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Poland

Agricultural Situation

EU Cross-Compliance - What it Means for Poland 2009 and Beyond

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Report Highlights:

Enforcement of the good agricultural and environmental conditions of the EU's cross-compliance regulations comes into effect in Poland on January 1st, 2009. Polish farmers seem prepared to meet these requirements. However, Poland is still far from meeting the second tier requirements, the statutory management requirements, set to be enforced on January 1, 2011. The Polish government has requested a postponement or phase-in of the statutory management requirements, as there will need to be greater progress and changes in Poland to meet them. Many people in Poland are worried that cross-compliance will raise cost of production for Polish farmers with a highly regulatory form of farm management and hurt Poland's competitiveness in the EU and to third countries.

Includes PSD Changes: No
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Starting on January 1, 2009, all farmers in Poland receiving direct payments will be subject to the good agricultural and environmental conditions (GAEC), or Tier A, of the cross-compliance regulations laid out by the EU.

Cross-compliance is the principle that farmers should comply with environmental protection requirements as a condition for benefiting from market support. The June 2003 CAP reforms made cross-compliance compulsory, and extended it beyond compliance with environmental rules, to include new requirements regarding public, animal and plant health, animal welfare and maintenance of soil organic matter and soil structure, and maintenance of habitats and landscape, including the protection of permanent pasture.

All farmers must respect cross-compliance standards in two ways to receive direct payments under the CAP. First, they must abide by good agricultural and environmental conditions (GAEC), which will be defined at Member State level, and must protect soils, ensure a minimum level of maintenance and avoid the deterioration of habitats. Secondly, farmers must respect other cross-compliance standards called statutory management requirements set-up in accordance with 19 EU Directives and Regulations relating to the protection of the environment, animal and plant health and animal welfare.

Since EU accession in May of 2004, new Member States were required to meet GAECs as a condition for direct payments to farmers under the First Pillar of the CAP. However, new Member States were allowed a transition period until the end of 2008 to meet the GAECs and a longer transition period was granted for the statutory management requirements of cross-compliance. Since EU accession, farmers in new Member States have been receiving direct payments as new Member States developed their GAECs and farmers made the changes necessary in order to comply with the new regulations.

With the transition period coming to a close, Polish farmers (and farmers in all new Member States) will now be sanctioned if they do not respect the GAECs mandated by the EU and laid out by the Polish Government. When a farmer is not in compliance with a GAEC, he will receive a reduced or even cancelled direct payment, depending on the severity of the non-compliance. It is required by the EU that a minimum of 1 percent of farms are spot-checked each year.

Poland, the new Member State with the strongest agricultural tradition, has adopted about 13 GAECs. Prevention of land abandonment is a priority, along with combating soil erosion on sloping ground. Despite some concerns, by most accounts most Polish farmers receiving direct payments are fully in compliance with the GAEC regulations, as many of these GAEC regulations have already been in place for some time in Poland. Adherence to the regulation of identification and registration of animals is expected to have the largest amount of offenses.

Greater concern has risen as Poland and other new Member States now focus on meeting the statutory management requirements (SMR) of the cross-compliance regulations. Poland is required to meet the SMRs of public health, plant and animal health and reporting on animal diseases, and animal welfare by January 1, 2011. However, Poland has requested an extension on meeting animal welfare requirements until January 1, 2013.

Research conducted in Poland shows that the level of readiness for the implementation of the full cross-compliance requirements is not advanced. The level of farmer's knowledge on the direction of the changes regarding cross-compliance is still relatively low. Implementation of the SMRs will be more difficult for a number of reasons. First, it will be difficult at the institutional level. Greater cooperation between the several institutions responsible for the various areas of administration of CAP in Poland will be necessary. The Ministry of Agriculture and Rural Development, the Ministry of Environment, the Agency for Restructuring and Modernization of Agriculture, and the General Veterinary Inspectorate are just the main institutions responsible for SMR implementation; the list is certainly much longer. Currently there are no common working groups dealing with cross-compliance requirements and implementation in Poland. It is expected that problems will arise on how to split responsibilities between institutions dealing with

agricultural problems and environmental problems, as previous cooperation between agriculture and environmental institutions has not been strong in Poland.

Secondly, greater educational efforts need to be taken to ensure compliance with SMRs. Farmers in Poland are often unaware of EU regulations and requirements and can also be unaware of the necessity of environmental protection in agricultural activities. The Polish Extension Service, currently in a state of restructuring, has taken on much of the burden of informing about and helping farmers with EU requirements and forms, although, this type of activity is not generally their role. Greater educational efforts as well as input from farmers or the organizations representing them may lead to greater understanding of the new requirements and their intended benefits, or at least decrease the number of conflicts and criticism directed toward the new obligations.

Institutional problems and high administrative costs of SMR implementation are the main reasons Poland has requested postponing or phasing-in the obligation to implement all the cross-compliance requirements. Additionally, implementation necessitates time. The Polish agricultural sector has gone through a number of changes in the past two decades and the process of adjusting to previous requirements was demanding and, in some cases, not fully completed yet. The new regulations will require from some farmers costly investments or organizational or production changes. Because of these changes, cross-compliance may force more specialization in Poland as farmers with mixed production may choose only one commodity to invest in as a way to decrease the cost of investment. Also, because of the higher cost of production, without more specialization, Polish farmers may lose competitiveness in the EU and to third countries. For sectors of Polish agriculture already undergoing hard adjustments, such as the hog sector, cross-compliance may only further decrease competitiveness and increase imports in the future as countries such as Germany and Denmark could be able to gain more market share.

The problem for farmers with the new SMRs is not so much the obligation, but the consequences of failing to implement the cross-compliance regulations. However, EU regulations regarding SMRs have been transposed to Polish legislation and are binding, so the Polish government and agricultural sector will have to make a great effort in the coming two years to prepare for the full implementation of cross-compliance. The future for cross-compliance could be far reaching. Once cross-compliance is complete and in effect in all of the EU-27 countries (scheduled January 1, 2011) the EU may look to require such regulations for all agricultural products entering the EU. This could mean imports from the United States to the EU will also have to meet cross-compliance standards. Especially regarding animal welfare regulations, these regulations may cause a barrier to trade for the United States.