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EU New Member States complain about agricultural subsidies

Report Categories:

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Agricultural Situation

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Report Highlights:

As the debate about future levels of farm support in Europe intensifies over the Common Agricultural Policy (CAP) budget after 2013, the new member states face stiff competition for their own domestic markets from more heavily subsidized commodities from Western Europe. This fact has brought the EU's Eastern partners together to advocate for equality in the CAP and Eastern EU member state agricultural ministers met in Poland February 5 to discuss an action plan. If anything, the movement points to a trend of support for a higher CAP budget overall in Europe as the more heavily subsidized Western nations may not part willingly with their farm payments so equalization will mean more cash for farming.

General Information:

Wednesday Feb. 3, 2010, Agricultural Ministers of the European Union New Member States met in Warsaw, hosted by Poland's Marek Sawicki, and signed an agreement promoting their vision for the current debate on farm subsidy levels in Europe. The Ministers want CAP direct payments equalized. Presently the CAP delivers very different levels of subsidy from a low in Latvia of 90 euros per hectare to levels estimated as high as 650 euros in Greece. Even in 2013, when the accession of the new member states results in the full phase in of farm subsidies rates still will be unequal. In their statement, the Ministers wrote that delivery of direct payments should not be linked to the intensity of production, a clear reference to the base yields used to calculate payments in the West while the East receives most of its payments on a per hectare basis. The NMS have open borders with some of the globe's most heavily subsidized countries from Western and Southern Europe who have highly vertically integrated market structures in place to use their market strengths. Lately, the NMS have lost ground in production of primary agricultural commodities. Poland now imports more pork than it exports; Poland now produces less meat overall than it did during the Communist era. Meat exports from some Western European countries to the NMS are up to the new members by 600 percent in 2009. Dairy exports from the West to East EU countries are also surging. For the United States this development indicates strong support for subsidy levels in Europe to remain unchanged or increase as the powerful old member states are unlikely to advocate reduced budgets to make way for their Eastern partners. High subsidy levels to EU farmers slow the adoption of new farm techniques such as the use of better conservation practices or fuel savings the United States has realized with crop biotechnology. EU farmers do not use modern systems to offset price volatility like futures contracts on commodity exchanges. Bulgaria, Romania, Latvia, Lithuania, Estonia, Slovak Republic, Cyprus, Hungary, and Poland each signed the document. The Czech Republic attended the meetings but did not sign.

For more information about the effect of EU policies on the new member states please read:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Polish%20farmers%20count%20benefits%20and%20losses%20after%205%20years%20in%20the%20EU.Warsaw Poland 5-12-2009.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Polish%20farmers%20count%20benefits%20and%20losses%20after%205%20years%20in%20the%20EU.Warsaw%20Poland%205-12-2009.pdf)

The communique is listed below in an unofficial English translation.

Declaration on the future of Common Agricultural Policy beyond 2013

Warsaw, Feb. 3

- The representatives of Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovak Republic agreed in a broader term on the following views.
- While recalling the current acquis of the Common Agricultural Policy and taking into account its future challenges, we believe that the Common Agricultural Policy beyond 2013 will play the key role in ensuring food security, strong competitive position of the EU on the global agricultural market, and sustainable development of rural areas in the EU.
- We believe that a strong and efficient CAP is an essential element of future stable Europe. It would be impossible for the European Union to achieve its ambitious objectives in the context of the future EU 2020 strategy without vital, multifunctional agriculture and rural areas.
- To allow farmers to develop their business and invest in the European agricultural resources, we must ensure that they obtain stable, decent and fair income, particularly in the light of increasing market volatility. It will thus be necessary to create the legal framework to allow for

responding to crises and extreme market instability.

- In order to ensure future effectiveness and efficiency of the CAP as concerns implementation of its tasks, subsequent changes to this policy should fully preserve its Community character and respect the principle of solidarity, especially in the financial dimension. The extended catalogue of CAP functions and objective and their Community nature require providing an appropriate level of Community financing of the Policy beyond 2013 at least at the level appropriate to its goals and challenges. Further reduction in the CAP budget would result in diversified levels of support to agriculture in individual Member States, which would pose a real threat to integrity of the internal market.
- The success of future CAP requires to link financial support with future objectives, which makes necessary to depart from historical and currently unjustified allocation criteria.
- Direct payments should remain important CAP instrument for support and stabilization of agricultural income as well as for providing the society with public goods.
- Thus, direct payments:
 - Should not be linked with historical parameters (production intensity);
 - Should be allocated according to criteria that reflect the current and future objectives;
 - Should be simplified and applied in unified way ensuring fair competition and fostering sustainable agriculture across the EU;
 - Supplemented with additional compensations based on the objective criteria in the specific problems facing areas within either I Pillar or II Pillar.
- As agricultural activity and European products have to comply with very stringent standards required by the European society, it is essential to ensure the competitiveness with imported products.
- In order to face up to increasing external competition and instability of international agricultural markets, it is necessary to ensure mechanisms of market stabilization. They are essential to providing a safety net that stabilizes production conditions in the future, thus ensuring food security in the EU. Crisis and risk management instruments, which would allow crisis prevention instead of solving the problems when they have already occurred, should not be left aside.
- Development of rural areas under the CAP should be supported also beyond 2013 with a view of accelerating structural changes, modernization, improvement in competitiveness, providing environmental public goods, and reducing gaps in development inside the enlarged EU.
- Further simplification of the CAP is necessary to reduce its implementation costs both for EU institutions, Member States, and the beneficiaries themselves. This way, the policy will also

become more understandable to farmers and taxpayers.

- While confirming the need for further evolution of the Common Agricultural Policy, we call for adequate reflection of the role and value of this policy in the area of agriculture and environment as well as of its contribution into the Community socio-economic objectives and attempts to achieve further integration and territorial cohesion at the level of the Community, Member States, and regions.