

## Guest Editorial

# Polish Vision of the CAP after 2013: Against a Background of Economic Transformation and EU Membership

La PAC après 2013 : la vision de la Pologne dans un contexte marqué par la transformation économique et l'adhésion à l'Union européenne

Die polnische Vision der GAP nach 2013 vor dem Hintergrund von wirtschaftlicher Transformation und EU-Mitgliedschaft

**Marek Sawicki**



**Marek Sawicki, Polish Minister of Agriculture and Rural Development.**

After 2013 the Common Agricultural Policy (CAP) should better stimulate the continued development of agriculture and the rural areas in the EU. However, if this objective is to be achieved a deep reform of the policy is needed. Polish experience, as well as an analysis of the situation in agriculture across the EU, shows that the CAP is too complex; in reality there exist 27 different versions of the CAP, one for each member state. The adoption of different direct support schemes has led to a situation where there is neither equal competition conditions between Member States nor between individual farms. If there is to be the continued building of a single market, EU agricultural policy must be subjected to more uniform rules, and it must be simplified. If it is not, an adverse split between the

EU-15 and the EU-12 will be preserved for many years to come, and European agriculture will no longer be competitive on international markets. Under these circumstances the entire European Union loses out.

### The CAP in Poland

Poland, when it joined the EU, adopted a CAP which had already undergone fundamental reform in 1992, 1999 and 2003, which resulted in reduced price support and an increased role for direct support, and placing at the same time a growing emphasis on rural development.

The Accession Treaty defined a long period of ten years for phasing-in direct payments in Poland, which resulted in a need for Complementary National Direct Payments (CNDP). The Polish CAP is characterised as also having a significant focus on support for rural development; the share of the second pillar in the Polish CAP envelope for 2007–13 amounts to almost 50 per cent of the total (the EU average is around 23 per cent).

In order to facilitate effective adaptation to new market conditions whilst implementing the CAP, simple solutions which least distort market signals were favoured. As a result Poland was the first to opt for the introduction of a simplified system of the Single Area Payment Scheme (SAPS). Polish priorities under the second pillar of the CAP were modernisation and restructuring, as

this enabled acceleration of a process of catching up with the EU-15 agri-food sectors which had used the CAP instruments for much longer.

The EU accession also required implementation of a new series of veterinary, sanitary, phytosanitary and environmental protection rules and regulations. In this context, direct payments played an important role as they partially compensated the costs incurred by agricultural producers for the costs of adjustment and becoming compliant with the EU requirements related to agricultural production (such as standards of good agricultural and environmental conditions under cross-compliance, GAEC).

### Accelerating positive change

The CAP has undoubtedly accelerated the adjustment of the Polish agricultural sector. It has also significantly contributed to improving the living conditions of farmers and rural inhabitants. The disparity between agricultural incomes and average salaries in the national economy has clearly decreased. However, the differences between agricultural incomes in Poland and the incomes in other sectors are still considerable, and much higher than in the EU-15.

Progress in raising education levels is encouraging. The percentage of people with a higher education in rural areas has risen from 2.0 per cent in 1996, to 4.3 per cent in 2002, and to 8.6 per cent in 2007. It



## The agricultural sector in Poland

Currently, 14.7 per cent of the total number of people employed in Poland work in the agricultural sector (three times more than the EU average). The share of agriculture in GDP in 2010 was 3.7 per cent. Polish agriculture is characterised by its regional diversity, in particular in terms of its agrarian structure, including the size and the number of farms. The average farm size in the north of Poland is about 18 hectares, whereas in the south it is less than 4 hectares. For comparison, the average farm size in the EU ranges from 5 hectares in Greece to 70 hectares in the United Kingdom.

“ La méthode actuellement utilisée pour distribuer les paiements directs n'est pas acceptable. ”

Poland has the second largest number of farms among Member States (after Romania). It should also be remembered that Polish agriculture and its agro-industrial sectors began the process of transformation from a centrally planned to market economy with a large number of small businesses – family farms, processing plants and sales outlets. At that time it was conducive for the creation of a workable market system as it promoted competitive behaviour, though the rules of competition and market links were only emerging gradually. Undoubtedly, small family farms played an important role in buffering the labour market, making easier the adjustment of other sectors of the economy, and reducing the already high social costs of system transformation. Today, these same farms perform important public, economic, social and cultural functions, and they make the rural areas viable.

The competitiveness of Polish agricultural production, and its strong export position, is largely determined by medium and large farms, of which there are almost 800,000. Their

continues to grow. It is apparent from surveys conducted to monitor the use of direct payments that a significant part of the support, especially to medium and smaller farms, is allocated for education and other non-consumer goods and services which significantly affects the sustained improvement of quality of life for these farming families.

The effects of restructuring and modernising the agri-food sectors are also noticeable. The process of concentration of production has accelerated, and most sectors have been modernised using the own resources of farmers, processors, foreign capital, as well as the EU funding. The dairy sector serves as a good example. In the mid-1990s, circa 900,000 farms supplied milk to approximately 400 dairies, most of which were cooperatively owned. Currently, the number of dairies has decreased by half, and modernised processing plants export approximately 20 per cent of their production. In the meantime, however, circa 70 per cent of farms stopped milk production, losing a

regular income which significantly increased the social costs of the reform of the sector.

An investment recovery, which began in 2003, has continued to this day. In the period 2006–10 average investment in the food processing sector amounted to approximately €2 billion per year, a real increase of 40–50 per cent compared to 2000–02.

The effort of attracting well-targeted and well-coordinated investment has had an impact on the growth of competitiveness of the Polish agri-food sector. It is also reflected in the trade results, as well as in the quality and diversity of Poland's exports. The share of agri-food exports in Polish total exports has increased from 8.4 per cent to 11.3 per cent. In 2003 Poland became a net exporter of agri-food products, a situation maintained even in the recent financial crisis. In the period 2003–10, a more than three-fold increase was recorded in the value of exports in this sector, from €4 billion to over €13 billion today.

Polish food combines traditional and modern production methods. It is not only attractively priced, it is above all of good quality, and is produced safely. Tasty traditional varieties of fruit and vegetables, traditional technologies of animal husbandry (for example oat-fed geese, traditional pig feeding), as well as traditional processed products, such as vodka or bakery products with traditional flavours are all combined in a modern industry and result in a very commercial trade offer.



importance in Poland is steadily growing. In the early 1990s, the group of farms of more than 15 hectares utilised 20 per cent of agricultural land, by 2007 this had risen to 47.1 per cent. Compared with 2002, the average farm size also increased (by 13 per cent), while the number of farms of 1–5 hectares has dropped by nearly 23 per cent.

Despite these positive trends and an active policy in this area, structural changes still present a major challenge for Polish agriculture, which is the same as in many other EU countries. This situation will change fundamentally only over a long period of years, along with demographic and structural changes throughout the economy.

### Rural development in Poland

Poland is one of only a few EU countries in which the balance of migration from cities to rural areas is positive. The countryside is seen as an attractive place to live. Over 90 per cent of the rural population claim they are happy to live in the countryside.

“ Die Art und Weise, wie die Direktzahlungen im Moment verteilt werden, ist nicht akzeptabel. ”

The new activities of rural inhabitants: developing agro-tourism, promoting local products, and supporting various cultural activities, encourage the preservation and development of the specific characteristics of Polish villages. Rural inhabitants are making good use of their national and EU funds, but most of all they are developing a new entrepreneurial spirit, demonstrating great creativity and showing initiative. They also support European integration; 85 per cent of the rural population supports the process.

Such multifunctional development requires the further strengthening of socio-economic activities as well as



actions conducive to effecting positive structural changes. The modernising and restructuring processes in rural areas have not yet been completed in Poland, and changing global circumstances present new challenges which also require continued, appropriate, adjustment. Given this, it becomes apparent to most observers how crucially important an appropriate rural development policy is for both Poland and Europe.

### Seizing the opportunity for reform of the CAP

In an era of globalisation and liberalisation of the rules of world trade at the WTO, European agriculture is increasingly exposed to international price fluctuations leading not only to the impoverishment of consumers, growing hunger in the world and an increase in the risks involved in continuing agricultural activity. By contrast, the projected increase in world food demand, as well as the rising energy demand requires the EU agricultural sector to increase its productivity, while obeying the principles of sustainable development. Consumers at the same time expect food to be supplied at a reasonable price, that meets their taste expectations, that will be healthy and produced without harming the environment, using traditional or even organic methods.

Such diverse expectations can only be addressed by the coexistence of intensive agricultural production in regions with good conditions, supplying high added value products to world markets, alongside smaller farms which often operate in more difficult conditions, but offer high quality food primarily to local markets. The strength and potential of EU farms lie in the fact that they provide good quality food to consumers from outside the EU, as well as to local markets.

### A new distribution of direct support is needed

The CAP was originally created under different circumstances and its instruments must undergo further evolution to remain relevant. A large part of agricultural income all over Europe is derived primarily from direct payments which makes farmers relatively passive and less inclined to accept global conditions.

The current method of distributing direct payments, which is derived from historical levels of agricultural production, is not acceptable. Decoupling means that today there is no justification for continuing support based on the level of production in the past, because it does not reflect the objectives set for the future CAP. Given the diversity in implementation methods, the current system distorts

competition within the single agri-food market, thereby blocking the competitive potential of EU agriculture in the global market.

“ The current method of distributing direct payments is not acceptable. ”

Europe's agricultural policy, on the other hand, should encourage farmers to demonstrate entrepreneurship, it should support competitiveness, and it should help to ensure the preservation of the rural environment for future generations. It is, therefore, of key importance to link new objectives and criteria for financial allocation and the level of direct support to the objectives and tasks faced by the CAP. The introduction of a fair distribution of direct payments must not be an end in itself, but should be the consequence of an overall reform.

### The CAP benefits the entire EU

Are the CAP financing costs of 0.5 per cent of the EU GDP too much, taking account of such societal expectations and requirements? It is thought from a Polish view that the CAP budget in the new financial perspective should remain at least at the current level. The EU agricultural policy must be given a truly Community nature, to limit the current, strongly diversified, policies implemented in Member States. This is important for two reasons. First, to ensure a smooth functioning of the single market; and

second, because new tasks set for agriculture and the CAP, such as maintaining biodiversity or mitigating climate change, can be viewed as cross-border public goods. The assessments of costs and benefits related to the CAP funding and carried out at the level of Community and of Member States should, therefore, take into account not only budgetary flows but also the indirect economic effects of this policy and provision of European Public Goods.

### The key to reform – the division of tasks between the CAP pillars

In addition to a budget appropriate for the tasks to be undertaken, there is also a need for deeper reflection on the role of individual components of this policy after 2013. This includes the need for a clearer division of functions between components, and for shifting the focus back towards pro-growth activities.

The first pillar of the CAP should continue to contribute to stabilising economic conditions of farms vulnerable to the effects of globalisation. It should also reward the farmers for meeting high European production standards, including environmental protection, high quality, and production safety.

The second pillar should support development and innovation to a larger degree, and also actions that would allow any European farmer (both owners of large farms and smaller family farms) to compete effectively on international and local markets.

Poland's vision for the CAP consists, first of all, of a clear division of

activities within the two pillars. The first pillar should be intended for 'compliant' farmers, those who meet the cross-compliance requirements, with payments set on the basis of measurable and objective criteria, departing from historical references. The second pillar should be addressed to 'active', entrepreneurial farmers who develop their farms and pursue new Community objectives, thus increasing their competitiveness on the single market and on the global agri-food market. For this reason, Poland feels the need to financially strengthen the second pillar of the CAP, and to strengthen it clearly throughout the entire EU. The Polish Ministry suggests to other partners in the EU a pillar ratio of 50:50. Such a change would be a realisation of a trend observed during the former reforms, as well as of proposals resulting from public debate and the demands of several academic centres.

The suggestions concerning the future of the CAP included in the legislative proposals of the European Commission, whose publication is expected in autumn this year during the Polish presidency in the Council of the European Union, will probably not satisfy all parties. Nonetheless, the understanding is that ultimately, both the EU Council and the European Parliament will adopt solutions responding to the challenges, and meeting the expectations of the majority of EU society. Poland, in the EU Presidency, will make every effort to ensure that negotiations over the future of CAP after 2013 continue in an atmosphere of responsible and deepened reflection, conducive to reaching a compromise in 2012.

## Further Reading

- Ministry of Agriculture and Rural Development (Poland). Agriculture and Food Economy in Poland. <http://www.minrol.gov.pl/eng/content/view/full/18560>
- Publications and Reports of the Institute of Agricultural and Food Economics – Polish National Research Institute. <http://www.ierigz.waw.pl/index.php?idstr=204>
- European Commission Agriculture and Rural Development. *The Common Agricultural Policy after 2013. Public debate summary report*. [http://ec.europa.eu/agriculture/cap-post-2013/debate/report/summary-report\\_en.pdf](http://ec.europa.eu/agriculture/cap-post-2013/debate/report/summary-report_en.pdf)

Marek Sawicki, Minister of Agriculture and Rural Development of Poland  
Email: [marek.sawicki@minrol.gov.pl](mailto:marek.sawicki@minrol.gov.pl)

# summary

## Polish Vision of the CAP after 2013: Against a Background of Economic Transformation and EU Membership

 Polish and wider EU experiences show that the CAP is too complex; in reality there exist 27 different versions of the CAP. Different direct support schemes now mean there is neither equal competition conditions between Member States nor between individual farms. If there is to be continued building of a single market, EU agricultural policy must be subjected to more uniform rules and must be simplified. Poland's vision for the CAP consists of a clear division of activities within the two pillars. Pillar I should be intended for 'compliant' farmers, those who meet the cross compliance requirements, with payments set on the basis of measurable and objective criteria, departing from historical references; and Pillar II addressed to 'active', entrepreneurial farmers who develop their farms and pursue new Community objectives, thus increasing their competitiveness on the single market and on the global agri-food market. Assessments of the costs and benefits of the CAP at Community and Member State levels should, therefore, take into account not only budgetary flows but also provision of European Public Goods. The Polish Presidency will make every effort to ensure that negotiations over the future of CAP after 2013 continue in an atmosphere of responsible and deepened reflection, conducive to reaching a compromise in 2012.

## La PAC après 2013 : la vision de la Pologne dans un contexte marqué par la transformation économique et l'adhésion à l'Union européenne

 Selon l'expérience de la Pologne et plus largement de l'Union européenne, la PAC est trop complexe; il en existe en fait 27 versions différentes. Le fait que les programmes de paiements directs soient maintenant différents signifie que les conditions de concurrence entre États membres et exploitations ne sont pas égales. Si la construction d'un marché unique se poursuit, la politique agricole de l'Union européenne doit être sujette à des règles plus uniformes et être simplifiée. La Pologne voit pour la PAC une division des activités entre les deux piliers. Le premier pilier devrait s'adresser aux agriculteurs « conditionnels », ceux qui respectent les conditions d'éco-conditionnalité, avec des paiements définis sur des critères objectifs et mesurables, autres que les références historiques; et le deuxième pilier à des agriculteurs entrepreneurs « actifs » qui développent leurs exploitations et poursuivent des objectifs communautaires nouveaux, améliorant ainsi leur compétitivité sur le marché unique et sur le marché agroalimentaire mondial. Les évaluations des coûts et avantages de la PAC au niveau de la Communauté et des États membres devraient donc prendre en compte non seulement les transferts budgétaires mais aussi la fourniture de biens d'intérêt public européens. Lors de sa présidence, la Pologne fera tout pour s'assurer que les négociations sur l'avenir de la PAC après 2013 se poursuivent dans une atmosphère de réflexion responsable et approfondie, propice à la conclusion d'un compromis en 2012.

## Die polnische Vision der GAP nach 2013 vor dem Hintergrund von wirtschaftlicher Transformation und EU-Mitgliedschaft

 Die Erfahrungen aus Polen und anderen Ländern der EU zeigen, dass die GAP zu komplex ist; in Wirklichkeit gibt es 27 verschiedene Versionen der GAP. Die Unterschiede bei den Direktzahlungsprogrammen bedeuten, dass weder zwischen den Mitgliedsstaaten noch zwischen einzelnen landwirtschaftlichen Betrieben gleiche Wettbewerbsbedingungen herrschen. Wenn der EU-Binnenmarkt weiterhin aufgebaut werden soll, müssen die Vorschriften für die Agrarpolitik der EU vereinheitlicht und vereinfacht werden. Die polnische Vision der GAP sieht eine klare Einteilung der Aktivitäten in die beiden Säulen vor. Die erste Säule zielt auf "konforme" Landwirte ab, welche die Anforderungen in Bezug auf Cross Compliance erfüllen. Die Zahlungen erfolgen auf der Grundlage von messbaren und objektiven Kriterien und orientieren sich an bisherigen Werten. Die zweite Säule richtet sich an "aktive", unternehmerisch tätige Landwirte, die ihre Betriebe weiterentwickeln und neue Ziele im Sinne der Gemeinschaft anstreben. Somit erhöhen sie ihre Wettbewerbsfähigkeit auf dem Binnenmarkt und auf den Weltmärkten der Agrar- und Ernährungswirtschaft. Bei der Festsetzung von Kosten und Nutzen der GAP auf Ebene der Gemeinschaft und der Mitgliedsstaaten sollten daher nicht nur haushaltsbedingte Geldströme, sondern auch die Bereitstellung öffentlicher Güter in Europa berücksichtigt werden. Die polnische Präsidentschaft wird sich nach Kräften darum bemühen, den Verhandlungen über die Zukunft der GAP nach 2013 einen verantwortungsvollen und wohl überlegten Rahmen zu bieten, so dass hoffentlich im Jahr 2012 ein Kompromiss erzielt werden kann.