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THE EVOLUTION OF FINANCIAL INSTRUMENTS IN THE COMMON AGRICULTURAL POLICY IN LIGHT OF THE STRATEGIC PLAN FOR 2023-2027

Abstract

The article presents the origins and key transformations of the EU's Common Agricultural Policy (CAP) and the most significant factors that have influenced its current shape. It is shown that since its inception, the CAP has undergone significant changes involving both its goals and operational tools. It was found that over the years and under changing circumstances, the CAP has transformed from a policy aimed at increasing agricultural production and productivity into a tool that determines the development of

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rural areas and stimulates pro-environmental measures. The validity of this perspective is also supported by an analysis of the financial aspects of its functioning. In the context of the findings, the second part of the study characterizes the current shape of the Strategic Plan for the Common Agricultural Policy for 2023-2027 (CAP SP), which defines the main financial instruments for achieving the objectives of the CAP. It was found that compared to the previous programming period, significantly less funds were allocated to payments according to agricultural area (a decrease in the share from 43% to 35%), redirecting them to various types of payments related to pro-environmental measures. These changes are in line with the direction of the CAP's evolution. However, the way in which additional payments are linked to the implementation of pro-environmental measures is debatable, creating numerous implementation problems for farmers. The result is a low share of eco-schemes in the payment applications submitted by farmers in 2023, which will reduce the amount of EU support they will absorb.

KEYWORDS

common agricultural policy, direct payments, strategic plan for agriculture

SŁOWA KLUCZOWE

wspólna polityka rolna, płatności bezpośrednie, plan strategiczny dla rolnictwa

1. INTRODUCTION

Since 2023, financial support for Polish agriculture has been based on the Strategic Plan for the Common Agricultural Policy for 2023-2027 (CAP SP). This is a fundamental document that determines the principles for implementing a wide range of programs within the EU's CAP. The shape of the CAP SP, its functioning, and intended goals are closely related to the changes that have taken place within the concept of the CAP in recent years. This policy is no longer just a tool for supporting farmers' incomes and rural development. It also aims to achieve much broader objectives associated with the Green Deal strategy, where one of the main goals is to achieve climate neutrality by 2050. Therefore, studying the CAP SP cannot be done without directly addressing the new challenges that the CAP faces. These challenges are highly ambitious and require significant financial investments. This raises an important issue: Do the new paradigms of CAP's functioning have a real reflection in the allocation of financial resources within CAP SP, or do they remain solely in the realm of political declarations? To answer this question, the first part of the study presents an overview of the evolution of CAP up to its current form. The second part of the study presents the structure of the CAP SP with a special focus on the financial framework. It also compares the CAP SP with the Rural Development Programme 2014-2020 (RDP 2014-2020) in terms of spending on individual financial support instruments for Polish agriculture.

2. HISTORICAL BACKGROUND OF THE CAP

The 60th anniversary of the Common Agricultural Policy was celebrated during the French presidency in 2022. The first principles of the CAP were drawn up in 1957 and incorporated into the Treaties of Rome, which strengthened the European Coal and Steel Community established in 1951. Five objectives were seen as key to the CAP:

– increasing agricultural productivity by promoting technical progress, the rational development of agricultural production and the optimum use of the factors of production, especially labour,
– ensuring this way an adequate standard of living for the rural population, especially by raising the individual income of those working in agriculture,
– stabilization of agricultural markets,
– ensuring security of supply,
– ensuring reasonable prices in consumer deliveries.

The above objectives should be viewed in the context of the production and economic conditions of the time. Europe, devastated by World War II, was suffering from food shortages due to low agricultural productivity and organizational problems. This resulted in high food prices, among other things.

It should be noted, however, that the first assumptions of the CAP were contradictory, which was a source of problems in later periods. The first discrepancy arises when comparing the goals of increasing the volume of production and ensuring an adequate level of income.[2] A high level of production, according to the law of supply and demand, causes prices, and therefore profitability, to fall. The same is true for raising income levels, combined with ensuring reasonable prices. These assumptions are contradictory. In the first period of the CAP, the Community's agriculture, which was heavily stimulated, reached high levels of productivity and production. This led to an overproduction of agricultural commodities and a change in the structure of agriculture. Small family farms were transformed into large enterprises.[3] Counteracting these processes became

[2] E. Majewski, P. Sulewski, A. Wąs, *Ewolucja Wspólnej Polityki Rolnej Unii Europejskiej w kontekście wyzwań Trwałego Rozwoju*, Warsaw 2018, p. 43.

[3] F. Tomczak, *Ewolucja wspólnej polityki rolnej UE i strategia rozwoju rolnictwa polskiego*, Warsaw 2009, p. 25.

extremely costly. It is estimated that CAP expenditure during this period represented about 70% of all Community expenditures.[4] All these factors, along with trade-related considerations, formed the basis for the first major reform of the CAP in the 1990s, called the Mac Sharry Reform.[5] Its main elements were:

– the gradual reduction of intervention prices to global levels,
– the introduction of direct payments to compensate for reductions in guaranteed prices, differentiated by region,
– making the amount of direct payments independent of a farm's current production; direct payments were calculated by multiplying the area of cereal cultivation by the reference yields of cereals,
– subsidizing compulsory and voluntary land set-aside,
– support for afforestation programs,
– reducing the intensity of livestock production and providing incentives for environmentally beneficial activities,
– increasing the replacement rate of generations of farmers,
– a package of agro-environmental projects that encouraged farmers to use environmentally friendly production methods and landscaping.

In general, the goal of this reform was to stop the growth of food supply and bring it into balance with unchanging demand. Attention also began to be paid to environmental issues, although in the early 1990s, they were not at the forefront of the Community's concerns.

A 1994 European Commission report found that the reform had produced unexpectedly good results. The production of cereals, meat and milk fell significantly in three years, allowing a dramatic reduction in stocks. What is important, there was no decline in real agricultural incomes. On the contrary, they increased by 5.7% in the 12 Member States in 1994, while the increase in the share of compensatory payments in farmers' income allowed it to stabilize.

Although the Mac Sharry reform produced better-than-expected results, it did not solve the fundamental problems of the CAP. The need to implement the provisions of the GATT Uruguay Round and the prospect of EU enlargement to new Member States continued to require profound changes. Disputes over the shape of the CAP lasted more than two years and culminated in an agreement reached by the European Council in Berlin in 1999. The package of documents that introduced it is called "Agenda 2000". The adopted solutions developed instruments affecting not only agriculture but also agricultural and non-agricultural activ-

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[4] M. Adamowicz, *Wspólna Polityka Rolna Unii Europejskiej. Doświadczenie – Problemy – Perspektywy*, (in:) M. Adamowicz (ed.), *Dostosowanie podstawowych rynków rolnych w Polsce do integracji z Unią Europejską*, Warsaw 1999, p. 35.

[5] W. Wrzaszcz, K. Prandecki, *Rolnictwo a Europejski Zielony Ład*, "Zagadnienia Ekonomiki Rolnej/Problems of Agriculture Economics" 2020, No. 4 (365), pp. 156-179.

ities in rural areas.[6] They deepened the measures adopted by the Mac Sharry reform to reduce production intensity, support farmers' income levels through direct payments, and introduce environmental measures and compensation for farming in areas with less favourable conditions. An important element of the "Agenda 2000" reforms was the creation of a second pillar of the CAP, aimed at rural development policy. From the point of view of the current shape of the CAP, it seems crucial to link support for agriculture to compliance with minimum environmental standards and to reward the implementation of additional pro-environmental practices within the framework of agri-environmental-climate programs.

In 2002, the European Commission, reviewing the effectiveness of "Agenda 2000", adopted the Mid-Term Review of the CAP document.[7] It focused on two pillars of the CAP: Pillar I (agriculture) – price and quality competitiveness, direct subsidies, simplification of CAP functioning, and Pillar II (rural) – rural development policy, the concept of multifunctional rural development. As a result, in 2003, a decision was made to change the agricultural support system as part of the so-called Fischler reform (Luxembourg reform). The "European Model of Agriculture" was adopted, based on family farms, sustainable development principles and environmental protection. The new vision of the CAP included a number of new solutions, aimed at:

- making farm support independent of the level of production by introducing a single farm payment or a single regional payment,
- linking these payments to the fulfillment of established standards (cross-compliance principle),
- reducing direct payments for the largest farms (modulation principle) because until then, 20% of farms received 80% of support, which was noted by the Committee of the Regions,[8]
- introducing changes in individual agricultural markets,
- increasing the importance and level of funding for rural development.[9]

The main objective of these measures was to make agriculture more environmentally friendly, increase the emphasis on rural development and move away from solutions leading to the increase and intensification of agricultural production. Key changes included the establishment of the European Agricultural Fund for Rural Development (EAFRD), which aimed to combine various activities

[6] M. Adamowicz, *Ocena Wspólnej Polityki Rolnej i jej instrumentów*, (in:) S. Sokołowska, A. Bisaga (ed.), *Wieś i rolnictwo w procesie zmian. Szanse rozwojowe rolnictwa w przestrzeni europejskiej*, Opole 2008, p. 54.

[7] European Commission, *Mid-Term Review of the Common Agriculture Policy*, Communication from the Commission to the Council and the European Parliament, Brussels 2002.

[8] Committee of the Regions, *Opinion of the Committee of the Regions on the Communication from the Commission to the Council and European Parliament:* Mid-Term Review of the Common Agriculture Policy, (2003/C73/07), Brussels, 2002.

[9] F. Tomczak, *op. cit.*, p. 49.

supporting rural development. Meanwhile, market expenditures remained in the European Agricultural Guarantee Fund (EAGF), including direct payments, market intervention, and export support.

In 2008, another midterm review of the CAP was conducted, known as the "Health Check". It took place under special conditions. It was a period of global financial crisis, emerging food security problems and growing awareness of the causes and consequences of climate change. The adopted solutions were not intended to be revolutionary in nature. The 2013-2020 period was supposed to be a breakthrough in terms of direct payments, rural development and market support. The introduced changes can be described in three points:

– complete decoupling of aid from production by gradually phasing out the remaining production-linked payments and incorporating them into the system of uniform payments granted to farmers,
– partial redirection of Pillar I funds to rural development by increasing the modulation rates of direct payments,
– making the rules of public intervention and supply control more flexible so as not to limit the ability of farmers to respond to market signals.[10]

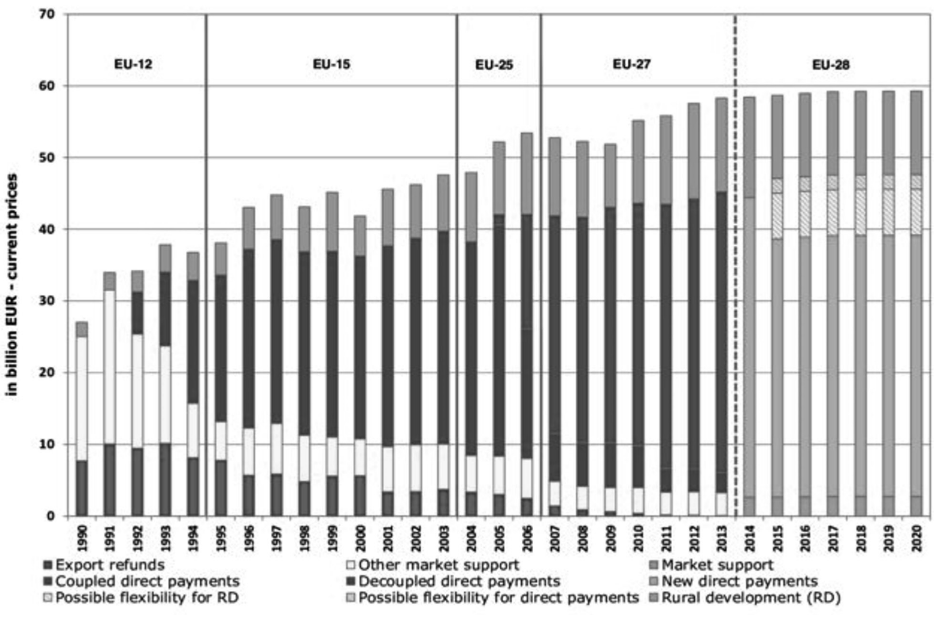

Figure 1. The Evolution of the CAP expenditure.
Source: https://data.consilium.europa.eu/doc/document/ST-15640-2011-ADD-11/en/pdf (accessed 1 June 2023).

[10] European Parliament, *CAP instruments and their reforms*, "European Union Information Papers", https://www.europarl.europa.eu/factsheets/pl (accessed 17 January 2023).

With regard to area payments, decisions were made to move to a simplified payment system and redistribution mechanisms, and the so-called "greening" mechanism was introduced. The latter introduced a requirement to diversify crops and maintain permanent grassland and Ecological Focus Areas (EFA) on at least 5% of a farm's arable land. Countries committed to allocating 30% of the national pool of funds to "greening". Pillar II of the CAP also underwent changes and consolidation with Pillar I. This was reflected in the introduction of the possibility of transferring funds between the two (a maximum of 25% from Pillar II to Pillar I). The functioning of agricultural markets was reorganized, a particular example of which was the abolition of milk quotas.[11]

The path of the CAP in the thirty-year period 1990-2020 is shown in Figure 1. It presents the different instruments of agricultural support. In the initial period, the form of the CAP was determined by the support of agricultural markets. Since 1992, production-linked payments gained importance, playing a major role in the CAP until 2005. However, in the 2007-2013 financial perspective, the burden of agricultural support was taken over by non-production-related payments.

The work on the shape of the post-2020 agricultural CAP was of a special nature, which meant that agreements on this issue took a record amount of time. This was due to political circumstances (European Parliament elections in 2019), the COVID-19 pandemic, and the strong focus of the CAP on environmental and climate issues, which aroused opposition in many member states.[12]

3. CAP – CURRENT STATUS

The current shape of the CAP is strongly conditioned by the Green Deal strategy. It aims to achieve zero net greenhouse gas emissions by 2050 and to decouple economic growth from resource use. One of the core elements of the Green Deal is the Farm to Table strategy, in which agriculture will play a key role. Extremely ambitious targets have been set, with 40% of the CAP budget to be spent on their implementation. The strategic plans for the CAP adopted by each Member State are an expression of the implementation of these assumptions. They are supposed to fully reflect the ambitions of the Green Deal and the Farm to Table strategy. The Commission is ensuring that these strategic plans are assessed against strict

[11] A. Niewiadomski, *Wspólna Polityka Rolna po 2013 r.– wybrane problemy prawne*, "Studia Iuridica Agraria" 2015, Vol. XIII, p. 126.

[12] Z. Nasalski, Z. Brodziński, M. Juchniewicz, R. Marks-Bielska, *Warunki rozwoju gospodarstw rolnych regionu Warmii i Mazur w kontekście planu Strategicznego Wspólnej Polityki Rolnej na lata 2023-2027*, Olsztyn 2022, p. 8.

climate and environmental criteria.[13] The plans are intended to be "more than just planning tools. They are the basis for a new model of public governance, based on closer cooperation between different levels of government".[14] According to Article 6 of Regulation (EU) 2021/2115 of the European Parliament and of the Council, the strategic plans should be prepared in order to achieve nine specific objectives:

– supporting decent incomes and resilience of farmers across the Union to improve food security,
– increasing market orientation and competitiveness, including a stronger focus on research, technology and digitalization,
– improving the position of farmers in the value chain,
– contributing to climate change mitigation and adaptation, and using sustainable energy,
– promoting sustainable development and efficient management of natural resources such as water, soil and air,
– contributing to biodiversity conservation, strengthening ecosystem services, and protecting habitats and landscapes,
– attracting young farmers and facilitating business development in rural areas,
– promoting employment, growth, social inclusion and local development in rural areas, including the bio-economy and sustainable forestry,
– improving EU agriculture's response to society's food and health needs, including safe, nutritious and sustainable food, prevention of food waste, as well as animal welfare.

Under each objective, Member States are to develop intervention strategies that include final objectives with outcome indicators and propose targeted actions to achieve them.

4. FINANCIAL ASPECT OF THE CAP SP

The Polish CAP SP was approved by the European Commission on 31 August 2022. At the same time, work was underway to implement specific financial arrangements, effective from 1 January 2023. Under the current form of the CAP

[13] European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions*, European Green Deal, COM(2019) 640 final (accessed 11 May 2022).

[14] European Commission, *Recommendations to Member States on their Strategic Plans for the Common Agricultural Policy*, COM(2020) 846 final (accessed 11 May 2023).

SP, the funds allocated to it were divided into two main categories: Pillar I – EUR 17.3 billion and Pillar II – EUR 4.7 billion. Taking into account the planned use of national funds in the amount of EUR 3.2 billion, the total CAP expenditure in Poland for 2023-2027 was set at EUR 25.2 billion. The CAP SP combines both the legal and financial assumptions of the modern CAP. It is the main legal instrument for financing agriculture until 2027, although there are numerous doubts about its place in the hierarchy of sources of Polish law.[15]

The CAP PS identifies several main funding streams for the implementation of CAP objectives in Poland. Direct payments remain the main instrument for supporting farm incomes. For the whole period of the current EU Financial Perspective, nominal expenditure for this purpose is planned at practically the same level as in the previous programming period, i.e. around EUR 3.5 billion per year. However, the structure of these payments has undergone far-reaching changes, linked to the reorientation of the CAP. The original component in the form of basic income support has remained, but its amount has been limited to EUR 118 per hectare. An additional redistributive income support of EUR 40 per hectare has been introduced. It applies to up to 30 hectares of land for farms with a total area of less than 300 hectares. In addition to stabilizing incomes, this measure also aims at reducing the income gap between farms of different sizes. This is an example of implementing the postulate appearing in the literature of utilizing CAP tools to mitigate income differences in agriculture.[16] The cost of financing this instrument is EUR 2 billion. The limitation of support for areas over 300 hectares has been justified by the Polish government by the content of Article 23 of the Polish Constitution, which defines family farms as the basis for the formation of the agricultural system.[17] Within the framework of direct payments, the goal of “attracting young farmers” has also been set. This is to be achieved through additional support for young farmers amounting to EUR 61 per hectare, serving as an incentive to start agricultural activities. There is no acreage limit. Eligible recipients of support are individuals who started their activities no earlier than 5 years before submitting the application. The total allocated amount for this purpose is EUR 185 million.

Another group of financial support instruments for agricultural farms are eco-schemes. This is a new tool, related to the evolution of the CAP. 14 eco-schemes have been introduced, including 8 practices related to carbon farming. They are designed to encourage farmers to undertake activities that go beyond

[15] A. Niewiadomska, *Krajowy plan strategiczny jako instrument prawny rozwoju rolnictwa*, “Studia Iuridica” 2022, No. 91, p. 253.

[16] P. Golasa, *Redistributive role of agricultural financial instruments in Poland*, PhD thesis, Faculty of Economics and Agriculture, Warsaw University of Life Sciences, 2011, unpublished.

[17] Strategic Plan for the Common Agricultural Policy 2023-2027, Official Website of the Republic of Poland https://www.gov.pl/web/rolnictwo/dokumenty-ps-wpr, p. 425 (accessed 11 May 2023).

the basic requirements of conditionality, as defined by the eligibility requirements for direct payments. The result of their implementation is expected to be the fight against climate change, protection of biodiversity and rational management of natural resources.

The following eco-schemes have been distinguished in the CAP SP:

- areas with honey-yielding plants,
- carbon farming and nutrient management (extensive use of permanent grasslands with animal grazing, winter catch crops/undersown crops, development and compliance with a fertilization plan, diversified cropping structure, incorporation of manure into arable and permanent grassland within 12 hours of application, use of liquid organic fertilizers on arable and permanent grassland by methods other than spraying, simplified cultivation systems, mixing straw with soil),
- conducting crop production in the Integrated Plant Production system,
- biological crop protection,
- water retention on permanent grasslands,
- animal welfare.

A total of EUR 4.3 billion has been allocated for financing the implementation of eco-schemes, including EUR 2.78 billion for carbon farming. From the farmer's perspective, it is important to note that the planned rates per hectare may change due to a large number of participants interested in a particular eco-scheme. There is a risk that there will be a significant reduction in rates. For example, within the areas with honey-yielding plants, support is planned for a surface area of only 30,000 hectares, which already seems insufficient before the instrument is implemented. According to farmers, agrotechnical issues have also not been properly adapted to national conditions.[18]

Another form of payment is Income Support linked to production. It includes several agricultural sectors that are in a particular and difficult situation. The sector of animal production has been recognized as requiring priority support. A significant decline in profitability and concentration of production in certain areas of the country has been observed in this sector. Regarding crop production, the largest funds have been directed towards sugar beet and grain legume production. These crops are intended to replace imported feed, and their cultivation has a positive impact on nitrogen absorption in the soil. Assistance under these measures is granted per hectare of crops or per animal. The total planned amount of support is EUR 2.6 billion, of which two-thirds are allocated to animal production.

Due to the change in the focus of CAP actions and the emphasis on environmental aspects, the leading role within rural development policy is played by

[18] National Council of Agricultural Chambers, *Wniosek o zmianę zasad ekoschematu Rolnictwo węglowe,* www.krir.pl/2014-01-03-03-24-03/pozostale/7642-wniosek-o-zmiane-zasad-ekoschematu-zroznicowana-struktura-upraw, (accessed 1 May 2023).

commitments related to the environment, climate, and other management obligations. They are financed with EUR 1.1 billion from EU funds and EUR 1.63 billion from national funds. Within this policy area, the following actions have been distinguished:

- protection of valuable habitats and endangered species in Natura 2000 areas and beyond,
- extensive use of meadows and pastures in Natura 2000 areas,
- preservation of orchards of traditional varieties of fruit trees,
- preservation of endangered plant and animal genetic resources in agriculture, biodiversity on arable land,
- organic farming,
- financing of commitments made under the RDP 2014-2020.

The essence of these actions is to encourage farmers to undertake additional commitments for the environment and climate, for which they are entitled to receive additional remuneration. There are quite detailed formal requirements associated with this, such as preparing and having an agro-environmental activity plan, committing to its implementation for a period of 5 years, and numerous agrotechnical conditions regarding the methods and timing of specific tasks. Within these commitments, particular importance is attached to organic farming, which accounts for about half of the funds allocated to environmental and climate-related obligations. This production system combines environmentally beneficial farming practices in the most favourable way, reduces greenhouse gas emissions, and the final product delivered to consumers is free of any chemical residues.[19] However, the lack of fertilizers and protective agents results in lower yields, which are compensated for by the subsidies provided in the program.

Payments for Areas Facing Natural or Other Specific Constraints (ANC), the principles of which have remained practically unchanged compared to the previous financial perspective, provide support. A total of EUR 2.4 billion has been allocated for this purpose. These funds are intended for farmers who manage land with various types of natural and other limitations. The level of support ranges from 179 PLN/ha to 750 PLN/ha, while adhering to the degressivity principle which applies to areas over 25 ha.

Within the Rural Development category, other significant support instruments have also been programmed, including:

- investments in farms to increase competitiveness in the field of renewable energy sources (RES) and improve energy efficiency, prevent the spread of African swine fever (ASF), and contribute to environmental and climate protection,

[19] J. S. Zegar, Agriculture and rural development, “Rural and Agricultural” 2018, No. 2, pp. 31-48.

- development of small farms,
- development of cooperation within the value chain,
- land consolidation with post-consolidation development,
- development of services for agriculture and forestry (financial instruments),
- infrastructure in rural areas and implementation of the concept of smart villages,
- afforestation of agricultural land,
- creation of mid-field woodlots,
- establishment of agroforestry systems,
- increasing the biodiversity of private forests,
- investments to improve the welfare of cattle and pigs.

Among them, investments in farms have the greatest financial significance, for which a total of EUR 3.89 billion has been allocated. Under this measure, it is planned to support a wide range of investments implemented within farms and in their surroundings. Some of the aforementioned programs were already in place under the RDP 2014-2020 and enjoyed significant interest from farmers. A new element is the preferential treatment (by increasing the level of subsidies) of farmers engaged in organic farming and the introduction of investments specifically dedicated to the development of renewable energy sources (RES). The highest value of funding has been provided for investments in farms that increase competitiveness (EUR 600 million euros), development of small farms (EUR 530 million) as well as infrastructure in rural areas and implementation of the concept of smart villages (EUR 519 million).

One of the specific objectives to be pursued by the CAP PS is to "promote generational replacement", which is related to the increasingly acute problem of a lack of successors on farms. In addition to the aforementioned additional payments, the plan includes "Premiums for young farmers", which are intended to provide assistance for starting activities. This premium amounts to PLN 200,000 and is paid in two stages. In order to ensure greater participation of women as farm managers, a preference has been assumed for this group of applicants. It is envisaged that 12,750 such grants will be awarded in the period 2023-2029.

It is also worth noting that the CAP Strategic Plan is not solely focused on supporting farms. Significant expenditure has been allocated to Cooperation with the LEADER and Community-Led Local Development program, with a budget of EUR 708 million. Its purpose is to support the implementation by local action groups of operations aimed at the development of entrepreneurship, non-agricultural functions of farms, the creation of short supply chains, the formation of public awareness of bio-economy, and the protection of cultural heritage.

ALLOCATION OF RDP 2014-2020 AND CAP SP FUNDING

According to political declarations, the current CAP is supposed to move away from unconditional, direct support for farmers' incomes. Funding is to be used for pro-environmental goals and development in the broadest sense. This raises the question of how these declarations translate into the actual allocation of financial resources. It is crucial to compare the basic structure of spending under the CAP SP and the RDP 2014-2020.

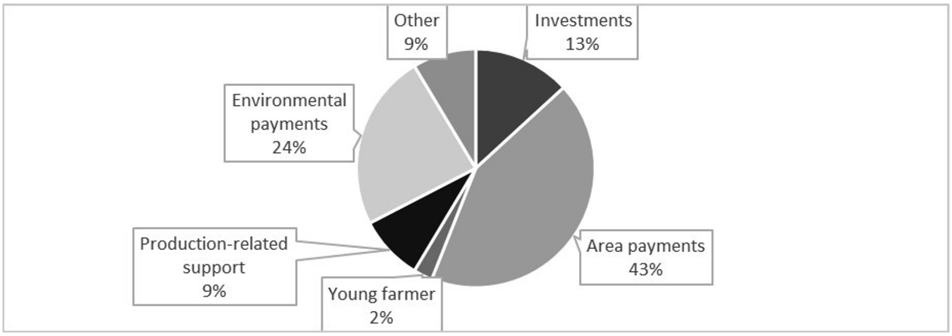

Figure 2. Share of each group of expenditures under the CAP SP.
Source: Own calculations based on the Agency for Restructuring and Modernisation of Agriculture data.

Figure 2 shows the structure of the main streams of agricultural financing in the CAP SP. To ensure comparability with the RDP 2014-2020, the data has been aggregated. The category of payments per hectare includes: basic payments, redistributive income support, and ANC payments. The environmental category includes: climate, environment, and animal welfare schemes, as well as environmental and climate-related obligations.

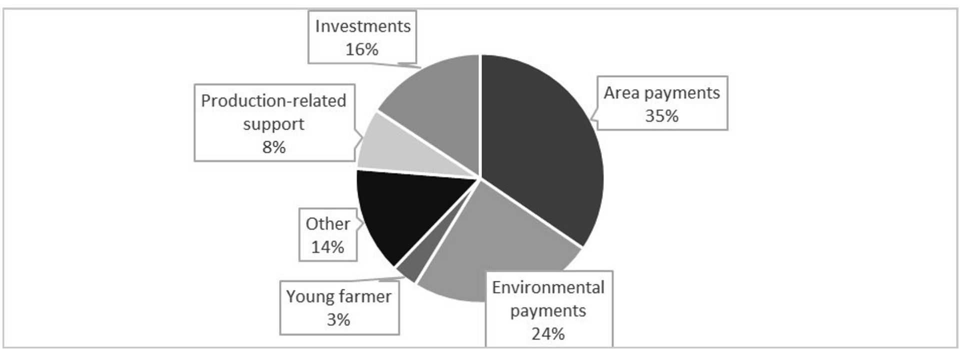

Figure 3. Share of each group of expenditures in the 2014-2020 perspective.
Source: Own calculations based on the Agency for Restructuring and Modernisation of Agriculture data.

The same principles have been applied for the 2014-2020 period. Payments per hectare include basic payments, additional payments and ANC. Environmental payments include greening payments, agro-environment-climate measures and organic farming.

Despite the significant evolution of CAP paradigms, there have been no groundbreaking changes in the EU agricultural support instruments, nor has the level of financing of the established policy been adjusted. It can be assessed that area-based payments (per hectare of agricultural land) have visibly lost their importance (reducing their share from 43% to 35%). However, the share of payments related to the environment has not increased so as to compensate for the reductions applied and reward the provision of public goods. Thus, the essence of the implemented changes is an increase in the requirements that agricultural producers must meet to receive financial support in line with conditionality principles. Another problem, which undermines the environmental component of payments, also arises. The additional support that has been provided under various types of eco-schemes is not widely requested by farmers. The information provided by ARMA on the number and scope of applications submitted by farmers shows a small share of applications for payments under eco-schemes. Only 430,000 out of 1.23 million applications were shown to include eco-schemes. Since it is possible to combine eco-schemes, one farmer can apply for payments under several of them. Thus, it can be assumed that only about 35% of producers applied for payment under eco-schemes. Among them, Carbon Agriculture (87% of applications) and Animal Welfare (20% of applications) were the most popular. This problem has already been recognized by the legislature. On 22 June 2023, a preliminary decision was made to introduce a lump sum payment of 225 euros/ha for farms under 5 hectares in exchange for the eco-schemes. The argument was that only 20% of farmers in this group had applied for the eco-schemes payments.[20]

5. CONCLUSIONS

The CAP has undergone a profound evolution since its inception. This has directly translated into the shape of the CAP SP, which, according to the assumptions, is supposed to fully reflect the ambitions of the Green Deal and the Farm to Table strategy. A comparison of the structure of allocated funds under the RDP 2014-2020 and the CAP SP does not confirm the aspirations. Despite the correct

[20] Ministry of Agriculture and Rural Development, announcement of 22 June 2023, www.gov.pl/web/rolnictwo/upraszczamy-ekoschematy (accessed 5 July 2023).

assumptions underlying the recent CAP reforms,[21] many practical problems with their implementation can be seen in the CAP SP. The paradigms of the new CAP boil down to giving farmers financial support for actual environmental contributions and maintaining high organic production standards. On the other hand, as indicated in the article, realistically they are not associated with increased funding for CAP implementation today. One can tentatively think that agricultural producers will not find among the offered CAP SP instruments adequate economic incentives for activities in line with the contemporary European Union policy. Farmers, according to the concept of "homo economicus", make decisions that are rational from the point of view of economic results and organizational possibilities. There are claims among agricultural organizations that for the largest, most modern farms, participation in CAP mechanisms is no longer profitable. Farmers may consciously opt out of financial support under the CAP in order not to be bound by its rigid rules. ARMA data already shows a relatively low interest in pro-environmental measures. This raises the risk not only of failing to achieve the CAP's stated goals but also of lowering the average level of domestic agricultural support. It should also be pointed out that the amounts of CAP spending were set during a period of low inflation. Thus, over time, the real value of the support offered will decrease significantly. Therefore, further research, aimed at determining how the achievement of CAP objectives should be supported by available financial instruments is needed.

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