consequences for individual farmers can not be ignored anymore. Increasing production in industrial farms, over-production of pork and deregulation of the market (See Graph 2.) are indicators proving that traditional farming in Poland is losing out. Hundreds of thousands of individual farmers bit by bit are losing their source of income, without alternative employment perspectives, and thus are being pushed with their families towards the social margins. Someone needs to ask where is the positive impact of multinational corporations investments on Polish agriculture sector as a whole, including farmers.



### Big business taking over control

With control of the pork market, Animex Group and Sokolow S.A. (EBRD has almost 11% of Sokolow stock) are able to set prices at a lower level than the costs of production. In October 2003 pork prices fell by 25 percent. It needs to be acknowledged that those companies have real power over the meat market.

Therefore information about the

possible transaction between Sokolow S.A. and Smithfield Foods in order to sell the American company 19.13% of Sokolow stock is a rather bad omen for the future of individual farmers and local slaughterhouses. Vertically integrated production (one of Smithfield's golden rules), with likely influence on market prices, will prevent individual farmers from selling their pigs as it is impossible for them stay in business if they sell below the cost of production. Meanwhile Smithfield Foods will raise their profits as a result of increasing production by direct subsidiaries like Prima Ltd., which will be able to provide more and more pigs for its meat processing plants.

### NGO demands:

- The EBRD should conduct the Animex/Smithfield loan evaluation before the closure of project with special focus on social and economic consequences for individual farmers.
- The credit line should not be renewed by EBRD in the future, even though that possibility exists in the Animex/Smithfield loan agreement.
- As one of the main EBRD transition aims is to increase competition in the Polish meat industry Bank should take strategic steps to ensure that any of the assist companies will take over control on the market.

### For more information:

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**During the EBRD AGM in London more information:**  
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