A united front: European Union enlargement, the common agricultural policy and polish agriculture

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On June 9th a majority 77.5% of voters secured Poland's seat in the next wave of European Union accession. The largest of the ten countries set to joint the EU in 2004, Poland will have voting power equal to that of Spain's and behind o-nly Great Britain, France, Italy, and Germany. At the same time, Poland's GDP is o-nly 42% of the EU average. Membership-which qualifies Poland for $24 billion in EU subsidies-is expected to bridge this gap by modernizing infrastructure and boosting investment. However, the pending accession was met with some resistance from the agricultural sector, which has been a hotly contested issue in EU expansion discussions. While EU integration offers many Poles much opportunity, the two million plus sustenance farmers will not benefit from EU agricultural subsidies.

The article "A United Front: European Union Enlargement, the Common Agricultural Policy, and Polish Agriculture" provides a detailed background of the Common Agricultural Policy (CAP) as well as an overview of Polish agriculture and forecasts potential assimilation problems and their solutions. Those interested in learning more about the CAP, Polish agriculture, and their impact o-n each other during accession ought to read this timely article by Jeremy Kryn.

Introduction

"Enlargement is both a historic opportunity and an obligation for the European Union, and so it is o-ne of our highest priorities. Our success in concluding this crucial undertaking, o-n which we have embarked together with the candidate countries, will depend o-n the vitality and rigor of our collective efforts and engaging the support of the population, both in the candidate countries and in the current EU Member States. Enlargement must be duly prepared and can be successful o-nly if it has democratic support. While much progress has already been achieved, very considerable and determined efforts are still required to bring the process to its conclusion. But the way ahead is clear. The process has become irreversible and the benefits of enlargement are already visible."

These words of Gunter Verheugen, a member of the European Commission responsible for enlargement, paint the picture of European Union (EU) enlargement as a historic event. Enlargement is o-ne of the most important opportunities for the EU as it begins the 21st century. Its historic task is to further the integration of the continent by peaceful means. Poland is among the current group of ten countries that completed accession negotiations in December 2002.

However, agriculture has caused a stir among the EU Member States, Poland, and the other candidate countries, as questions arise surrounding the EU Common Agricultural Policy (CAP) and the possibility, or impossibility, of extending the existing CAP subsidies to the candidate countries' agricultural sectors. They are also concerned about the complete liberalization of trade in certain agricultural products.

The European Union's Common Agricultural Policy

Agriculture might seem a minor issue compared to foreign affairs or the state of the economy, but the Common Agricultural Policy is the largest area of EU expenditure. Several EU Member States maintain an attachment to rural society, and the EU public is increasingly concerned about food safety and animal rights. Thus, the political interests are extremely important when it comes to the making of and the reform of the CAP.

The Treaty of Rome established the CAP as a central policy of the 1950s European Economic Community (EEC), the forbearer of today's EU. Article 33 (ex. 39) of the Treaty set out its objectives as follows: to increase agricultural productivity, by promoting technical progress and ensuring rational development of agricultural production and the optimum utilization of the factors of production, particularly labor; to ensure a fair standard of living for the agricultural community, particularly by increasing the individual earnings of persons engaged in agriculture; to stabilize markets; to ensure the availability of supply; and to ensure that supplies reach consumers at reasonable prices.

The European Community (EC) Commission brought forward proposals in June 1960 for how these objectives could be achieved through three main guiding principles: a single market--a removal of barriers to the free movement of agricultural products between the Member States; community preference--priority should be given to produce from the EC Member States; and financial solidarity--the cost of the policy should be borne by the EC as a whole rather than by the individual Member States.

After negotiations, in 1962, the Member States agreed to put these principles into practice through three mechanisms that would protect the price of agricultural goods supplied by farmers in the Member States (1) protection against low internal prices, through a system of buying surplus goods from farmers when goods fall below an agreed "guarantee price" in the European market (2) protection against low import prices, through a system of import quotas and levies o-n imported agricultural goods when the world price falls below an agreed price and (3) subsidies to achieve a low export price, through a system of refunds for the export of agricultural goods when the world price falls below an agreed price. The result was a system of indirect income support for farmers, paid for by the European taxpayers through the EU budget and by the European consumers through the extra prices charged o-n imported agricultural goods.

When the CAP was established, Europe was not self-sufficient in most agricultural goods. However, as agricultural production stabilized and Europe became a net exporter of agricultural goods, the CAP price-support mechanism created problems: guaranteed prices encouraged overproduction, and production grew faster than demand, resulting in "wine lakes" and "grain mountains"; surpluses had to be stored at additional costs to the CAP budget; environmental destruction resulted from over-intensive land-use and over-use of herbicides, pesticides, and artificial fertilizers; the bulk of revenues went to larger farmers who earned more because they produced more, rather than smaller farmers who most needed welfare support; import quotas and levies created trade disputes and prevented the development of global free trade in agricultural goods; and export subsidies depressed world prices, distorted agriculture markets in the Third World, and thus contributed to global development problems.

With high levels of support, it was possible for the agricultural industry to establish powerful lobbying associations. Increasing subsidies o-nly made it more worthwhile for the farming community to invest in lobbying in order to ensure that long-term subsidization was maintained. The end result was that the agricultural lobbying associations became the EC's most powerful lobbying machine in the 1970s and 1980s. Budgetary support for agriculture rose from 2 billion Euros in 1970 to 11.6 billion Euros in 1980 and to 31.6 billion Euros in 1990. This lobby successfully opposed even the slightest reforms to the CAP. o-nly dramatic over-supply situations, such as the milk market of the early 1980s, made small reforms possible.

The original goals had been fulfilled. However, the allocation function was no longer necessary. Goods could be supplied by an open market at cheap prices. The redistribution of resources to farmers had made some farmers better off than others and better off than many other sections of society. Markets no longer needed to be stabilized. In addition, while the CAP consumed ever-greater resources, its utility to European taxpayers and small farmers fell, and its distortion of global agricultural markets increased. By the end of the 1980s, consumer and environmental groups, several Member State governments, and a number of foreign governments demanded reform.

Thus far, the EU, made up of its predominantly wealthy Member States, has been able to sustain the CAP thanks to the consumers and taxpayers who have paid to maintain the policy. The political weight of the EU in the General Agreement o-n Tariffs and Trade (GATT) Uruguay Round also ensured the CAP will continue, albeit modified. Within the EU, the agricultural lobby at both the national and EU level is well organized. It represents farmers and rural interests as well as the agricultural supply industry and large portions of the food processing industry. In comparison, consumer groups are typically less well organized. The political systems of such Member States as Germany and France give excessive weight to agricultural interests while the EU decision-making process and the divergent interests among Member States combine to make it almost impossible to achieve agreement o-n substantial reform to the policy.

Polish Agriculture

In comparison to the EU, where agriculture contributes o-nly 2.5 percent of GDP and 5.7 percent to total employment, Poland presents a unique situation, as its farm sector employs over twenty percent of the population. Agricultural plots are small and yields are low, and in parts of Poland the horse and cart have yet to give way to the tractor. This situation persists despite the fact that in the early 1990s expenditure o-n agricultural modernization and restructuring of farm holdings was considerably increased. Modernization improved the competitiveness of agricultural production. For Polish agriculture this implied the outflow of labor from the sector, increasing farm size, and the implementation of modern technology.

Farming was never collectivized in Poland. Successive communist governments finally accepted the private farm as the main base for food production in Poland. Eighteen percent of land was in state hands. While most of this agricultural land has still not been sold by the state, most is now leased to private managers. Unlike other Central and Eastern European countries, the majority of land was already in the private sector. In 1996, about ninety percent of agricultural land was in private hands.

Regions where state farms predominated tended to have high unemployment levels and to be among the poorest in Poland. In Voivodships, where farms were smaller, rural dwellers activities were more diversified. Agriculture amounted for fortyfour percent of total employment in predominantly rural regions. This high level of agricultural employment is o-ne of the biggest challenges facing Poland as it seeks to modernize and restructure the agricultural sector without destroying rural communities. The dispersed settlement pattern made the provision of infrastructure (water, gas, telephones, sewerage) and services (post-secondary education, banking, professional services) difficult. Lack of access to transport in rural areas o-nly exacerbated the disparities with urban centers. In general, agriculture was less intensive in Poland than in most EU Member States, and the rural areas supported a rich variety of wildlife and range of habitats. Twenty-seven percent of the land area was considered to be in a "natural" or "extensively managed" state with approximately eleven percent designated as of international importance.

Since 1994, rural development has been increasingly recognized as a priority by successive Polish governments, due to high levels of agricultural employment, the need to modernize and develop agricultural practices, and the need to create nonagricultural jobs in rural areas. In 1994, it was o-ne of the ten key objectives included in the government's development plan, the "Strategy for Poland". It gave four objectives for rural development policy (1) village renewal including job creation and encouragement of non-agricultural activities (2) encouraging the modernization of agricultural structures and processes (3) supporting the development of socio- economic infrastructure such as co-operatives, commodity exchanges, telephone and road networks, and the agricultural advisory service and (4) recognition of the natural value of villages.

The process of EU integration appears to offer great opportunities, but also significant threats to Polish agriculture. There will be access to the EU market, the expansion of the agro-food sector, and the availability of free capital flow and financial support. At the same time, there will be enormous costs of adaptation and of modernization of the sector in order to meet the conditions for operating in the EU and minimize the gap in the level of development between Polish agriculture and the more modernized agro-food sector in the EU. People talk increasingly of two Polands, urban and rural. In fact, there are more than two because the countryside itself is divided. In the north and the west, large former state farms are holding their own. The largest twenty percent of farms, mostly in these areas, produce eighty percent of the country's agricultural output. In contrast, plots in the east are mostly smallholdings, many of them o-nly a hectare or two with a few chickens or pigs. Most of these will not benefit from any agricultural subsidies that Poland may extract from the EU.

Conclusion

The EU has a long history of successful enlargements. In 1957, six founding members--Belgium, France, Germany, Italy, Luxembourg, and the Netherlands-- signed the Treaty of Rome. Since then, four enlargements have followed. However, the enlargement facing the EU today is without precedent in terms of scope and diversity. In particular, the EU has never before faced the proposition of a Polish candidacy and its agricultural sector. For their part, Poland and other candidate countries still have work to do in preparing for accession. Further, reform and modernization of the Polish agricultural sector are necessary. Streamlining Poland's farming sector must succeed in doing what a Soviet-imposed government could not: issuing the fatal blow to the independent spirit and livelihood of Polish farmers. Political management will be required from both Brussels and Warsaw; the visible lack of political will, both among those in the EU and in Poland, must be replaced by a united front.

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