

Views and Comments

CONDITIONS FOR THE DEVELOPMENT OF POLISH AGRICULTURE IN THE CONTEXT OF POLITICAL CHANGES, EU INTEGRATION AND EVOLUTION OF THE COMMON AGRICULTURAL POLICY

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Historical conditions for the development of Polish agriculture before the accession to the EU¹

What has changed over the last hundred years, were the socio-economic and political systems, national borders, international conditions, the structure of agriculture and many other important development conditions. It should also be remembered that at that time our country experienced three wars: two world wars and the Polish-Soviet War. In the Polish lands, socio-economic and political systems have also changed in a fundamental way. Our country has undergone four major institutional and systemic transformations.

Poland, which revived in 1918, was a heavily damaged country, whose population lived mostly in the countryside and earned a living mainly from working in agriculture. In 1921, the rural population accounted for more than 70% of the total population of the country, and the work in agriculture absorbed more than 60% of the working population. A significant number of farmless rural residents and low opportunities to find work in a city resulted in huge unemployment. Several agrarian reforms were carried out in the Second Polish Republic so as to allow farmless and small farmers

¹ Based on: Wilkin, J. (2018). *Evolution of rural areas and agriculture in Poland in the period of 1918-2018. Report on the state of countryside "Polish Countryside 2018"*. Warsaw: Scholar Scientific Publishing House, pp. 222-225.

to access land. Back then, 2.65 million ha of land were expropriated, parcelled out and sold. In this way, the agrarian structure, dominated by small family farms, was established. It proved to be extremely sustainable and has survived until today.

During the agricultural reform in the 40s of the 20th century, the times of communism in Poland more than 6 million ha of land were additionally parcelled out, with an average area of granted land of 5.7 ha per farm. In the late 40s of the 20th century, attempts to collectivise agriculture were made in Poland, but the results were very limited and the majority of cooperatives created under political pressure were dissolved in the mid-50s. The development of socialism in the Polish countryside was taking place with greater difficulty and was less successful than in other important parts of the economy and society.

Today, the reluctance to various forms of cooperative movement, historically conditioned and deeply rooted in the farmer's consciousness, is causing difficulties in implementing certain CAP instruments in Poland, especially those based on joint action.

The acceleration of development of Polish agriculture took place in the 70s of the 20th century. During this period, compulsory deliveries were lifted and farmers could make use of investment loans. In exchange for cultivation agreements, individual farmers could receive machinery, tools or fertilisers which were in short supply. Farms could also be enlarged to 8 or even 20 ha, while divisions into farms smaller than 8 ha of utilised agricultural area were prohibited, so as to prevent the excessive fragmentation of land. For the first time, farmers and their families were covered by free health care. They were also granted the right to receive pension benefits, although initially only in exchange for the transfer of a farm to the State Treasury.

Regardless of concessions to the benefit of farmers, the authorities continued to support intensely the state-owned sector. The area of state farms (known as PGR) was steadily increasing and they took over, *inter alia*, individual farms given in exchange for pension. The process of mechanisation and specialisation of agriculture was started. Farming has become more efficient through the use of fertilisers and plant protection products. Also, the slow process of enlarging the utilised agricultural area on farms was started.

The first years after the commencement of the post-socialist transformation in 1989 turned out to be very difficult for Polish farmers. As a result of the reform, the price ratios of products sold and purchased by farmers became very unfavourable, agricultural income decreased, high unemployment appeared and public funds for implementing the agricultural policy were significantly reduced.

The political transformation had a significant impact on structural transformations taking place on farms. In 1990, more than 75% of agricultural land were in private possession or use, mainly on family farms. Currently, this figure accounts for more than 98%.

From a perspective of time, it can be concluded that the mass liquidation of state farms, covering 4.7 million ha of land, i.e. nearly 20% of the national utilised agricultural area, was a clear mistake. As a result of the restructuring process of state farms, about 350 thousand persons lost their jobs, with many of them becoming long-term unemployed. Only few communities of former workers on these farms

managed to find their way in the new realities of the free market economy. The general stagnation of post-state farm villages led to the exclusion of local communities living there. This exclusion, in addition to the social dimension, is manifested in economic terms (financial barrier to access to goods and services), as well as spatial terms (physical distance from large urban centres and lack or very limited transport by means of public transport).

Today, most of post-state farm areas are considered as problem areas. The changes that have taken place in those areas over the last three decades and, consequently, the increased disparities in the socio-economic development separate these areas significantly from other regions in the country. Areas of former state farms are still characterised by the lower level of economic development and the intensity of various negative phenomena. Since the collapse of state farms, it is the third generation which has inherited apathy, passivity and poverty. As a result of the distance from large agglomerations, low industrialisation and very low skills of residents, the unemployment rate in these areas is almost twice as high as across the country. Children of former state farm workers are usually less educated, and those who are better educated mostly leave.

At the same time, the privatisation of land and productive assets taken over by the State Treasury after state farms created resources on which the sector of large private farms belonging to both natural and legal persons has been established. The vast majority of these farms are currently developing well and are competitive not only in the domestic, but also in the EU and global markets.

Today, in addition to large farms, which are modern and specialised in a specific type of production, employ workers and guarantee the supply of agricultural raw materials for food processing, there are smaller farms based on own labour force of family members, supplying agricultural products for their own needs and to the local market, often with several sources of income.

Nevertheless, the contemporary agrarian structure of Poland does not differ much from the model which was dominant throughout the whole century of independent Poland. This is a structural element that can be considered as part of the continuity of image of Polish agriculture and, to a large extent, also of image of the Polish countryside, in the aforementioned long term. Such an agrarian structure, based on the dominance of small family farms, was a mainstay of the farmer economy and culture. The great importance of farmers in the economic and social structure of Poland was a very characteristic and distinctive feature of our country against the background of modern Europe.

It is undoubted that the processes of concentration and enhancement of the agricultural production scale, which are currently taking place in Poland, will lead to a systematic increase in the size of farms and thus to a systematic decrease in their number². On the one hand, this is a positive process, as Poland's competitiveness in

² According to the Farm Structure Survey (Eurostat) in 2016, in relation to 2010, 1,780 thousand farms disappeared in the EU (almost 15%), which resulted in the increase in the average farm size from 14.36 to 16.55 ha (more than 15%) and the average standard output from EUR 25,102 to 34,136 (real increase by 36%, taking into account the prices of 2010).

the global market is growing, but on the other hand, it leads to the industrialisation of production and the withdrawal from the so-called European agricultural model. As a result, farmers and their families are sometimes a minority in rural areas, and some rural areas are rapidly depopulated, especially the so-called outlying areas, remote from cities.

The process of concentration of agricultural production is probably inevitable. But a number of initiatives can be taken to reduce the negative effects of this phenomenon and to strengthen the success of Polish agriculture in the European area and, more broadly, in the global arena. It is worth mentioning here that, among the countries joining the European Union in 2004, it was Poland which succeeded in the production and trade in agri-food products, not the Czech Republic or Hungary based on large farms.

The complex historical conditions for the development of Polish agriculture today have a significant impact on the possibilities of using instruments of the common agricultural policy, its functioning in the EU market and the types of further development.

Evolution of EU agricultural support mechanisms before the accession of Poland to the EU

Agriculture and food production are key branches of the European Union's economy. There were around 11 million farms in 28 Member States and the number of people who were permanently employed in agriculture was 22 million and around 44 million³ in the food sector (agriculture, processing, food retail sale). Farmers and foresters managed more than 82%⁴ of the EU's land area, thus forming an essential element of sustainable agricultural economy.

The functioning of EU agriculture is based on the principles of the common agricultural policy, which was one of the first Community policies. It was established in 1962 and was a response to the hunger and destruction occurring in Europe after World War II. This policy was intended to pursue the objectives set out in the Treaties of Rome adopted in March 1957, which assumed, *inter alia*, common access to food to consumers affordable prices and guaranteeing an adequate level of income for farmers.

Since its inception, the CAP has been subject to changes that are usually evolutionary. In agriculture, there is a long period of return on investment, so changes cannot take place too often and should be announced well in advance so that invested funds could be used properly.

In the initial period of its functioning, the common agricultural policy put an emphasis on better productivity with the aim of encouraging farmers to produce food and thereby providing consumers with regular deliveries of inexpensive food. In return, the CAP offered subsidies and guaranteed prices to farmers, thus giving them a stimulus to produce more. Financial assistance was also aimed at restructuring agriculture, by supporting on-farm investments that could ensure the expansion

³ European Commission, "EU Agriculture spending focused on results", September 2015

⁴ Eurostat, "Land cover, land use and landscape", 2016.

of the farm and its technological development. Basic rules on major agricultural markets (*inter alia*, cereal, pork, beef, milk) have been adopted and common prices have been established for almost all agricultural products.

The period from the mid-70s to 1984 was characterised by the emergence of high surpluses of agricultural products, which was the consequence of the increased production and improved productivity of farms⁵. This made the Community take measures to adapt the level of production to the signals sent by the market, *inter alia*, to introduce milk quotas.

The increasing intervention resources, mainly of cereals, dairy products and beef, as well as external pressure in the context of the reduction in subsidised export, were the reason for another CAP reform in the early 90s. The so-called MacSharry reform started the process of gradual replacement of price support with direct support. Without changing the amount of support, the reform made it more transparent and effective.

MacSharry reform of 1992 consisted, *inter alia*, in a gradual reduction in intervention prices of basic agricultural products (in particular, cereals and beef) and the simultaneous introduction of direct payments to compensate farmers for income losses due to reducing agricultural prices. At the same time, the possibilities of obtaining those payments were made conditional upon the reduction in the crop area (the requirement to set aside some land) or the reduction in the intensity of livestock production. For the first time, the so-called accompanying instruments were introduced, to encourage farmers to use more environment-friendly methods. In order to improve the agrarian structure, incentives were also introduced for farmers to take early retirement.

The 2000 Agenda agreed in Berlin in 1999 provided for the further reduction in price support to develop a direct support scheme. The CAP objectives have been complemented by ensuring stable agricultural income, creating opportunities for its diversification, as well as ensuring adequate standards of living for rural residents. In addition, the sectors of certain field crops and of beef and milk were covered by the reform, while the accompanying instruments were extended, *inter alia*, by aid to farmers in less-favoured areas (LFA).

Further significant amendments to the CAP and to the direct payment system were made when Franz Fischler of Austria became Commissioner of Agriculture⁶. According to experts, **the reform of 2003 agreed in Luxembourg** during the so-called interim review was the most radical CAP reform in history. The changes that took place back then concerned not only instruments, but perhaps more importantly, also the approach to the agricultural policy. The reform introduced resulted, *inter alia*, in decoupling of direct payments. It consisted in liquidating a relationship between direct payments to farmers and the type and quantity of products they pro-

⁵ *Integration with the European Union*. SAEPR/FAPA, Warsaw 2004

⁶ Almost half of funds under the CAP is allocated in Austria for rural development; the diversification of agricultural activity is significantly supported there. In addition Austria is a leader in the EU in terms of development of organic farming. Therefore, in the reform of 2003 the Austrian commissioner so strongly stressed the role of multifunctional agriculture and the strengthening of rural development mechanisms.

duce. At the same time, the so-called cross-compliance principle was introduced, which made reception of direct payments conditional upon meeting a number of food safety, environmental and animal health and welfare requirements.

Polish way to integration with the EU

The economic and social importance of agriculture in Poland is much higher than in most European Union countries. Therefore, there is a particularly high interest, not only on the part of farmers and rural residents themselves, in the results of integration for Polish agriculture and rural areas. The accession of Poland to the Union resulted from the process of libertarian, democratic, political and economic transformations that started in the early 90s. The genesis of these changes dates back to the 80s of the 20th century and the events related to the establishment of the Solidarity trade union, on which the Poles pinned their hopes for the creation of a free and independent country. The path to full freedom was not easy, it was necessary to defend the country against the repercussions of communist power, to fight for work, freedom of expression and religion, for human dignity, often by taking underground activities in this regard.

Of course, there would probably be no Solidarity without the previous strikes in Poznań, Radom, Ursus or the events on the Polish coast in 1970. All these great spurts originated in the libertarian aspirations of Poles. The role of John Paul II, whose pontificate took place in this breakthrough period, was also valuable. The pope's great authority, his support and international activity allowed the Solidarity movement to survive those difficult times and finally to lead to victory and joy of the long-sought freedom. The first non-Communist government in Central and Eastern Europe was formed as a result of the June elections in 1989. This gave rise to democratic transformations in other countries of this European region, the fall of the Iron Curtain and the unification of our continent.

Over the last 30 years, we have witnessed and participated in two major events that significantly changed the position of Poland in the international area and created new opportunities for the development of the Polish society and economy. One of them was the political transformation which started nearly 30 years ago and led to the transition from the socialist, centrally planned economy to the market economy conducted according to the rules of full democracy. This whole process has been carried out peacefully with the significant public acceptance. Thanks to this, Poland has entered the path of economic activity and respect for civil rights. The result of those activities was, *inter alia*, the rapid and significant economic growth of our country, which continues to this day and is regarded by many economists and experts as an economic phenomenon on a global scale.

The success of the Polish transformation process opened up new opportunities to the next important stage, i.e. the integration with the EU structures. The political and economic transformation, started nearly 30 years ago, assumed the Polish membership in the EU from the very beginning. The association with the Community took place already in the years 1992-1994, so it can be said that at the very start of Polish reforms. Since then, in together with the process of further economic

transformation, preparations for our future membership in the Union have been taking place by reviewing the law and adapting it to the EU regulations and by building an institutional system necessary for implementing this law and complying with the EU procedures and standards. Negotiations regarding the EU membership were concluded in December 2002 and a referendum on the membership in the Union was held in our country in June 2003. In this referendum, 77.5% of the voting Poles opted for the Polish membership in the EU.

Preparing for the EU membership and accession negotiations

The political and economic changes that took place in Poland after 1989 opened up, *inter alia*, new and greater opportunities for exporting Polish goods to Western Europe. Within the framework of the signed Europe Agreement⁷, there were prospects to strengthen trade liberalisation between Poland and the European Community. The negotiations on this matter lasted several years and resulted in signing two agreements. The first was agreed on 26 September 2000 (it concerned the so-called *double zero*) and mainly covered unprocessed agricultural goods⁸ (the agreement entered into force on 1 January 2001). It provided for reducing or the complete abolition of custom duties on certain agricultural goods in trade between Poland and the Union and bilateral abolition of export subsidies. The second agreement (on *double profit*) concerned processed goods (*non-annex II*) and it entered into force on 1 February 2003. Moreover, on 14 June 2002, the trade agreement with the EU was concluded on mutual liberalisation of trade in fish and fisheries products (agreement entered into force on 1 July 2002). The effect of the agreements introduced was mainly the increase in Polish trade with the EU from EUR 2.1 billion in 1991 to EUR 4.1 billion in 2003. In 2003, for the first time after signing the Europe Agreement, a positive balance in trade with the EU was recorded, amounting to EUR 500 million.

The accession negotiations launched in 1998 were related to reviewing the Polish legal system in terms of compliance with Community law (the so-called *screening*), defining necessary amendments and adopting deadlines for their implementation, along with the proposal for so-called transitional periods. It should be stressed that the process of adapting to the EU standards and requirements is not only the adoption of EU legal and institutional solutions, but also the implementation of this law. When applying for the accession to the European Union, Poland, like other candidate countries, undertook to implement the whole EU legislation. As regards agricultural law, *screening* took place in April and May 1999, and identified the most important negotiating issues, which were then the subject of so-called negotiating positions. In the area of agriculture, technical negotiations started in mid-June 2000.

⁷ The Europe Agreement, establishing the association between the Republic of Poland, on the one hand, and the European Communities and their Member States, on the other hand, was signed on 16 December 1991 and entered into force on 1 February 1994.

⁸ *Zmiany w handlu zagranicznym Polski z Unią Europejską w okresie realizacji stowarzyszenia w ramach Układu Europejskiego (1992-2003)* (2005). Warszawa: UKIE. [(Changes in foreign trade of Poland with the European Union during the period of implementing the association under the Europe Agreement (1992-2003)] (2005). Warsaw: Office of the Committee for European Integration.

The adaptation of Polish agriculture to the integration meant preparing economic entities for dealing with competition in the European single market and for carrying out necessary adaptations to the above-mentioned EU legal requirements in the area of: agricultural production, animal welfare, sanitary and veterinary requirements, both at the farm and processing and trade level, in other words, throughout the food chain “from farm to fork”.

The fulfillment was the most expensive and complicated of the requirements in the production and processing of products of animal origin in veterinary medicine, meat processing or dairy industry. The opportunity to accelerate these necessary adaptations and improve competitiveness in the pre-accession period was created by EU aid programmes – PHARE and SAPARD. These adaptations were very expensive, nevertheless, they allowed to create in Poland one of the more modern processing industries in Europe. They also necessitated expensive modernisation in agriculture, the costs of which were incurred by farmers – largely on credit, and partially from EU support (the aforementioned PHARE and SAPARD programmes). The adaptation to the EU integration was proceeding better than expected. All state services and the administration worked well throughout the preparatory process. The adaptation to the EU standards not only demonstrated the mobilisation of all entities involved in the adaptation and negotiation processes, but also every effort was made to enable Polish processors to access the single market, as well as to improve the competitive position of Polish agriculture.

The accession negotiations were completed in Copenhagen in December 2002. Poland managed to increase twice the amount of subsidies for farmers proposed by the EU. This was made possible by, *inter alia*, shifting the funds from the second to the first pillar, as well as the introduction of national payments. Being aware of the type of CAP reforms and evolution (withdrawal from production subsidies), it was proposed to introduce payments per ha in Poland.

The selection of the Single Area Payment Scheme (SAPS) allowed to support all agricultural land support maintained in the so-called good agricultural conditions with single area payment. This gave rise to an opportunity to create support for all farms – large and smaller, so that the funds were addressed not only to farms producing for the market, but also to those producing mainly for their own needs. The number of these farms in Poland is still significant, thus support provided led to modernisation of some of them and extended the viability of others.

The simplified system gives farmers more freedom to make production decisions and thus ensures the greater effectiveness of using agricultural production resources. Furthermore, the SAPS system, by linking the amount of payments directly to the area of farmland, on the one hand has become a stimulus to increase the use of agricultural land resources and on the other hand has contributed to the increase in its value. In turn, linking the payment system to the cross-compliance requirements increased the awareness of farmers, *inter alia*, regarding the environmental impact of their activity.

Before Poland joined the EU, the attitudes among farmers showed reluctance and misgivings as regards our country’s integration with the EU. However, in 2003, during the referendum on the Polish membership in the EU, the majority of farmers and rural residents opted for the accession.

The accession of Poland to the EU in 2004 completed the process of systemic and political transformations taking place in our country since the early 90s of the 20th century. As a result of the economic transformation and more than 15 years of membership in the European Union, Poland has gained a reputation as a proven and stable political and economic partner in the Union. Thanks to the accession, huge development opportunities were opened up for our country in the most important areas of the functioning of the state, economy, regions and local communities. Under these conditions, agriculture has been modernised and our agri-food export has increased unprecedentedly. Nevertheless, the absorptive power of the common market is almost depleted, which makes the so-called communitisation process be transferred to a global level. However, this process will not be easy, as we are witnessing the creation of a new economic order based on competition of larger blocs of countries or even entire continents. Former President Lech Wałęsa aptly defined this process as “continentisation”. This means that individual countries – even such as former world powers: France and the United Kingdom – have no chance to compete with the Far East or the USA, when acting alone. That is why it is so important to create synergies by doing business together at the continental level, and this is what we need the well-functioning European Union for.

Following the accession, farmers and rural residents, in addition to the common agricultural policy, also started to benefit from other policies or programmes supported by the EU budget. The subject of this support was, *inter alia*: infrastructure construction policy, environmental policy, human resources development policy or entrepreneurship policy. 15 years after the accession, farmers and rural residents are among the biggest supporters of European integration, confirming that this historic process has proved beneficial for Polish agriculture and rural areas.

Integration with the EU structures and effects of accession for Polish agriculture and rural areas

The accession of Poland to the European Union resulted in truly revolutionary changes in the conditions for the development of Polish agriculture, in the agricultural policy, the economic situation of farms and the living conditions of the rural population. The pursuit of the stable and predictable agricultural policy, including the related instruments and financial resources, was positive for the agricultural development.

According to data from the Ministry of Finance, between the date of accession and the end of September 2019, Poland received more than EUR 55 billion under the common agricultural policy (almost 33% of all transfers from the EU). We therefore remain the largest beneficiary of direct payment funds among the new Member States and the largest beneficiary of funds for the rural development programme among all EU countries. A significant stream of funds from the EU and the national budget to Polish agriculture and rural areas was crucial in improving farmers’ income situation and farm modernisation processes. In total, during more than 15 years of accession, Poland has received more than EUR 170 billion from the Union and paid EUR 56 billion of membership contributions, which means that the amount we have received from the EU is three times higher than the one we have paid.

The provision of EU direct payments to almost 90% of farmers in Poland had a positive impact both on the level of their agricultural income and on the possibilities for modernisation and development of farms. The share of EU transfers in farm income reached the level of 50%. The direct support scheme has become a very important non-market-based instrument supporting agricultural income, mitigating turbulence in agricultural product markets and guaranteeing the continuation of agricultural production.

Out of the 1.4 million beneficiaries of direct payments, around 600 thousand farmers do not actually produce for the market, but remain the component of agricultural policy, receiving direct payments, which in this case serve as social support. By supporting income of small family farms, the CAP protects jobs in agriculture and during periods of economic crises agriculture becomes a buffer to mitigate the adverse effects of the economic slowdown, e.g. in the case of a growing unemployment rate.

Poland gained greater access to the Community market. But this required adaptation to the current quality standards. This process was carried out with support of EU funds. It necessitated the concentration and specialisation of production, since investments in suitable machinery and equipment could be made on farms with the greater economic strength. The concentration of production and processing, modernisation, joint efforts to improve the effectiveness and quality, diversification of the offer – those factors were necessary in building the competitiveness of the Polish agri-food sector. The result of all these adaptations and actions was a significant improvement in the dynamics of Polish trade in agri-food products, whose major driver is the export. In 2018, the export value increased more than 7 times when compared to 2003, and the positive trade balance increased significantly, amounting to EUR 9.5 billion in 2018. The success of Poland in foreign trade in agri-food products results mainly from high-quality food products, which annually account for about 80% of Polish agri-food export.

In the years 2004–2018, there was a significant increase in the ratio of farmers' income to average income in the country (so-called agricultural income parity), farm development opportunities and living conditions in rural areas. These areas are becoming an attractive place to live, the distance between urban and rural areas in terms of education, infrastructure or income level decreased, and the balance of migration from rural to urban areas is beneficial to rural areas. The further development of the agri-food sector will require the strengthening of consolidation processes. An important aspect will be to simultaneously empower farms in the food chain and to promote actions integrating agricultural producers. In the long term, the success of the agri-food sector and the whole economy will also depend on the ability to take innovative actions.

Polish agriculture has an opportunity to become high-tech and, at the same time, sustainable agriculture. It is unquestionable that the period after the accession of Poland to the EU is the most beneficial period for farmers and rural residents in the whole history of Polish countryside and Polish agriculture.

Prospects of Polish and EU agriculture in the context of future CAP challenges

More than fifty years of the existence of the common agricultural policy are a success story. The present CAP is a modern EU policy that has raised the level of income and life of farmers, takes into account challenges related to food security and climate change, and takes care of natural values and settlement network of rural areas. However, it is also fifty years of difficult negotiations and disputes over the shape of support for rural areas and agriculture. Reforms of the common agricultural policy have always been a response to ever-changing external circumstances. The implementation of the CAP should proceed in an evolutionary manner, without fundamental changes in the structure of this policy. This approach was supported by Commissioner for Agriculture, Phil Hogan, who described the discussion on changes in the CAP post-2020 as „modernisation and simplification”, thus seeking to further reform the CAP by way of evolution rather than revolution.

According to the European Commission, the CAP post-2020 should take into account, on the one hand, the diversity of agricultural models and regional specificities and, on the other hand, the diversity of its economic, social and environmental objectives. The generational renewal should also be an important priority for the future CAP, and one of the main principles should be to maintain vital and sustainable agriculture in all regions of the EU.

In line with the logic of the Commission’s approach to the “result-oriented budget”, the future CAP implementation system should be more result-oriented, strengthen subsidiarity by envisaging for the Member States a much greater role in developing national programmes, pursue the agreed, realistic and appropriate objectives and help reduce the administrative burden on beneficiaries.

According to the EC’s proposal, the future CAP will set common objectives and a set of measures to achieve them. The Member States will be able to choose from this common set the objectives which are most suitable for them. Actual national needs will be included by the Member States into the EU-approved so-called national strategic plan, combining funds from both the first and second pillars. When planning a set of measures for the Polish strategic plan, account should also be taken of the national diversification of agriculture in terms of level of development and area of farms as well as soil quality and access to water. It should be remembered that Polish water resources are at the level of those in Egypt, and in some regions of our country we can already observe the progressive change of often good soils into a steppe. The reasonable use of water, the protection of soils and ecosystems are important activities that will significantly determine the future of Polish agriculture. In addition to supporting the competitiveness of our agriculture, the rural development shall remain an important task. We still have the large population in rural areas, despite the systematic outflow of the population from there.

Modern challenges in agriculture are closely linked to the challenges of the present. First of all, it is about ensuring the supply of high-quality food and decent income for the farmer. At the same time, the agricultural production must be environment-friendly, innovative and technologically advanced.

However, the current CAP faces many serious challenges related to the growing role of external circumstances (trade agreements, globalisation of the world market, stock market speculation), the need to maintain the competitiveness of European agriculture, the need for the environmental protection and climate change. In order to meet these challenges, we need a strong Community agricultural policy which should be kept in its current two-pillar shape.

Trade liberalisation being introduced at the WTO level or further free trade agreements lead to the greater opening up of the European market to agricultural commodities from third countries. Increasing the inflow of these goods into the EU can lead to the deteriorated competitiveness of the agribusiness sector in Europe. In the world, we have different agricultural models – the USA, Canada or Brazil are dominated by large farms with the large production scale and industrialisation, that often use GMO technologies to increase crop resistance to diseases or pests. In addition, in the countries such as Brazil and Indonesia, burning forests for the cultivation of soya or palm oil is a common practice having a negative impact on the environment and climate. Adding to this other, often lower, production, salary or animal welfare standards, we can see that European producers have a very difficult competitive position in free trade conditions. It is therefore so important that the negotiated trade agreements deal not only with customs issues, but above all with harmonising the standards between the parties. Therefore, we will need actions to identify the potential effects of possible distortions in the Community market resulting from trade agreements with third countries and to properly regulate the issues on investment, competition or sanitary and phytosanitary standards. Thus, it will be necessary to introduce additional risk management instruments to protect the agricultural sector as part of trade liberalisation agreements. They will also be necessary to protect against various natural disasters, whose frequency is growing as a result of climate change.

Agriculture has always been linked to land. However, the global cultivation area is shrinking as a result of, *inter alia*, soil degradation, uncontrolled urbanisation or climate change, while the population on Earth is still growing. This situation poses new challenges for the agricultural sector, which must feed the growing number of people, while farming on the smaller and smaller area.

According to the UN, the global population is currently 7.3 billion people, it is expected to grow to 8.5 billion by 2030, and to 9.7 billion in 2050. The urban population is also steadily growing. Therefore, a significant increase in the demand for food, water and energy is forecast. According to the FAO, by 2050 we will have to increase the agricultural production by 70-80%. Recently, the world has made great progress in the fight against hunger, even though the target set in the UN Millennium Development Goals has not been achieved. According to various sources, we still have around 800 million people starving in the world. In rich Europe alone, around 40 million people live in poverty, suffering from various forms of malnutrition, and another 40 million are at risk of poverty. At the same time, the issue of the food quality, which largely determines the state of the body and the incidence of many diseases, has been neglected.

In the European Union, we have a single market, of which Poland has been a full member since the moment of accession. The common market forces the increased efficiency and competitiveness in the agricultural sector, so it promotes larger farms with the larger production scale, which, in turn, means industrialisation i.e. higher consumption of chemicals, more frequent use of antibiotics, which infringes the natural organic nature of agricultural production we would like to see. This process is in contradiction to the existing European agricultural model, which is based on family farms and sustainable development. We should remember that we are responsible for the natural environment, which we should pass on to future generations in at least undeteriorated condition. Intensification of agriculture also increases susceptibility to epidemics, for which we should be better prepared, as they can pose a threat to human health and life. In Poland, we have recently had a growing problem of African swine fever (ASF), which so far has affected the north-eastern area of the country, but without proper protection measures it can easily spread. It should be stressed that this disease does not pose a threat to humans, but is, above all, a source of huge losses for farmers.

In Polish agriculture, significant progress has been made in reconciling the production with the need to manage natural resources in a sustainable way. However, these positive changes may be weakened by the expected increase in the agricultural production as a result of the growing global demand. Therefore, without the broad implementation of innovative solutions, Polish and EU agriculture will face difficulties related to increasing the production while preventing further degradation of natural resources, in particular soil, water and ecosystem services. In the current world, the competitiveness of the economy must be based on its innovation, as expressed by the development of high-tech industries and the modernity of products offered, which is linked to the highly extensive scientific and research facilities. Innovations of various nature (agronomy, breeding, zootechnics, biology, technology, digitisation) are at hand and can serve the multifunctionality of EU agri-food systems. For agri-food producers, it will be more and more difficult to compete with strong international companies without introducing new products, using technologies or introducing organisational and marketing changes. The need for innovation also stems from the growing expectations of the consumer reporting the demand for increasingly diverse products of growing quality. Furthermore, innovations are important because of their high potential to facilitate the farmer's work, reduce its nuisance and protect against risks.

The instability of agricultural markets and emerging crises require new initiatives, whose main objective should be to improve the available CAP mechanisms and to ensure the better inclusion of the specificities of agriculture and diversity of agricultural sectors in the competition policy. The future CAP should make it easier for farmers to access, *inter alia*, private insurance (e.g. climate insurance) and risk management tools (e.g. investment funds, tools for preventive saving of money) that will efficiently and effectively respond to various levels of risk. Therefore, the new CAP must ensure not only a rapid response to the effects of crises, but also to prevent the abandonment of agricultural land and depopulation of rural areas.

Summary

The accession of Poland to the European Union involved the introduction of instruments of the common agricultural policy, trade and industrial policy, which created the new economic and social quality for the agri-food sector and rural areas. The agricultural support instruments, used so far by Poland, have been adapted to the rules of functioning in the single market and to the state aid rules. Polish agriculture was covered by the CAP after its fundamental reforms of 1992, 1999 (Agenda 2000) and 2003 (Luxembourg reform), which reduced price support, increased the role of direct payments, put a greater emphasis on the rural development and environmental and climate issues.

Poland, as a member of the EU, functions within the single, coherent European market, where an important role is played by the common agricultural policy. Therefore, future challenges and objectives must be fully linked to our country's presence in the EU. One of the more important challenges arising from the functioning in the Community agricultural policy will be the maintenance of principles of competitiveness in the single market. As part of future challenges, ensuring the competitiveness is more important for Poland than for many other richer EU countries that can afford national co-financing. For us, the lack of CAP and its instruments that provide, *inter alia*, income support and development of farms, may result in a loss of competitiveness for the entire agricultural sector. Furthermore, we must also remember that the new Member States that joined the EU in 2004 and later remain net beneficiaries of the EU agricultural policy. Therefore, we cannot afford to leave the EU structures and lose all these funds and resources that result from participation in the single and coherent European market. The ever-changing and evolving common agricultural policy the growing emphasis is put on the fuller use of agricultural potential in achieving the Community targets related to preventing the adverse environmental impact. The demands for the sustainability of agriculture, which appeared during the construction of the CAP for 2014-2020, put a great emphasis on mitigating of and adapting to climate change, protecting biodiversity and reducing water and air pollution. In addition, the environmental objectives have also been strengthened by introducing "greening" into the first pillar of the CAP and thereby implementing climate- and environment-friendly agricultural practices (crop diversification, preservation of permanent grassland, preservation of ecological areas).

Also, in the next perspective post-2020, the EU-wide development model, including the CAP, will be heading for the more sustainable development patterns. First of all, it is about ensuring supplies of high-quality food and decent income for the farmer. At the same time, the agricultural production must be environment-friendly, innovative and technologically advanced.

European agriculture varies greatly in terms of climatic conditions, production

volume and type and technological level⁹. Agriculture of the new Member States still needs to be modernised in order to become closer to the level of agriculture in the old Member States. In such a situation, it is difficult to choose the CAP instruments that would equally support large and small farms farming on fertile and weak soils, in lowlands and in difficult mountain conditions.

In order to meet the demands of both the world and Europeans, the future CAP must support the co-existence of intensive farms in regions with good conditions, whose high-value-added products will be acquired by global markets, farms based on regional markets and farms providing high quality food mainly to local markets and farming in more difficult conditions, taking care of the environment and providing public goods.

Participation in the European and global agricultural markets is mainly determined by medium and large farms. Their importance in Poland is growing, and the structural transformations taking place in Polish agriculture are a factor in improving the production effectiveness. Of course, we may not forget about the functioning of small farms. Their impact on the production volume is relatively low, but the scale of social issues related to their functioning is large. Small farms perform a number of social, economic and environmental functions that must not be forgotten. Small farms are family farms where labour is conducted by the family. They are a place of employment and storage of excess labour. They can also successfully ensure food security by providing food to household members for their own use and to local markets. This approach favours the promotion of local and regional high-quality products and is an alternative to mass-produced food.

The common agricultural policy post-2020 will continue to support small, medium and the largest farms. The assumption, however, is that funds should go where the agricultural production, from which farm owners derive a significant part of their income, is actually conducted. Smaller farms producing organic and traditional food will require comprehensive support, while export-producing farms will need solutions to facilitate competition in international markets. The introduction of higher standards for agricultural products in international trade, international identification and certification systems would help guarantee fair competition and reduce the expansion of cheap food from countries with low production standards.

Talking about the future of the CAP, we should mention climate change becoming more and more visible. The number of natural disasters (droughts, floods, spring frosts, fires) is growing year by year, affecting the increasing number of farms across the EU. They, therefore, require appropriate intervention and support from the EU budget as well as from national budgets (the latter must be accepted at the EU level). Finally, we face a situation where European agriculture is more

⁹ Data from the Farm Structure Survey (Eurostat) in 2016 shows that the coefficient of variation for the index of average UAA on the farm was 86%, for the average standard output it was 116%, and for labour factor inputs 53%. Detailed studies on the structural diversity of agriculture in the EU countries can be found in the monograph: Czyżewski, A., Staniszewski, J. (2019). *Rolnictwo Unii Europejskiej w procesie zrównoważonej intensyfikacji*. Warszawa: PWN. [*Agriculture of the European Union in the process of sustainable intensification*. Warsaw: National Scientific Publishers PWN].

and more dependent on external conditions (developing global market, progressive processes of globalisation). This means that there is a need to compete in the global market with agri-food products produced by companies in other parts of the world producing on a much larger scale and not always following adequate production and quality standards. Meanwhile, the European agricultural model provides the high production standards, is environment-friendly, but also more expensive and therefore not always able to withstand competition in global markets.

In conclusion, agriculture is a specific sector of the economy, as it is dealing with living organisms of plants and animals, the production is continuous and highly dependent on natural conditions and weather, which, in turn, determines its high instability. Moreover, the agricultural sector produces a number of public goods in the areas of landscape, environmental protection, biodiversity, but also culture and traditions in rural areas. Therefore, it is so important to continue to support this sector of the economy comprehensively which is important for society as a whole. Hence, the future CAP post-2020 must, on the one hand, take into account the adaptation to new challenges and, on the other hand, the new reformed agricultural policy should ensure that viable and sustainable agriculture is maintained in all regions of the EU. In addition, the new CAP must guarantee a rapid response to the effects of crises and prevent the abandonment of agricultural land and depopulation of rural areas.

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