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# Synthesis and assessment of the public debate on the reform of the CAP after 2013 in Poland

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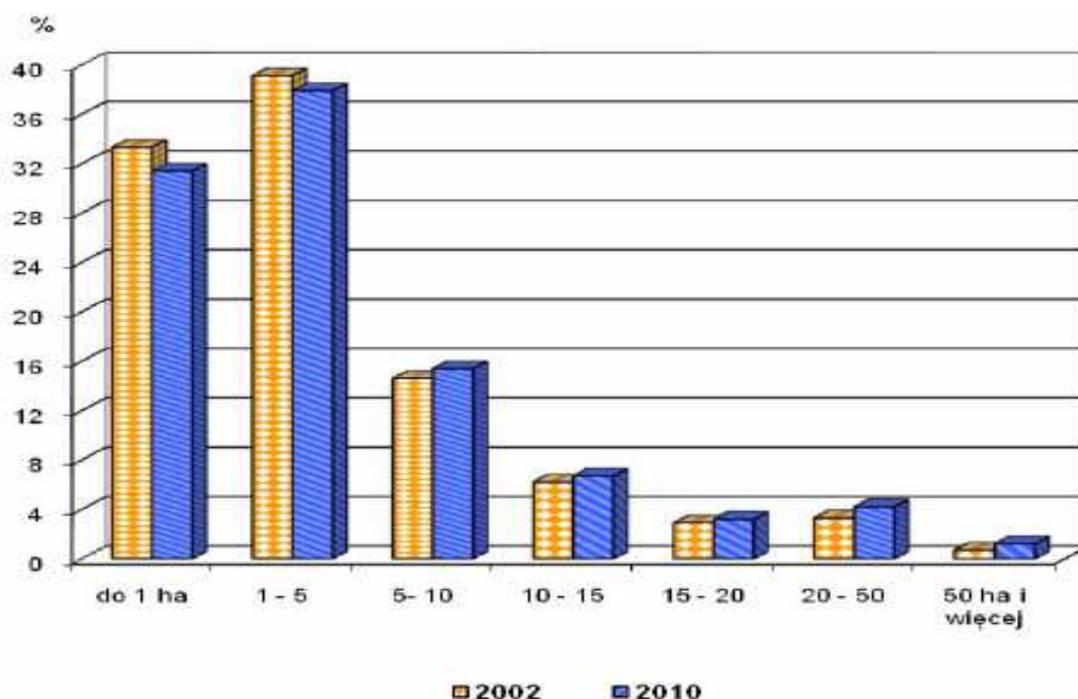
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## 1. Introduction

Poland belongs to those EU member countries for which the agri-food sector plays an important role. The reason for this is not only the fact that 39% of Polish inhabitants live in rural areas but also according to official statistic 13.3% of Polish labour force is deployed in agriculture. The agri-food sector contributes to nearly 3.9% of Gross Domestic Product (GDP) of the country which in comparison with labour resources deployed indicates significant structural social and economic dilemma for domestic development policy.

The unfavourable agrarian structure has been addressed for many years now, via both domestic policy and now EU-funded programs. In Poland there are over 2 million farms including 1.7 million of those above 1 ha. Nearly 80% of farms in Poland fall into the area size group below 10 ha (Figure 1). The total area of farm land in Poland amounts to over 16 million hectares. The average farm area amounts to 8.8 ha. One can briefly state that some 20% of EU farmers come from Poland.

Figure 1. Farm size groups in Poland in 2002 and 2010



Source: Raport z wyników. Powszechny Spis Rolny 2010, Warsaw, Central Statistical Office (GUS), 2011.

After accession to the EU in May 2004 Poland started benefiting from the CAP. The country adopted a simplified area payment scheme (SAPS) which implies an equal payment per eligible hectare of land. All farmers having 1 ha of land are entitled to apply for direct payments. Due to unfavourable agrarian structure there are over 1.4 million beneficiaries of direct payments and over 80% of them do not receive more than EUR 1500 annually (Table 1). Till 2012 Poland will be in the so called phasing-in process which implies that in 2013 Poland will not be able to support farmers from its national budget any more (Country National Direct Payments).

Table 1. Distribution of direct payments in Poland in 2009

Size-class of aid (all direct payments)	Financial year 2009			
	Beneficiaries		Payments in EUR	
	x 1 000	% of total	x 1 000	% of total
< 0 EUR	0.37	0.03%	-30	0.00%
≥ 0 and < 500 EUR	709.33	50.44%	187 525	12.00%
≥ 500 and < 1 250 EUR	423.30	30.10%	337 120	21.58%
≥ 1 250 and < 2 000 EUR	130.83	9.30%	204 461	13.09%
≥ 2 000 and < 5 000 EUR	108.78	7.74%	322 822	20.66%
≥ 5 000 and < 10 000 EUR	22.33	1.59%	151 196	9.68%
≥ 10 000 and < 20 000 EUR	6.56	0.47%	88 132	5.64%
≥ 20 000 and < 50 000 EUR	3.17	0.23%	96 994	6.21%
≥ 50 000 and < 100 000 EUR	0.98	0.07%	67 270	4.31%
≥ 100 000 and < 200 000 EUR	0.36	0.03%	49 325	3.16%
≥ 200 000 and < 300 000 EUR	0.10	0.01%	22 825	1.46%
≥ 300 000 and < 500 000 EUR	0.05	0.00%	18 145	1.16%
≥ 500 000 EUR	0.02	0.00%	16 452	1.05%
<b>Total</b>	<b>1 406.18</b>	<b>100.00%</b>	<b>1 562 237</b>	<b>100.00%</b>

Source: European Commission, DG Agriculture and Rural Development, *Report on the distribution of direct aids to the producers (financial year 2009)*, February 2011.

In the period of 2007-2013 Poland became the largest beneficiary of EU funds among New Member States (EU12) both under the CAP (EUR 15 billion for the 1<sup>st</sup> pillar and EUR 13.2 billion for the 2<sup>nd</sup> pillar) as well as EUR 67 billion under the cohesion policy. Taking into consideration of the fact that some 60% of rural households in Poland declare that they do not have any contact with farming the second pillar of the CAP plays a very important role in the process of modernization of Polish agriculture as well as the improvement of living conditions in rural areas.

After reviewing the state of the debate about the European Commission's proposal for the CAP beyond 2013 the country expert identified key players, dealing with agriculture, rural development, agricultural policy and socio-economic matters, which have been and still are active in the CAP discussion. The group of the players who were selected to examine their positions/opinions includes:

- the Polish Government – the official position of the Polish Government became the starting point and reference for reactions of other country players;
- the Ministry of Agriculture and Rural Development (MARD) – this is the leading ministry which is responsible for agriculture and rural development issues in Poland; MARD is also the author of the main body of the Government official position towards CAP reform beyond 2013; the expertise also covers reactions of MARD (and the Polish Government) to communications of the Commission published on 18 November 2010 and 12 October 2011;
- Polish stakeholders who participated in the public debate launched by the Commissioner Ciolos in the period of 12 April and 11 June 2010 – the expertise summarised the voices of the stakeholders;
- farmers unions and agricultural organizations – the country expert decided to review the common position of six farmer unions and agricultural producer organizations which are members of COPA COGECA as well as the position of the National Council of Agricultural Chambers (KRIR);
- organizations of the civil society (environmental, consumer and social organizations) – the review of common declaration elaborated by 25 non-governmental organizations active in the area of environmental protection, consumer protection, social and economic matters;
- Polish NGO responsible for bird protection (OTOP) which belongs to the world federation of bird protection associations - BirdLife International;
- rural non-governmental organizations active in the area of rural development (Rural Development Forum- FAOW) – FAOW is an official representation and discussion platform of rural organizations (both nation-wide, regional and very local ones as well as Local Action Groups under LEADER);

- Polish think-tank which published a special report and proposed solutions for new CAP beyond 2013 – European Fund for the Development of Polish Villages Programme (EFRWP);
- individual academics – the review of academic papers and debates of selected academics active in the area of common agricultural policy.

The analysis below was based on both official positions (published by the stakeholders mentioned above) as well as individual statements, papers and publications reviewed during the project realization. The assessment also includes comments of the Polish government presented after the official publication of the Commission's communication with proposals of CAP regulations which took place on 12 October 2011.

Poland which became a member of the EU in May 2004 actively participated in the reforms of the CAP. As the result of *the Health Check* the Polish government presented its official position on the future shape of the CAP. The initial position was elaborated by the Polish Ministry of Agriculture and then subject to discussions at the forum of the Council of Ministers. As the result the official position of the Polish Government was **adopted on 12 June 2009**. The position has been characterized below.

## **2. The Polish Government position - the vision of the CAP beyond 2013 adopted in June 2009**

The position of the Polish Government acknowledged that the Health Check of the Common Agricultural Policy modified the instruments of the CAP without changing its structure, particularly not changing the country envelope ceilings and thus the level of support in given areas of intervention. However, the Health Check set forth the main directions of future change of the CAP and new goals of the CAP were defined (new challenges): climate change, renewable energy, water management, biodiversity, dairy sector support and innovations.

The Polish Government appreciated that the Health Check consensus included the commitment of the European Commission and the Council to analyse the issue of significant discrepancies in the level of direct payments in the EU and working on new proposals. The second issue was to address a need of additional

resources for new MSs to increase ceilings (envelopes) of direct payments in the period of 2010-2012. Both those issues were signaled very strongly by Poland during *the Health Check*.

### **Context**

The Polish government recognized that the Common Agricultural Policy would have a key role to play beyond 2013 in ensuring **food security, sustainable development of agriculture and rural areas**. In order to ensure effectiveness and efficiency of the CAP in implementing the above tasks in the future, further CAP modifications should:

- (i) fully preserve its **Community nature**, including the financial aspect, thus ensuring a level playing field on the single EU market;
- (ii) relate the level and allocation of financial support for specific measures, including direct payments, to current and future objectives, which requires, among other things, **departing from outdated and no longer justifiable historical reference in ceilings** for direct payments reflecting the intensity and levels of agricultural production in the individual Member States from over a dozen years ago;
- (iii) reduce the implementation costs for both the EU institutions and Member States, which requires further **simplification** of this policy. The future CAP needs to be understandable for farmers and taxpayers, and it will be impossible without its significant simplification.

### **Objectives and financing of the CAP**

The Polish government, taking into account: (i) the extended scope of the CAP objectives with new Community challenges while keeping the majority of tasks implemented so far, (ii) the crucial role of financial solidarity for smooth functioning of the single market, and (iii) the reduced level of price support, finds it necessary to ensure an **appropriate level of Community funding** for this Policy beyond 2013 **at least at its current level**. At the same time, an increased co-financing of the Policy from the national budgets, in particular introduction of national co-financing for direct payments, would significantly threaten the CAP capability to create European added value in the future. Such a change would prevent the process of economic cohesion in the Community and would compel poorer Member States to increase public spending in order to ensure a level playing field for their agricultural sector on the single market, or to give up economic benefits resulting from competing on equal terms in this sector. **The attempts to renationalise the CAP are unacceptable.**

With the above in mind, it is also necessary to **maintain the current structure of the CAP**, i.e. all three elements of the current policy: (i) Common Market Organisation, (ii) Direct Payments Scheme, and (iii) Rural Development Policy.

### ***Market intervention***

In view of the Community market opening to external competition and of an increasing instability of the international agricultural markets it would not be reasonable to further limit market intervention in the Community legislation. In the future, the intervention mechanisms should also stabilize market production conditions while contributing to the EU food security in consequence. Therefore, the Common Agricultural Policy should **retain the effective instruments of market intervention** – they are no longer the main measure of support for agricultural income, however, **they ensure a “safety net”** which is to be implemented in extraordinary circumstances (significant price decrease, more volatile prices). It is important to retain the possibility of effective intervention in the sectors of particular significance for the environment, regions and majority of medium and small agricultural holdings. The effectiveness of market intervention mechanisms depends not only on the scope of legal instruments available under the CAP, but also on their timely implementation in response to the market situation.

It is necessary to deepen the activity of the EU in newly developed fields of market relevance such as **promotion activities** (both in the EU market and in the international markets) and the advanced **instruments of risk and crisis management** in agriculture in view of the new risk factors in agricultural production, such as climate change (droughts, animal and plant pathogens), which have become more frequent. Those aspects require functional and financial enhancement with a long-term multiannual approach. The further evolution of the first CAP pillar should also address other important public concerns including promotion of appropriate nutrition habits among the individual consumer groups and food aid for the most deprived persons.

### ***Direct payments***

Direct payments should remain the CAP instrument responsible for:

- (i) support and stabilization of agricultural incomes;

- (ii) maintenance of agricultural land in good agricultural and environmental condition;
- (iii) compensation of the costs of meeting the Community requirements (with regard to the quality and methods of production) related to part of non-production public goods, as well as
- (iv) ensuring level playing field on the single market in agricultural and food products. Income support and maintaining land in good condition is of particular importance in less favoured areas.

**Elimination or significant reduction of direct payments under the CAP would result in a permanent abandonment of agricultural activity in many less favoured areas in the EU and in an excessive concentration and intensification of agricultural production in other areas.** Therefore, direct payments should ensure economic stability and sustainable development of the Community agriculture, as well as food and environmental security of the EU. Their role in this regard may grow in the future if agricultural prices stay at low levels or if the effectiveness of market interventions under the CAP is hampered. Any substantial restriction of decoupled domestic support schemes would practically impede the EU's ability to actively promote and enter into any multilateral commitments.

However, the **direct payment system requires urgent change** consisting in further simplification and unification of its application in the entire EU. It is necessary to depart from the current arrangements where the amount of payments (SAPS rate or average value of SPS entitlements) and national ceilings (envelopes) reflect historical level and production intensity in individual Member States from over a dozen years ago. **The new payment system should be linked with the area of agricultural land (e.g. simplified current SAPS system), should include the compliance with the environmental protection requirements and additional financial support for areas with natural production handicaps.** The system of flat rate payment in the entire EU would better serve the current and future CAP objectives than the current systems - it would allow for a smoother integration of the society concerns and public goods into the system.

### ***Rural development policy***

The conclusions of *the CAP Health Check* show that the **rural development policy is more and more justifiable**. The CAP's second pillar has a paramount role in the process of structural transformation and modernisation in rural areas and agriculture, including acceleration of the catching-up process which is of particular importance for the new Member States. Rural development instruments are also increasingly important in the implementation of tasks associated with the new challenges faced by the Community, which require involvement of the European agriculture and rural areas. In view of the above, it is necessary to preserve strong role of the rural development policy, as a part of the CAP, beyond 2013.

### ***New Challenges and Modulation***

It should be emphasized that funding of the new challenges through the **modulation mechanism** (transfer of funds from the first to the second pillar) adopted within the framework of the Health-Check, **is not an appropriate solution**, as it preserves the distribution of funds in envelopes of direct payments based on historical production level which is unfavourable for the new Member States.

At the same time, **the current approach to the support under the CAP's second pillar**, consisting in the availability of numerous instruments and relatively much autonomy left to the Member States in development of schemes adjusted to their development needs, should be preserved. At the same time, the advantages of separate EAFRD functioning and management should be underlined due to the mutual links between the EAFRD's instruments and the evolution of the CAP's first pillar.

In the light of experience gathered in the first years of the EAFRD operation a **debate on the coordination of the rural development measures under the CAP's second pillar and cohesion policy is desirable**. Considering the future rural development, the changing Cohesion Policy, which is an important source of changes in rural areas along with the instruments of the CAP's second pillar, should be taken into account.

The Community should keep considering the reduction of discrepancies between the EU regions and bridging the gaps in the rural and urban areas development levels with the use of both policies as its priority. **The comprehensive support offered by the rural development policy** is an extremely important

element of the public support aimed at sustainable growth, maintenance of the viable rural areas and increased competitiveness of the agricultural sector.

The position of the Polish government outlined the most vital needs of Polish agriculture and rural areas. Advocating for considerable change of the existing system of direct payments Poland expressed the opinion of majority of new Member States dissatisfied with significantly lower and unequal payments compared with the farmer of EU15 countries. The position of the Government was exemplified by voices of farmers, general public and other CAP stakeholders expressed during the public debate launched by the Commissioner Dacian Ciolos in the 2<sup>nd</sup> quarter of 2010. The summary of Polish contribution to this debate is being presented below.

### **3. Summary of Polish voices in the public debate launched by the Commissioner of DG Agri Dacian Ciolos during the period of 12 April and 11 June 2010**

The debate provided a wide range of various proposals and suggestions in the view of the conceptual work prior to the planned Commission's communicate in fall 2010 about the reform directions and shape of the CAP after 2013. Voices from Poland along with Germany and France accounted for 60% of all propositions (over 5600 contributions) sent via the Commission website. It is worth stressing that voices from Poland amounted to 1053 which was the second largest national contribution (1440 voices from Germany) while Cyprus sent just 5 opinions. In Poland over 49% of individual contributions were made by individual farmers<sup>1</sup> (own declarations).

Proposals referred to the following questions defined by the Commission:

- Why do we need a Common Agricultural Policy?
- What do citizens expect from agriculture?
- Why reform the CAP?
- What tools do we need for the CAP of tomorrow?

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<sup>1</sup> Each participant in the discussion declare which group of stakeholders represented.

Besides general public responses sent via specially Commission created web page<sup>2</sup>, the opinions were sent by various rural and agricultural NGOs, expert groups, *think-tanks*, research institutes and organizations active and engaged in the European Network of Rural Development. The free and open character of the debate allowed for quite polarized opinions: from liquidation of the CAP and calling farmers to stop “crying on their difficult life” to glorification of the CAP as the most efficient and the only instrument which can guarantee Europe’s food security.

### ***Summary of Polish contributions***

The discussion was however dominated by more moderate opinions such as:

- the CAP shall be subject to **evolutionary not revolutionary changes**,
- the CAP must **ensure EU food security and deliver public goods** for EU society,
- the CAP shall **keep its Community nature** and solve pan-European problems as well as accommodate different interests of Member States,
- the CAP shall support agriculture in the entire EU and all its regions.

Many Polish individual respondents underlined functions of small farmers who were presented as mistreated and fighting for survival while they play a key role in maintaining economic viability of rural areas and providing important public services vital for the entire society.

### ***Objectives and financing of the CAP***

The analysis of the proposals submitted by Polish respondents from various groups allowed for identification of the common ideas and perceptions what the CAP shall look like in the future:

- the reform shall make the CAP a guarantor of food security for the EU,
- market intervention is important but shall be transferred into modern instrument of risk and crisis management tool,
- **farmers shall be paid for delivery of public goods**,

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<sup>2</sup> [www.ec.europa.eu/cap-debate](http://www.ec.europa.eu/cap-debate) and “Perspektywy i kierunki zmian Wspólnej polityki rolnej Unii Europejskiej po 2013 roku”, I. Nurzyńska, M. Drygas, [in:] *Diagnozy, strategie, koncepcje polityki*, Instytut Rozwoju Wsi i Rolnictwa PAN, Warsaw, 2011.

- the CAP shall **support environmental protection and biodiversity**,
- the CAP shall support **maintenance of rural area viability** via creation of new jobs and protection of existing ones,
- the CAP structure shall be rethought in order to **assure adequate financing for both pillars** in order to support both agricultural and rural development,
- the CAP shall be more fairer for small farmers, shall take consideration of areas with difficult conditions as well as provide equal treatment of new MSs,
- the CAP shall contribute to promotion of traditional food products and enable the farmer benefiting from profits generated via food chain.

It is worth stressing here that various stakeholders' positions expressed by the Polish respondents during the public debate in early 2010 were further developed and supported by deeper argumentation.

#### **4. Position of the Polish Government and the Ministry of Agriculture and Rural Development after presentation on 18 November 2010 of the Communication from the Commission**

##### ***Objectives of the CAP reforms***

The position of the Polish Government on the Commission's proposals was a continuation of the earlier official opinion. The key aspects raised were the following:

- **need for ambitious reforms of the CAP** in order to meet the set forth objectives,
- **maintenance of the Community budget of the CAP at least at the same level** as it is now,
- simplification of the CAP which leads to **considerable reduction of administration costs** both for beneficiaries and implementing bodies,

##### ***Direct Payments***

- **departure from historical criteria** of allocation of resources under the 1<sup>st</sup> pillar and their replacement of objective criteria connected with the current CAP goals,

- multi-layer system of direct payments with supplementary LFA payments with high flexibility for MSs,
- possibility to **apply SAPS as an alternative for SPS**,
- allocating the support under direct payment scheme to active farmers according to common EU criteria,
- greater consideration of potential, problems and needs of small farms under the CAP,

### ***Rural development***

- financial strengthening of the 2nd pillar of the CAP with the existing criteria of funds' allocation,
- **better coordination between the CAP and the EU cohesion policy** in order to increase effectiveness and simplify the implementation procedures,
- better coordination between the CAP and other EU policies (financial, trade and environmental policies) to address climate and energy challenges and other CAP goals,
- **better targeting of the 2<sup>nd</sup> pillar instruments**,
- undertaking activities focused at strengthening of the farmers' position in the food chain.

The presented above list practically covers key issues vital for the Polish agriculture and rural areas being subject to CAP reform debate. Taking consideration of today's stage of CAP debate it is rather unlikely to introduce a flat rate of direct payments in all Member States as requested by Poland. It is also not possible to transfer LFA payments to the 1st pillar. However, proposals towards the support for small farms, shortening food chains (direct sales and local market development) and strengthening of farmers' position in the food chain address Poland's needs and expectations.

## **5. Position of the Ministry of Agriculture and Rural Development towards new proposals of the Commission's regulations published on 12 October 2011**

### ***Objectives of the CAP reform***

After the presentation of the Commission's proposals for regulations for direct payments schemes and rural development on 12 October 2011 the Polish Ministry of

Agriculture (MARD) expressed its official opinion. First of all the Ministry underlined that Poland was expecting that the CAP reform would lead towards:

1. Deep and fundamental reform of the CAP in order to make it more growth oriented and ensure that EU agriculture becomes competitive in comparison with non EU countries and to meet rising food demand of the world – therefore, **MARD is disappointed with the Commission’s proposal; MARD argues that the Commission is keen to maintain transfers from the EU budget to MSs rather than really change the CAP; the proposal does not take consideration of the new challenges imposed on the CAP after 2008; as the result CAP new challenges will need to be handled under the same budget;**
2. Simplification – all MSs unanimously expressed their expectations towards the Commission to elaborate regulations which would be understandable for the farmer and the taxpayer. **The proposals according to the Polish government are complicated and would lead to further increase in red tape by introducing new elements to the direct payment schemes such as** introduction of 3 types of crops in the farm; introduction of definition of active farmer; capping of payments; higher payments for the young farmers; obligation of 30% greening of national envelope;
3. More fair and equal CAP – **small financial corrections do not compensate retaining of historical references in calculating national envelopes;** new elements of the CAP (30% greening, 5% LFA, 2% young farmers allocation) accompanied by historically based payments (reference yields of grain and oil seeds which correspond with levels of agricultural production recorded 20 years ago) **will deepen uneven distribution and unequal treatment of new MSs.**

### ***Weak points of the EC legislative proposals***

Further on, MARD is criticizing shifting functions between the two pillars and new components of the 1<sup>st</sup> pillar which makes it complicated and as the result the pillars are losing the function clarity. Departing from financial strengthening of the 2<sup>nd</sup> pillar is also contested by MARD.

Moreover, MARD points out that new legislation proposals increase the CAP complexity despite the Commission's initial declaration of its simplification (particularly under the 1<sup>st</sup> pillar) which result in complicated relations between GAEC, green component under the 1st pillar and agro-environmental measures under the 2nd pillar). Another example is complicated programming and evaluation of RDP.

### ***Strong points of the EC legislative proposals***

What is appreciated by MARD is the improvement of direct aids distribution depending on the size of the farm (digressive payments - capping for large farms) and increase in individual payment rates for small (subsistence) farms. The Polish Ministry finds it worth stressing that the EC underlines the role of small farms in the realization of the Europe 2020 Strategy objectives (sustainable development, fighting social exclusion), new elements of RDP programming (thematic programming), diversification of income under the 2nd pillar via strengthening marketing position of small farms).

## **6.Position of Polish farmer organizations and farmers' unions which are associated with COPA COGECA**

A group of 6 organizations and farmers unions which are associated with COPA COGECA worked out a common position about the future shape of the CAP. In the position the Group is stressing the role of European agriculture in ensuring food security for the world. This unique role makes agriculture the key sector of European economy and therefore the Group underlines the fundamental nature of the planned CAP reform. The Group is arguing the following.

### ***Objectives of the CAP reform***

The so far experiences of CAP functioning as well as the state of CAP debate show that there is a strong need for sound policy which ensures food security, development of European agriculture and its competitiveness at the global market. All farmers shall have an equal condition of competition at the European single market as well as their participation and power in the food chain shall be strengthened.

Therefore, **the CAP shall be objective, fair and equal for all its participants.** It shall be transparent and clear for EU citizens, consumers and European taxpayers who finance the CAP. The reformed CAP shall **underline the role of farmers in the provision of the public goods.** The European farmers not only provide safe and high quality food but also protect natural environment, combat climate change and deliver biodiversity, animal welfare and care for rural landscape. **It is essential that the reform is not cosmetic but provides for significant change which ensures community nature of the CAP and eliminates any re-nationalization of the policy.**

### ***Direct Payments***

In order to accomplish this all EU farmers **shall be able to operate on equal competitive conditions on the single market, mainly via equal level of direct payments and departure from historical criteria** (historical reference yields). The one common rate of direct payments which takes into consideration objective criteria shall be the primary goal of the reform. In addition, no further transition periods shall be accepted which we have experienced in case of the new MSs. In order to meet all expectations towards the farmers, **the budget of the CAP after 2013 shall at least remain at the existing level.** However, taking consideration of new challenges the budget shall be increased accordingly.

Therefore, the Group also raises its concerns about the proposal of the Commission to reduce the budget by 10% in relation to the level of 2007-2013 as well as" the convergence" proposal. In their opinion it will hamper the ability to even direct payments as well as financing of new challenges of the CAP. In addition, taking consideration of the raising food demand it can weaken European agriculture capability to compete on the global market.

### ***Rural Development***

The existing CAP structure (based on two pillars) is essential to maintain the ability **to continue modernization of agri-food sector within the second pillar of the CAP.** When it comes to greening of the 1<sup>st</sup> pillar and imposing extra environmental requirements on farmers **the representatives feel that the existing**

**requirements under cross-compliance provide for sufficient protection and no additional requirements in this matter shall be imposed** on the farmer.

When it comes to market instruments the Group argues that extra instruments in the form of creating a safety net shall be introduced to provide more protection for the farmer income under rising volatility of various agricultural markets. More efforts shall be taken to strengthen the farmers' position in the food chain.

The **future CAP shall be transparent, simple and free of redundant red tape causing rising administrative costs**. The new CAP shall to be understood not only by the farmer but also by the consumer. All farmer organizations associated with COPA COGECA declare its readiness to actively participate in shaping the future CAP.

## **7.Position of the National Council of Agricultural Chambers (KRIR) in relation to the CAP beyond 2013**

One organization which undersigned the discussed above declaration has developed its individual position as well. It is the National Council of Agricultural Chambers (pol. KRIR). The position is summarized below. In many respects the individual position of KRIR is similar to the main expectations expressed in the common position described above but it is worth stressing some stronger argumentation expressed by KRIR. In some areas – particularly in relation to the vision of direct payment scheme and financing – KRIR supports the position of the Polish Government.

The Council of Agricultural Chambers (Krajowa Rada Izb Rolniczych, KRIR)<sup>3</sup> represents regional agricultural chambers in Poland. Agricultural chambers are self-governing membership structures which are created by the farmers all over the country. The Council is a managing structure and a voice of farmers associated within the chambers.

Like other partner organizations KRIR also perceives agriculture as a key and strategic sector of European economy. This fact is recognized both by rural dwellers as well as the farmer society and the consumer. As the European agriculture produces not only food but a wide range of goods the new CAP must meet the new

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<sup>3</sup> [http://krir.pl/files/stanowisko\\_krir\\_ws\\_wpr\\_po\\_2013.pdf](http://krir.pl/files/stanowisko_krir_ws_wpr_po_2013.pdf)

expectations and demands. Meeting new challenges defined as a result of political decisions of the EU must be reflected in a new shape of the CAP.

### ***Objectives of the CAP reform***

According to the KRIR all decision-makers who will shape the CAP now shall keep in mind the main goal of the CAP defined in the Treaty of Rome in 1957 is still valid. The role of the Community is to support a harmonious economic development of the entire Community, strengthen stable and sustainable development which leads to improvement of living conditions and closer collaboration of all Member States. In order to continue agricultural production in the EU which meets the highest possible quality and safety standards KRIR demands that the farmer are provided with financial support at the adequate level. The CAP budget after 2013 must be kept at least at the existing level. However, taking consideration of new tasks of the CAP – fighting climate change and ensuring EU energy security - possibilities of increasing financing of agriculture under the new budget beyond 2013 as a way of achieving strategic goals shall be considered.

KRIR, like other farmer and agricultural organizations in Poland, **rejects any attempts of renationalization of the CAP** and demands preservation of its Community nature. In addition national budgets shall be subject to effective monitoring so the capping on national spending on agriculture is ensured and equal competition of all farmers guaranteed.

### ***Direct Payment***

**KRIR finds direct payments to be an important mechanism of stabilization of farm incomes.** Farmers have to deliver top quality food while respecting the highest possible ecological standards. They also need to be compensated for provision of non-production services and goods. Difficult and less prosperous profession of farmer (compared to other professions) needs a set of incentives to stop negative phenomena such as land abandonment or aging farm population.

The existing system of direct payments in all 27 Member States is characterized by big differences in terms of adopted systems of distribution of area payments, levels of support and funds' allocation on particular agricultural sectors. Therefore, KRIR believes there is a **strong need for unification of direct payment system cross the EU**. Only such system can ensure harmonious development of the entire EU. Payments shall be based on objective economic and social criteria to

ensure the Community nature of EU agricultural policy. At the same time criteria based on historical data regarding production in given countries are not justified any longer. According to the Polish farmer self-government direct payment scheme shall be based on actual and objective factors such as: area, employment, value of marketable production, weighted purchasing power of the currency binding in a given country.

After presentation of EC legislative proposals in Oct 2011 KRIR rejected the proposed definition of the active farmer and found the 5% share of direct payments in the total non-farm revenue as too low to introduce actual change to the system. KRIR criticized the complexity which is being introduced to the system as the result of the introduction of payment entitlements. Moreover, according to KRIR the new system would further deepen direct aid discrepancies among MSs.

KRIR is against the proposed greening rules and forced set-aside as it would lead to the reduced capability of EU agriculture to ensure the food security. Moreover, the new proposals ignore the positive environmental results and impact contributed so far by the agro-environmental programmes of RDP under the 2<sup>nd</sup> pillar.

### ***Market Measures***

With respect to **risk management**, direct market mechanisms such as intervention procurements or private storage must be kept to ensure quick reaction at the Community level in case of market shocks.

After presentation of EC legislative proposals in Oct 2011 KRIR appreciates the proposed new instruments in the area of risk management, insurance solutions or the idea of mutual investment fund. KRIR advocates for continuation of sugar and milk market regulations as vulnerable for market fluctuations.

### ***Rural Development***

The CAP shall remain responsible for **supporting rural development under the 2<sup>nd</sup> pillar after 2013** ensuring a wide range of RDP instruments. National flexibility of the MSs in the area of shaping regional and national RDPs is, according to KRIR, an effective instrument promoting rural development. For new Member States it is important to continue this flexibility which contributes to acceleration of economic integration of the Community.

KRIR **advocates for continuation of LFAs support under the 2<sup>nd</sup> pillar** of the CAP. Such support is important in regions where extensive production models prevail as it allows preserving agricultural landscape and has positive impact on natural environment. KRIR calls for rational and objective criteria to be used for new delimitation of a new LFAs' map in Europe.

Like the Polish government, KRIR also underlines the need for further simplification of the CAP. *“All elements of the CAP must be simplified”* can be read in the statement of KRIR, both at the institutions which are responsible for the implementation of CAP instruments in Member States as well as at the level of support beneficiaries. It will **improve transparency of the policy and will have a direct impact on reduction of transaction costs** which sometimes can be considerable.

After presentation of EC legislative proposals in Oct 2011 KRIR expressed its support for the objectives of RDP set forth in the regulation as well as the proposed measures especially in the area of investments in tangible assets, continuation of agri-environmental programmes. However, KRIR is against new criteria of identifying of LFAs and shifting some functions of LFAs also to the 1<sup>st</sup> pillar of the CAP.

## **8.Position of the group of Polish non-governmental ecological, social and agricultural organizations in the spring 2011**

The future shape of the CAP and its new goals and priorities became a subject of discussion among organizations which deal with social, general economic and environmental issues. Under the leadership of the Zielony Instytut (the Green Institute), 25 Polish non-agricultural NGOs gathered together and elaborated a common declaration on the future CAP. The largest group among those 25 NGOs constitutes ecological organizations which fight for preservation of natural resources, animal welfare, protection of natural habitats of fauna and flora. The position was also endorsed by the farm producers using ecological production methods and object GMOs.

In general, this informal NGO group gathered NGOs operating on national and regional level with various bargaining power. Nevertheless, the NGO sector is getting more and more important in the public discussion. Their position discussed below is rather limited to general statements. However one can find references to particular proposals presented by the European Commission later on in November 2010 or October 2011. To the larger extent the position tackles the philosophy and political economics of the CAP.

The Group's position was dominated by ecological priorities but what is worth stressing the Group brought to the attention an important role of small farmers in preservation of biodiversity and maintenance of social structure of rural areas. This somehow corresponds with the EC proposal in this area.

### ***Objective of the CAP reform***

Nevertheless, the Group fully endorses the need for fundamental change of the existing Common Agricultural Policy which promotes sustainable agriculture in all its dimensions (social, ecological and economic), although the priorities differ compared to the agricultural society. Taking consideration of the mission statements of these NGOs the Group's position stresses first of all new social and environmental challenges of the EU which the reformed CAP shall address. The details of the position are presented below.

Having consideration of the so-far social and environmental results of the CAP, the group of NGOs<sup>4</sup> sees a need for fundamental changes of the CAP and reforming its elements which hampered the trust of consumers and producers. The position was developed as a voice of solidarity with organizations and institutions which lobby at the EU forum for sustainable rural development. This sustainable development shall be based on closer collaboration between the producer and the consumer which leads to decent payment of the farmer work, high food quality production and public goods provision with the respect of natural resource protection, animal welfare and consumer health protection.

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<sup>4</sup>Position elaborated in March 2010 under the umbrella of the Zielony Instytut, available on webpage <http://zielonyinstytut.pl/download/wpr.pdf>

The Group supports the objectives of the reforms expressed in the Commission communicate dated 18 November 2010 in the area of challenges related to food, natural resources and territorial aspects: (i) **the reformed CAP shall be more ecological and based on more fair distribution of the 1<sup>st</sup> pillar funds of the CAP;** and (ii) **the financial support shall be directed exclusively to active farmers and compensate for provision of public goods.** Priorities of the Group concentrate on:

- support of sustainable agriculture and ecological agriculture,
- promotion of renewable energy,
- protection of environment, land resources and biodiversity, sustainable water management, animal welfare,
- preservation of natural landscape and rural heritage,
- fair payment for the farmer,
- improvement of life quality of rural dwellers,
- food security and food safety,
- support for small and family farms,
- creation of local food production and distribution,
- promoting public health,
- solidarity with the developing countries and fair trade,
- integrated territorial development,
- promotion of research and education, etc.

In the new wave of reforms of the CAP the Group underlines particularly its **support for small and family farms, which are the fundamentals of the European agriculture.** The efforts shall be taken to even differences in the level of support for farmers in all EU countries as well as fair treatment of farmers regardless of the area of agricultural land utilized by them. **The capping of support shall be introduced to stop unfair treatment and supporting the largest farms.** The direct payments shall mobilize for obeying and increasing standards of environmental protection and shall not be linked to either historical production or area of land owned (as often land is not used for food production).

The Group has formulated 3 objectives of the CAP:

## **Objective 1. Profitable Food Production**

Subsidy for farms shall be maintained but public funds (which also come from the poor taxpayers) should not be directed to industrial farms which are the main source of negative consequences: environmental (soil erosion, water and air pollution), social (exclusion of small farms), health (production of low food quality) and violate animal welfare standards. It is necessary **to support small, family farms which operate in difficult conditions in order to maintain farm production and ensure income for family farms.**

Special support shall be given to **ecological and traditional production systems** which guarantee high quality food and preserving state of natural environment. The farmer shall be entitled to subsidy under the 1<sup>st</sup> pillar providing they meet legal obligations. Although, the group does not refer to any specific set of legal regulations or cross-compliance standards. Additional resources shall be directed to those farmers who meet higher standards and requirements. Animal welfare payments and sustainable husbandry shall be introduced as mandatory under the Axis 2 of RDP with a set budget.

**EU public funds shall not be used for set-aside programs** which can lead to high food prices. Efforts shall be taken to **restore production at local levels and rebuild short food chains** and the farmer direct access to the consumer.

The EU shall promote food security and sustainable agriculture in Europe. The **EU shall take global responsibility for not violating the third countries' rights to maintain and develop their own agricultural policies.** Subsidies under the CAP shall stay in line with the needs of the European food market. The CAP shall not result in unsustainable models of agricultural production in the third countries such as monoculture of soybeans or biofuel crops which are harmful for local ecosystems and lead to massive disafforestation and climate change.

## **Objective 2. Sustainable management of natural resources and fighting climate change**

The CAP shall **provide public goods for public money.** "*The polluter pays*" shall be fundamental principle of any aid program under the CAP. The support shall be directed to active farmers who carry sustainable production in terms of: economic

(production of high quality food at decent prices), social (maintain jobs and income for the farm households) and environmental aspects (protection of water, soil, air, animal welfare, biodiversity and preserving landscape).

All beneficiaries under the CAP 1<sup>st</sup> pillar must respect an **obligatory environmental component which shall consist in**: crop rotation, prohibition of converting permanent grassland and earmarking 10% of the so call Environmental Protection Area EPA (pounds, green buffer zones, etc.). **Compensation payments in NATURA 2000 areas shall be covered under the 1<sup>st</sup> pillar of the CAP. Under the 2<sup>nd</sup> pillar of the CAP strong support shall be directed to ecological agriculture and farming in high nature value areas, also in NATURA 2000 ones.**

The Group is against the support for industrial agricultural production (monoculture, large animal production farms) which is harmful for biodiversity, strengthens climate change, and leads to soil fertility loss, contamination of soil and water. The Group calls for environmental impact assessments of all policy options proposed by the Commission.

### **Objective 3. Territorial sustainable development**

Sustainable economic, social and environmental agricultural production can guarantee long-term development of rural areas. Liquidation of small farms and local markets results in job loss in agriculture and out-migration of the young people (particularly women). If this phenomenon continues depopulation will weaken social structure of the rural societies. Therefore, **sustainable agriculture (which is more labour intensive and contributes to higher employment) and diversification of production and service in rural areas (which contributes to higher income of farm households) shall be promoted by the CAP.**

The Group, taking consideration of the expectations of the Europe's citizens, demands a wide range of high quality and safe food products (including local and traditional foodstuffs) whose production respects natural environmental protection and animal welfare standards. The Group supports the reforms which lead to more fair and sustainable CAP.

## 9. The Common Agricultural Policy 2013 Plus - report prepared by European Fund for the Development of Polish Villages Programme

In 2010 the European Fund for the Development of Polish Villages Programme EFRWP launched a report called „The Common Agricultural Policy 2013 plus”<sup>5</sup> in which the proposal for the new vision of the CAP beyond 2013 was presented. The report was prepared under the umbrella of the Forum of Development Initiatives of EFRWP by an independent expert group. The main conceptual proposal was also presented during a round table debate with the participation of the Commissioner Ciolos.

### ***Objectives of the CAP reform***

**The report defines new functions of the CAP which shall provide for:**

1. Guaranteeing food security for all Member States of the EU (including food sovereignty).
2. Ensuring high quality and safety food production (food safety and nutrition safety).
3. Enabling EU agriculture and food processing industry competing on the global market.
4. Supporting social, economic and territorial cohesion of rural areas in the EU countries.
5. Stabilizing farmer incomes.
6. Supporting biodiversity in rural areas.
7. Protecting cultural heritage of rural Europe.
8. Preventing degradation of natural environment particularly areas of high nature value.
9. Supporting the growth of rural societies in terms of modernization and social and cultural aspects.

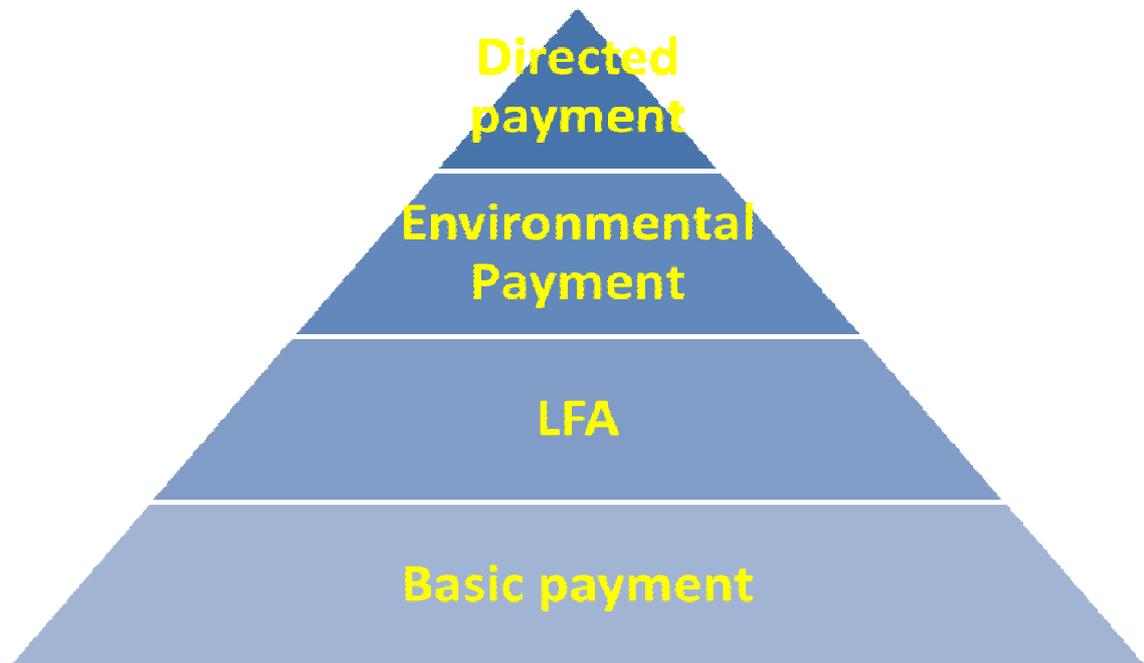
### ***Direct Payment***

One of the main contributions of the report was a new proposal for direct payment support. The authors of the report called for **the establishment of multi-layer (pyramided structure) payments: flat rate, LFA payments, environmental**

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<sup>5</sup> Common Agricultural Policy 2013 plus, Report, European Fund of Polish Village Development, Warsaw, 2010, <http://www.efrwp.pl/>

**payments and directed payments** to be financed under the 1<sup>st</sup> pillar of the CAP (see figure below).



Source: Common Agricultural Policy 2013 plus, Report, European Fund of Polish Village Development Programme, Warsaw, 2010

The authors of the report call for simplification of the CAP implementation systems as current procedures lead to considerable increase in administrative costs both for the beneficiaries and the implementing bodies (mainly paying agencies). One of key proposal in this area was the implementation of a 7-year direct payment application to be submitted once for the entire 7-year financial period which would imply significant reduction in transaction costs.

Another important proposal (which then was also presented to Dacian Ciolos during the meeting organized by the President of European Parliament, Mr Buzek), **was the establishment of special support instrument for small farms as the ones who play a key role in provision of public goods in agriculture and rural areas**. The proposal provided for an accumulated 7-year payment of direct payments to be offered to semi-subsistence farmers who would decide to exit agriculture and start new non-agricultural activity.

The EFRWP report was published in the 2nd quarter of 2010 and was one of the first Polish contributions made in the area of CAP reform proposals with very concert solutions.

Early December 2011 EFRWP prepared its position and some proposals as the reaction to the Commission Communicate published in October 2011. The main proposals prepared by the EFRWP consist in the following:

- The final version of the reform must provide for more precise scenario of unifying the direct payments cross the countries.
- It is a prerequisite of any further discussion to set a common and flat rate for greening as there is no justification for different rates for the same obligations.
- A flat rate per ha shall account for at least a part of the national envelope.
- One of possible solution is setting up an **average basic direct payment per ha in the range of 80-120% of the EU average**; the countries above 120% of EU average could apply digressive payments from national budget till 2017 when they reach 120% of the EU average; countries below the EU average could reallocate 10% of RDP budget and apply supplementary payments financed from domestic budget and EU budget (modified top-up payment).

## **10. Position of the Polish Rural Forum (FAOW) on the future CAP beyond 2013**

In addition to the position of non-agricultural social society organisations it was decided to present a position of rural NGOs which are associated under the structure of the Polish Rural Forum (Forum Aktywizacji Obszarów Wiejskich, FAOW). The Polish Rural Forum is the first national platform of cooperation of 80 rural organizations in Poland. NGOs which cooperate within the Forum work together towards more effective functioning of Polish rural communities within the EU through animation and increased participation in decision making process. One of the Forum's objectives is to promote the LEADER-type approach in Poland. The position of the Forum about the future CAP has many aspects common with the position

developed by the PREPARE network (Partnership for Rural Europe) the Forum is a partner of<sup>6</sup>.

### ***Objectives of the CAP Reform***

FAOW along with PREPARE network developed **a vision of the rural areas of the united Europe**. This new vision consists in: (i) stable social rural structure resistant to negative factors; (ii) diversified economic activities in rural areas, not only agriculture and forestry, contributing to regional viability and competitiveness of the entire Europe; (iii) rich ecosystems with high quality soil, water resources and biodiversity, landscape and rural cultural heritage; (iv) mitigation of climate change among the others via carbon storage and production of renewable energy; (v) accomplishment of strategic objectives the Europe 2020 Strategy.

The Forum realizes that many rural areas in the Central and Eastern European Countries are far away from this vision. The rural economy is usually based on two sectors (agriculture and forestry), incomes of rural citizens are low and opportunities of creation of new jobs are limited. The social structure of rural areas is unstable. Areas of high nature values are in danger due to disappearance of traditional agricultural practices or excessive concentration of agricultural production or industrialization. As the result many rural areas in Europe do not contribute either to competitiveness or sustainable development and become a problem for social cohesion.

### **Rural Development**

The Forum sees **a need for a new approach** towards rural development based on broader understanding of the objectives of European Agricultural Fund for Rural Development (EAFRD) and the CAP 2<sup>nd</sup> pillar. It shall be recommended to introduce a broader understanding of rural policy which enables combination of different sources of financing and which are available:

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<sup>6</sup>The position of **PREPARE – Partnership for Rural Europe** - is a vision of the CAP beyond 2013 developed along with other partner rural organizations, foundations, networks, etc. from Sweden, Finland, Estonia, Lithuania, Latvia, Slovak Republic, Czech Republic, Hungary, Slovenia and Croatia.

- at local level (under rural development programs, education, health care, social care, transport, technical infrastructure, water supply, energy, telecommunication, entrepreneurship, training activities, etc. and
- at EU level - call down policies and funds related to sectors beyond agriculture and rural development, including those now deployed through ERDF, Cohesion Fund, ESF, EFF etc. It is not a new idea as some these funds are available in rural areas but coordination and synergies are missing.
- build on, and strengthen, the working relationship between rural and urban areas.

Such a **bold and broadly-based new approach to development** requires the implementation of changes in the EU and national (regional and local) governance systems. **At EU level strategic development directions shall be determined reflecting goals of competitiveness, sustainable development and cohesion accompanied by diversified sources of financing. Member States and regions shall be responsible for creating strategic rural development frameworks to enable flexible implementation of local (sub-regional) strategies which combine both urban and rural areas.** The new governance system integrating sectors and funds would reduce the importance of administration and management of given funds. Agriculture and rural development issues must be balanced. **Levels of funding for rural development** should be assessed by reference not to what can be taken from agriculture, but to what rural regions truly need to develop their economic viability, achieve social cohesion, protect environmental values, and contribute to the new challenges of climate change, energy security and food security.

The Forum strongly advocates for the **delivery of development through sub-regional partnerships** between public, private and voluntary sectors. The EU should promote widespread use of the LEADER approach, with local partnerships able to deliver both rural development funds and other programmes and to work in both rural and urban areas. Under crisis conditions public funds are limited which underlines the importance of flexible combination of human and financial resources at local level. The LEADER-approach with its Local Action Group structures can be utilized not only for managing rural development funds but also other public programs like in Ireland

where LAGs act as agencies (enterprises) of local development. Therefore the Forum advocates for reduction of administrative burden which is being observed under LEADER implementation during 2007-2013 period.

The Forum also calls for return the grass-root nature of LEADER which stimulates engagement of local communities in development initiatives. Participation of civil society organizations in rural and territorial development must be promoted under new reform of the CAP. **Civil society** can make a crucial contribution to rural and territorial development. Therefore, the Forum asks for:

- full inclusion of civil society in the formal National Rural Networks;
- full consultation with civil society in preparing national strategies and development programmes;
- inclusion of civil society people in the structure of sub-regional partnerships, and among the beneficiaries of development funds.

The Forum admits that pays a lot of attention to rural development but it does not mean that neglects agriculture. It understands that **farming is vital** for its role in assuring food security for Europe, providing a large proportion of the food that Europeans eat, achieving substantial exports, producing the raw material for added-value enterprises, and providing a widening range of environmental and social **“public goods”**:

- soil, ecosystem and landscape protection and preservation of cultural heritage,
- soil and water management, particularly in areas suffering from draughts or floods,
- reduction and control of agricultural production residues,
- obeying hygienic, phyto-sanitary and animal welfare standards,
- ensuring management of soil, biomass and animal production which provides for carbon storage and emission of greenhouse gasses;
- production of renewable energy (biomass, biogas, solar, wind and water energy),
- fighting depopulation phenomena in less favoured areas.

Public goods cannot be secured only by market operations, or by regulations: these must be supplemented by financial support systems, designed directly for the purpose. This support shall be directly addressed to the producers of public goods to

motivate them for production continuation. In addition this support must be guaranteed at the EU level and not at individual Member States. The conditions of such support shall be as much equal as possible for all farmers.

The Forum advocates for **special and stronger support under new CAP for ecological production and regional food production** because of their nutrition value as well as preservation of cultural rural heritage.

In **disadvantaged areas**, the sustaining of environmental and social public goods may demand continuance of traditional farming and forestry systems, supplemented by new economic activity. In these areas, Member States should pursue strong local development strategies, implemented through diverse social, economic and environmental measures. An **integrated approach at local level is essential in order to prevent a vicious cycle of out-migration, depopulation, further loss of services, decline in ecosystems and landscapes, and adverse impact upon the cities through mass migration from rural to urban areas**. The new shape of the CAP shall take stronger consideration of these tasks.

The Forum finds it necessary that any new ideas for the CAP beyond 2013 become subject to impact assessments both at EU and national levels. Rural organization representatives shall be invited and participate in those impact assessment analyses.

## **11. Voice in the debate of the National Association for Bird Protection (Ogólnopolskie Towarzystwo Ochrony Ptaków, OTOP)**

In June 2011 the National Association for Bird Protection (OTOP) expressed its opinion about the EU strategy for biodiversity. Using this opportunity OTOP also presented its expectations towards the future of sectorial policy i.e. the CAP beyond 2013 in the area of biodiversity protection. OTOP was founded in 1991 and is responsible for protection of wild birds and their inhabitants in Poland. The organization is a partner of BirdLife International. OTOP fully supports the six objectives set forth by the EU strategy for biodiversity which are to reverse the process of biodiversity and ecosystems loss up to 2020.

### ***The objectives of the CAP Reform***

Both OTOP and BirdLife call all EU Member States to fulfil all their political commitments under the planned reform of the Common Agricultural Policy and Common Fishery Policy as well as ensure sufficient funds to protect biodiversity in the new EU budget after 2013. OTOP and BirdLife **remind that EU politicians declared that they want to take strong actions to stop European critical loss of biodiversity. Now under new reforms of the CAP they have to have political courage to act for the common interest of the EU.** The new EU strategy for biodiversity provides among the others for proper management of European Network of Natura 2000 areas, coping with spreading foreign species, recovery of natural habitat and support for developing countries in protecting their nature.

### ***Main Focus of the Position***

The two NGOs expect that during the reform debate the EU will withstand the goals of the biodiversity strategy and will advocate for agricultural and fishery sectors' reforms to reduce intensification of production of those two sectors which are dependent and fully base their activity on natural resources. OTOP calls for expending of **agri-environmental programs** which support biodiversity protection.

OTOP supports the Polish Presidency opinion that the new EU budget shall become „an investment tool”. But all investments shall ensure long-term prosperity of EU citizens. Biodiversity and ecosystems are the public goods important for human wellbeing but also are fundamental for economic activity. OTOP argues that Poland, which has very high nature potential compared to other EU countries, has a full **right to demand that biodiversity is being given the highest priority** during the debate about the future EU budget as well as sectorial policies including CAP after 2013. Therefore, it calls the Polish government to propose concrete actions of biodiversity protection during the Presidency.<sup>7</sup>

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<sup>7</sup> The position was presented just before the start of the Polish Presidency on 1 July 2011.

## 12. Common position of Polish young farm organization associated with CEJA (European Council of Young Farmers) – position presented during the Young Farmers Congress in Warsaw in Poland in October 2011

### **Objectives of the CAP Reform**

The declaration<sup>8</sup> was presented by 2 Polish organizations of young farmers during the CEJA Congress in Warsaw on 7-8 October 2011. **The Polish young farmers' representatives called for true CAP reform which will make it simple, fair, market oriented, stable and not disputable.** The position of the Young Farmers calls for the maintenance of two-pillar structure of the CAP and ensuring the Community nature of the CAP without support from national budgets under the 1st pillar.

This will be possible thanks to the following:

### **Direct Payment**

- Departure from historical criteria and establishment of new objective criteria of direct support under national envelopes.
- Prolongation of SAPS as well as establishment of accompanied measures to address problems of regions and sectors.
- Simplification of the CAP, particularly direct payments, and review of *cross compliance* with no further increase in environmental requirements. Such activities as greening of direct payment system cannot lead to an increase in administration costs and deterioration of European agriculture competitiveness in relation to the third countries.
- Increase in higher rates of support for young farmers both under direct payment system as well as young farmer set-up investments under the 2<sup>nd</sup> pillar of the CAP.

### **Market Instruments**

- Modernization of the existing market organization management systems (e.g. market intervention) as a part of safety net structure as well as their adaptation to new conditions and market developments.

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<sup>8</sup> <http://www.minrol.gov.pl/pol/Ministerstwo/Biuro-Prasowe/Informacje-Prasowe/Europejski-Kongres-Mlodych-Rolnikow>

- Support for financial innovations in the area of preventing and management of crisis including animal and plant epidemic diseases.
- Ensuring common rules of control of agri-food products exported to EU market, obeying high quality standards of imported products and fair trade standards.

The Polish organizations which undersigned the declaration - the Young Farmers' Union (ZZCNMR) and the Association of Rural Young (ZMW) - called for a **common position of all young farmers in Europe in the CAP beyond 2013** debate. Eventually, the position was not accepted as a common one of all young farmers' organization present at the CEJA meeting in Warsaw.

### **13. Positions adopted by the representatives of self-governments (gminas) ruling administrative units located in rural areas**

The Warsaw Declaration was adopted during the European Congress of Rural Gminas<sup>9</sup> on 19-20 October 2011 in Warsaw organized during the Polish Presidency by the Association of Rural Communities of the Republic of Poland (in Polish - Związek Gmin Wiejskich RP) and the Committee of the Regions. The participants prepared two positions: one which tackles the issues of rural development and the second which examines the relation of the CAP and the EU cohesion policy.

#### **Rural development under the CAP vs. Cohesion Policy**

Taking consideration of the so far debate about the future of the CAP and considering the challenges of food security, natural resource protection and territorial development balance the representatives of the local self-governments called for:

- sustainable development via supporting employment;
- preservation of rural area social structure,
- promotion of the green growth,
- implementation of innovative solutions to improve quality of life of rural dwellers.

In order to accomplish these objectives efforts shall be taken to:

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<sup>9</sup> [http://www.gminyrrp.pl/zalacznik/616\\_641.pdf](http://www.gminyrrp.pl/zalacznik/616_641.pdf)

1. Strengthen under the CAP 2nd pillar aspects of environmental protection, climate change and innovation of rural areas as a place to live and work of many of Europe's citizens. This requires multifunctional growth of rural areas.
2. Strengthen under the EU cohesion policy aspects of rural development, increase in funds' allocation for the CAP 2<sup>nd</sup> pillar and better targeting for improvement of living condition in rural areas.
3. Expend activities for non-agricultural jobs' creation, improvement of rural technical infrastructure and telecommunication infrastructure including IT technologies, better education, cultural activities, and establishment of ecological subsidy for protected areas.
4. Increased opportunities for employment growth and access to culture, education and services via creation of local development centres – small towns and rural communities which are the seats of local self-governments. Small towns shall become development centres based on functions they perform.
5. Continuation of LEADER and increase in level of financing for Local Action Groups to perform their strategies via putting together resources allocated for agricultural, social and regional funds. The funds under the Axis III of Rural Development Programs shall be more focused on rural areas' strategies realization.
6. Better coordination of development policies via networking and partnership and including funds into one national strategic document.

Based on the Polish experiences local self-governments' representatives see the need for :

1. Self-governments' participation in the negotiations between the Government and the European Commission.
2. Creation of multi-fund rural development program in order to better and in more complex way address problems and simplify control and evaluation of the program implementation.
3. Simplification of procedures which is particularly important for small projects. Under the LEADER costs of implementation are higher than benefits.
4. Advance financing under all measures.
5. Liquidation of limits under a single measure for one beneficiary under RDP

## 6. Possibilities to finance local roads under EAFRD.

Rural areas in their complexity of problems and diversity of levels' of development of infrastructure – require from Member States and the entire EU proper development actions and financing. Taking consideration of the need for mobility, access to public services, competitiveness, employment opportunities, unemployment rates (which are usually higher in rural areas), GDP per capita lower than EU average, out-migration of young people, aging of population, climate changes create challenges which cannot be addressed solely by the CAP.

Therefore, self-governments see need for **greater coordination between the CAP and the cohesion policy** which proved to be very efficient in stimulating growth in problematic regions lagging behind.

Having said that, the self-governments underline the role of EU cohesion policy in better addressing problems of rural areas. There must be a balance between political strategies for urban and rural areas. In EU regions stronger ties between rural and urban areas must be promoted. The past proved that the development impulses from towns to rural areas face limits.

The Polish local self-governments agree that the cohesion policy shall be concentrated on the realization of the Europe 2020 strategy objectives. Nevertheless, **strengths and opportunities generated by rural areas can contribute to better realization of the Strategy Europe 2020 objectives.**

Rural areas have to be incorporated into strategies which take consideration of territorial indicators in funds' allocation in operational programs of 2014-2020. The criteria of funds allocation which consider specificity of rural areas, cities and regions will contribute to sustainable and balanced development.

**Deeper synergies between the key territorial policies of the EU – cohesion policy and the CAP – will contribute to more integrated development of rural areas beyond 2013.** The self-government representatives underlined that the common strategic guidelines for all structural (by nature) funds (EAFRD, EFRR, ESF, and Cohesion Fund) will enable better coordination and increase in efficiency of the two policies.

## 14. Voice of academics in the CAP reform debate

### 14.1. Contribution of dr Iwona Nurzyńska and dr Mirosław Drygas, Institute for Agriculture and Rural Development, Polish Academy of Sciences (abstract of chapter presented in the book *Rural Area Development in Poland. Diagnosis, strategies and policy concepts*, IRWiR PAN, 2011)

Budget cuts under the Community CAP budget actually would mean renationalization of the Common Agriculture Policy. No doubt that this would not have been good news for the Polish agri-food sector.

There is a very strong need for reforming the CAP. There are two factors which contributed to this new situation. Firstly, significant market fluctuations and price shocks observed on key global agri-food markets which were interpreted as symptoms of food crisis. Secondly, global economic crisis again become realistic to last for the next few years. These two aspects resulted in departing from further liberalization of agricultural sector and the role of the CAP and EU agriculture as a guarantor of food security again became appreciated.

Such developments are favourable for the Polish agriculture. In case of maintaining the EU CAP budget at the existing level it will allow Poland continuing modernization processes in rural areas and agriculture.

Poland expects that most of its proposals for reforming and changing the CAP beyond 2013 presented both during the public debate on the EU level as well as expressed by the Polish government would meet the understanding of other Member States. Hopefully, they will be taken into consideration even in the new financial perspective 2014-2020.

There is a need for more clear definitions such as small farms, more fair funds' distribution criteria, algorithm of the 2<sup>nd</sup> pillar fund allocation, ways of strengthening role of farmers in the food chain, etc. Simultaneously, the EU budget beyond 2013 discussion will be carried on, both in relation to its budget structure and its level. Moreover, the Community budget after 2013 will have significant impact on scale and scope of activities subject to financing under both pillars of the CAP in the period of 2014-2020.

#### **14.2. Contribution of prof. Józef Zegar, the Institute for Agricultural Economics and Food Economy<sup>10</sup>**

Prof. J. Zegar prepared its paper under the open discussion launched in 2010 by MARD and financed under the National Rural Development Network (KSOW). Prof. Zegar underlines that the choice of the direct payment system in the new financial perspective will be a result of political compromise between the net-payers to the EU budget and the main net beneficiaries of the EU budget for the CAP.

Part of countries advocate for cuts of the CAP budget or limitation of the 1<sup>st</sup> pillar financing and shift burden of financing on national budgets (renationalization). Majority of participants of the debate call for increasing financing for the provision of public goods (environmental services).

Some Polish experts call the establishment of multi-layer (pyramided) payments: flat rate, LFA payments, environmental payments and directed payments<sup>11</sup>.

Polish researchers and some politicians support the idea of concentration of direct payments in the group of bigger farms which produce for the market and have growth potential (economically viable). It is being justified by the need for competitiveness of Polish agriculture on both EU and world market. Therefore, transfers from the CAP budget shall be re-oriented to target some 220,000 farms in Poland (>8 ESU) which are capable to accumulate funds for investments. However, prof. Zegar claims that the relation of direct payments with competitiveness is weak and not logical. There is no economic justification for transferring funds from poor taxpayers in order to increase competitiveness of richer agricultural enterprises.

#### **14.3. Contribution of prof. Jerzy Wilkin, Head of European Integration Department in the Institute for Agriculture and Rural Academy, Polish Academy of Sciences (summary of his paper presented in the publication “Multifunctional agriculture. Research trends, methodological basis and practical implications”)**

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<sup>10</sup> J. Zegar, Wspólna Polityka Rolna po 2013 roku (*The Common Agricultural Policy after 2013*), discussion paper prepared under the Rural Development Network, ([http://ksow.pl/fileadmin/user\\_upload/ksow.pl/pliki/IRWIR/Zegar.pdf](http://ksow.pl/fileadmin/user_upload/ksow.pl/pliki/IRWIR/Zegar.pdf))

<sup>11</sup> Prof. Zegar was referring to the report published by EFRWP discussed in this expertise as well.

It can be expected that agricultural multi-functionality of agriculture will lead to the development of new agriculture development paradigm. The core of this new paradigm is jointness of agriculture with environment and importance of agriculture in maintaining environment in proper condition. Research in the area of multi-functionality shall be the basis for development of policy and policy instruments. Rising costs of the CAP implementation can be seen as rising transaction costs of realization of multi-functionality of the European agricultural sector. Especially that many functions performed by the European agriculture are not paid via the market but by European public policies including the CAP.

According to prof. Wilkin many problems, conflicts or questioning of the CAP financing of multi-functionality via the EU budget result from a lack of social dialogue among the CAP stakeholders about the costs of realization of those function or ways of their realization.

From the perspective of Poland the accession to the EU enable the farmers to implement agri-environmental programs. Effects of realization of agri-environmental programs can be discussed at three aspects: environmental, economic and social. These aspects became more understood by the EU society and increase legitimization of the CAP. Reorientation of consumption patterns of EU citizens leads to greater acceptance of public financing for the provision of public goods (which are not rewarded by the market).

The EU debate about the CAP and better communication by the Commission of **multi-functionality of EU agriculture** increases the acceptance of no cuts of EU CAP budget. The costs of CAP (at least part of them) shall be treated as the transaction costs of provision of public and merit goods.

It is important to understand the multi-functionality of agriculture is being ensured not only by the two-pillar structure of the CAP but also cohesion policy, environmental policy, etc. Although, the structure of the Commission's legislative proposal are not known at this stage (2010) **it shall be expected that new paradigm of agriculture and its multi-functionality will become the fundamentals of the CAP philosophy and CAP instruments.**

Comment after publication of the Commission's legislative proposals on 12 October 2011.

According to the prof. Wilkin who commented the European Commission's CAP legislative proposals noted that the Commission did not proposed revolutionary changes. **What is important is that Polish farmers can count on slight increase in CAP budget. It is extremely important according to the prof. Wilkin that the EU maintains the Community budget at the relatively unchanged level.** A new element of the Commission's proposal is the so called **greening of the 1st pillar** which means a greater increase in importance of ecology priorities of the CAP. However, these new requirements can significantly complicate the implementation procedures and the entire direct payment system as new more rigorous control systems must be in place. However, according to prof. Wilkin, **the Commission still does not have solutions of the problem of small farms.** The one-off payment is not a solution at all.

## 15.Comparative analysis

Analysis of different positions of the Polish stakeholders who decided to participate in the CAP beyond 2013 debate has many common aspects. They are justified by the needs of the Polish agri-food sector from one side and the expectations of the non-agricultural stakeholders (the general public) on the other. Further and deeper analysis allows capturing some differences.

To some extent common aspects in the positions described above correspond with the Polish contributions made during the public debate launched by the Commissioner Ciolos in 2010.The common elements in the positions presented above are the following:

- Consensus that there is a need for the continuation of the Common Agricultural Policy as agriculture is one of the most important sector of the EU economy;
- The CAP must preserve its community nature;

- Full endorsement of the enlarged mission and goals of the CAP which must be addressed via the CAP reform;
- The need to preserve a two-pillar structure of the CAP; each pillar shall address different needs and objectives but with overall objective of preservation of rural areas' viability and sustainable development;
- Common objection against re-nationalization of the CAP budget; the budget of the CAP must fully correspond with its goals and objectives, particularly new challenges of the CAP;
- Common rejection of the historical criteria (references) for allocation of direct aids under the 1<sup>st</sup> pillar of the CAP which implies the existence of unjustified differences in the levels of direct payments among EU Member States; one of possible solution is setting up an **average basic direct payment per ha in the range of 80-120% of the EU average**;
- Recognition of the fact that the farmers perform various functions (agriculture's multifunctionality) which they have to be paid for (provision of public goods) – support for the European Agricultural Model;
- Consensus for the need of special support instrument for small farms as the ones which play a key role in provision of public goods in agriculture and rural areas; there are specific proposals (modification of the EC legislative proposal presented in Oct 2011) to have one-off payment of aid (e.g. an accumulated 7-year aid) to encourage small farmers to exit the direct support system (and reduce administrative costs of aid distribution both on the beneficiary and administration side);
- Stronger need for taking into consideration of the need to preserve the nature for future generations (sustainable development); greening is fully endorsed but its implementation shall not lead to higher administrative burden and increase in transaction costs; (see equal flat rate of greening solution as payment for the same set of obligations of the farmer cross out the EU);
- Recognition of the need to maintain the 2<sup>nd</sup> pillar of the CAP which shall address more specifically the needs of rural areas in different countries

(targeting); rural development shall stay in the centre not only of the 2<sup>nd</sup> pillar of the CAP but also cohesion policy of the EU; deeper synergies between the key territorial policies of the EU – cohesion policy and the CAP.

At the same time trying to capture the elements or issues which differentiate the positions of different stakeholders one shall point out the following:

- The farmers' interest groups are more focused on the instruments of the 1<sup>st</sup> pillar of the CAP which provides for income and market support (although they do not neglect the need of continuation of the 2<sup>nd</sup> CAP pillar as an important instrument for civilization development, especially in NMSs);
- The Polish farmer associations and unions underline the need for common rules and rates of direct support schemes cross the entire EU as a pre-condition for level playing field and fair competition on the Single Market (for comparison – ecological organisations point out that support shall be higher for those who meet higher ecological standards);
- The farmers advocate for the need to have market instruments which become more and more important in the time of market instability and constant fluctuations on commodity markets (but they shall also better mitigate market risks). It is important to retain the possibility of effective intervention in the sectors of particular significance for the environment, regions and majority of medium and small agricultural holdings.

Summing up the CAP debate in Poland it can be stated that there is a common consensus for the need to continue the EU CAP beyond 2013. At the same time the different stakeholders agree that the new CAP must better address new challenges in the area of food security and safety as well as preservation of agriculture and vital rural areas in Europe.

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### **Abbreviations**

MARD - Ministry of Agriculture and Rural Development

EFRWP - European Fund for the Development of Polish Villages Programme

FAOW - Polish Rural Forum

OTOP - the National Association for Bird Protection

KRIR - National Council of Agricultural Chambers

ZZCNMR - Young Farmers' Union

ZMW - Association of Rural Young

ZGW RP - Association of Rural Communities of the Republic of Poland

CEJA - European Council of Young Farmers