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# THE IMPACT OF THE EU COMMON AGRICULTURAL POLICY ON THE LEGAL FRAMEWORK FOR FINANCING AGRICULTURAL ACTIVITIES IN POLAND AND OPERATION OF THE AGENCY FOR THE RESTRUCTURING AND MODERNISATION OF AGRICULTURE

# VPLYV SPOLOČNEJ POĽNOHOSPODÁRSKEJ POLITIKY EÚ NA PRÁVNY RÁMEC FINANCOVANIA POĽNOHOSPODÁRSKYCH ČINNOSTÍ V POĽSKU A ČINNOSTI AGENTÚRY PRE REŠTRUKTURALIZÁCIU A MODERNIZÁCIU POĽNOHOSPODÁRSTVA

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**Abstract (EN)**

The aim of the article is, firstly, to present and evaluate the legal model of financing agricultural activities in Poland following Poland's accession to the EU in the face of current challenges, and secondly, to attempt to determine the tasks that the Agency for the Restructuring and Modernisation of Agriculture performs in financing agricultural activities from EU funds. The article presents the System of Direct Payments as a basic element of Pillar I of the Common Agricultural Policy, Pillar II of the Common Agricultural Policy, Extraordinary Financial Support, the Agency for the Restructuring and Modernisation of Agriculture in Poland as an accredited entity implementing instruments co-financed from the European Union budget, de mininis aid, notified and ratified programmes. In conclusion, the author states that the current financial support through differentiated programmes under CAP 2023-2027 is aimed at meeting the current challenges. However, it is necessary to increase financial assistance to agricultural producers. The basic institution for financing agricultural activities in Poland is the Agency for the Restructuring and Modernisation of Agriculture, established as early as 1994 to support the development of agriculture and rural areas. Poland's membership in the EU has significantly expanded the tasks of the ARMA. The ARMA uses new technologies, such as implementing the Area Monitoring System defined in Article 66(1) of Regulation (EU) 2021/2116 of the European Parliament and the Council.

**Abstrakt (SK)**

Cieľom príspevku je po prvé predstaviť a zhodnotiť právny model financovania poľnohospodárskych činností v Poľsku po vstupe Poľska do EÚ vzhľadom na súčasné výzvy, a po druhé pokúsiť sa určiť úlohy, ktoré Agentúra pre reštrukturalizáciu a modernizácia poľnohospodárstva vykonáva pri financovaní poľnohospodárskych činností z fondov EÚ. V článku je predstavený systém priamych platieb ako základný prvok I. piliera Spoločnej poľnohospodárskej politiky (SPP), II. pilier SPP, Mimoriadna finančná podpora, Agentúra pre reštrukturalizáciu a modernizáciu poľnohospodárstva v Poľsku ako akreditovaný subjekt implementujúci nástroje spolufinancované z rozpočtu Európskej únie, pomoc de mininis, notifikované a ratifikované programy. Na záver autorka konštatuje, že súčasná finančná podpora prostredníctvom diferencovaných programov v rámci SPP 2023-2027 je zameraná na plnenie aktuálnych výziev. Je však potrebné zvýšiť finančnú pomoc poľnohospodárskym výrobcom. Základnou inštitúciou na financovanie poľnohospodárskych aktivít v Poľsku je Agentúra pre reštrukturalizáciu a modernizáciu poľnohospodárstva, založená už v roku 1994 na podporu rozvoja poľnohospodárstva a vidieckych oblastí. Členstvo Poľska v EÚ výrazne rozšírilo úlohy ARMA. ARMA využíva nové technológie, ako je implementácia systému monitorovania oblasti definovaného v článku 66 ods. 1 nariadenia Európskeho parlamentu a Rady (EÚ) 2021/2116

**Keywords (EN)**

Common Agricultural Policy, financing of agricultural activities, Agency for the Restructuring and Modernisation of Agriculture, Pillar I and II of the CAP

**Kľúčové slová (SK)**

Spoločná poľnohospodárska politika, financovanie poľnohospodárskych činností, Agentúra pre reštrukturalizáciu a modernizáciu poľnohospodárstva, I. a II. pilier SPP

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# I Introduction and Method

Agriculture performs important economic, social, and spatial functions, and requires financial support from the state.[1] Poland's membership of the European Union since 1 May 2004 has changed the rules of agricultural financing. As in other countries, the financing of agriculture takes place primarily following specific rules enshrined in EU legislation.[2] EU Member States have very limited freedom in transferring national money to support the agri-food industry. The reasons for this include the principles of competition (Article 101 of the Treaty on the Functioning of the European Union)[3] and state aid (Article 107 of the Treaty on the Functioning of the European Union)[4].

The main institution in Poland acting as an accredited paying agency for the implementation of instruments co-financed from the European Union budget in the field of agriculture is the Agency for the Restructuring and Modernisation of Agriculture. It was established in January 1994 on the basis of the Act of 29 December 1993 on the establishment of the Agency for the Restructuring and Modernisation of Agriculture.[5] Currently, this institution operates based on the Act of 9 May 2008 on the Agency for the Restructuring and Modernisation of Agriculture.[6] Article 6 stipulates that it performs tasks relating to, inter alia, payments under direct support systems, regulation of agricultural markets, rural development and identification and registration of animals; on agricultural and food product markets aimed at stabilising those markets under the mechanisms of the Common Agricultural Policy, related to granting subsidies for seed material of the basic or certified category used for sowing or planting (Article 6 of the Act).

Financial support for agriculture is rooted in its values-based functions, including productive and non-productive roles such as environmental protection and social goals. Moreover, food is essential for human life.[7] Sustainability in agriculture is increasingly important and depends on meeting three key objectives: environmental, economic, and social.[8] It is worth noting that agricultural activity according to Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021[9] is defined to mean an activity that makes it possible to contribute to the provision of private and public goods. This includes activities like the production of agricultural products, including activities such as animal husbandry or cultivation.

The aim of the article is, firstly, to present and assess the evaluation of the legal model of financing agricultural activity in Poland following Poland's accession to the EU in the face of current challenges which include the following: enhancing long-term food security, ensuring economically sustainable agricultural production in the Union; improving the position of farmers in the value chain; supporting the sustainability of natural resources such as water, soil, and air (more broadly, Article 6 of Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021).

Secondly, the article attempts to establish whether and to what extent Poland's membership has influenced the activities of the Agency for the Restructuring and Modernisation of Agriculture and what tasks it performs regarding EU funding of agricultural activities.

Within the framework of the article, a dogmatic analysis of legal texts is applied. Reference is also made to statistical data. The subject of the legal framework for financing agricultural activities in Poland and the operation of the Agency for Restructuring and Modernisation of Agriculture is very broad and extensive. Therefore, only selected issues are presented.

1 Jurcewicz, Popardowski, Zięba (2010).
2 Czechowski (2001), Budzinowski (2008).
3 OJ 2004.90.864/2 of 2004.04.30. Article 101 CJEU the following are incompatible with the internal market and prohibited: all agreements between undertakings, all decisions by associations of undertakings and all concerted practices which may affect trade between EU Member States, and which have as their object or effect the prevention, restriction or distortion of competition within the internal market.
4 Popardowski (2019).
5 Journal of Laws of 1994 no. 1 item 2.
6 Journal of Laws of 2023, item 1199.
7 Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013. J. Rowiński, SAPARD – programowanie i realizacja, Warszawa 2005, p. 30 i n. See more M. Jeziernicka, Prawno-ekonomiczne ujęcie założeń i celów Wspólnej Polityki Rolnej 2023–2027. Próba oceny współzależności. Ruch Prawniczy, Ekonomiczny i Socjologiczny. 86, 3 (wrz. 2024), pp. 167–182. DOI:https://doi.org/10.14746/rpeis.2024.86.3.10.
8 Zrównoważona żywność w Polsce.
9 Regulation (EU) 2021/2115.

## II Material, Results and Discussion

### 1 Direct Payment Scheme as a Fundamental Element of Pillar I of the Common Agricultural Policy

Before Poland became a member of the European Union, agriculture was mainly supported financially by the state budget. Legislation was not as complex or extensive. However, during the pre-accession period, farmers and other agri-food businesses in Poland were able to benefit from the Special Pre-Accession Programme for Agriculture and Rural Development (SAPARD), which provided PLN 4.51 million. It comprised four investment-type measures ('Improvement of processing and marketing of agricultural and fishery products', 'Investments in agricultural holdings', 'Development and improvement of rural infrastructure' and 'Diversification of economic activities in rural areas'[10]) and the activities 'Technical Assistance' and 'Vocational Training"[11].

Since the beginning of its membership, Poland has been able to benefit from direct payments, but their amount was still lower than in many countries of the 'old European Union'. The system of direct payments, including the single area payment[12]. For most Polish farmers and their EU counterparts, the primary source of financial support is the direct payment system under Pillar I of the Common Agricultural Policy. This system provides substantial co-financing to agricultural producers holding at least 1 hectare of farmland, who engage in agricultural activity and comply with regulatory requirements. As of 31 December 2023, the Agency for Restructuring and Modernisation of Agriculture had disbursed PLN 248.12 billion through direct support schemes under the 2004–2023 campaign, including CAP SP payments.[13]

In August 2022, the European Commission approved the Strategic Plan for the Common Agricultural Policy for 2023–2027 prepared by Poland.[14] the plan introduced new rules for direct payments and increased EU funding for environmental protection. Poland has secured funds from the European Union amounting to EUR 22 billion under the Strategic Plan of the CAP (EUR 17.3 billion under Pillar I and EUR 4.7 billion under Pillar II). Poland has over 1.3 million farms, most of which apply for direct payments[15].

As far as Poland is concerned, the basic legal act on financing is currently the Act of 26 January 2023 on the Financing of the Common Agricultural Policy 2023–2027 and the Act of 8 February 2023 on the Strategic Plan for the Common Agricultural Policy. A great number of implementing regulations have been issued for the latter law, e.g. Regulations of the Minister of Agriculture and Rural Development of 10 March 2023 on the detailed conditions and detailed procedure for granting and paying basic income support, redistributive payments, payments for young farmers, production-related payments to crop areas and production-related payments to animals and transitional national support under the Strategic Plan for the Common Agricultural Policy 2023–2027.[16]

Aid is granted by an administrative decision of the head of the district office of ARMA, competent for the farmer's place of residence or registered seat, under various support mechanisms, including: basic income support for sustainability purposes, supplementary redistributive income support for sustainability purposes, supplementary income support for young farmers, and payments under climate, environmental, and animal welfare schemes, collectively referred to as "ecoscheme payments."

With respect to ecoschemes, the legislation establishes additional requirements. For instance, payments for carbon farming and nutrient management are conditional upon the farmer implementing practices that enhance soil carbon sequestration and improve nutrient management. These practices must be applied to agricultural parcels located in areas eligible for basic income support, provided the farmer satisfies the conditions set out in Article 26 and holds legal title to the land as of 31 May of the year in which the application for such payments is submitted.

For many years, the receipt of payments has been linked to 'cross-compliance, which is important to ensure the sustainability of European agriculture'. [17] This rule implies linking the number of direct payments received by farmers, as well as certain payments for areas with natural or other specific constraints (LFA, agri-environmental, agro-environmental-climatic,

10 Wieliczko (2002).
11 Rowiński (2005).
12 Direct payments were introduced into the CAP in 1992 as part of the MacSharry reform and initially compensated farmers for the loss of income due to the reduction in guaranteed agricultural products. J.T. Krzyżanowski, Wspólna Polityka Rolna Unii Europejskiej, Wybrane Zagadnienia, Warszawa 2009, p. 57; S. Szumski, Wspólna Polityka Rolna Unii Europejskiej, Warszawa 2007, p. 88.
13 ARiRM (2024).
14 Available on the website e.g., https://ksow.pl/files/user_upload/Legislacja/Plan_Strategiczny_dla_WPR_2023-2027.pdf); A. Suchoń, the Polish Strategic Plan regarding the Common Agricultural Policy Agrar- und Umweltrecht: Zeitschrift fur das gesamte Recht der Landwirtschaft, der Agrarmarkte und des landlichen Raumes, 2022, no 12.
15 ARiRM (2024).
16 Journal of Laws of 2023, no. 482.
17 European Commission.

for afforestation of agricultural land), for example, to their fulfilment of certain requirements. These must be considered when farming. Cross-compliance refers to the legal standards and cross-compliance requirements that farmers must meet in order to qualify for direct payments and other forms of financial support under the European Union's Common Agricultural Policy. Good agricultural practice (GAAP), on the other hand, is a set of practices, values and standards of behaviour that characterise a responsible and sustainable approach to farming (e.g. promoting agricultural production methods that minimise negative impacts on the environment, protect biodiversity and balance the use of natural resources, animal welfare, social responsibility, food safety: compliant farms: long-term development)[18].

## 2 Pillar II of the Common Agricultural Policy; Sector support e.g. in the Fruit and Vegetable Market

Another important aspect of support for agriculture is Pillar II of the Common Agricultural Policy, concerning rural development.[19] Programmes addressed to agricultural producers, included in successive Rural Development Plans, are diverse and tailored to needs (e.g. Areas with Natural Constraints (LFAs), Modernisation of Farms, Restructuring of Small Farms and others, Aid for Young Farmers)[20]. It is also worth mentioning agri-environment-climate payments regulated, apart from the Act of 8 February 2023 on the Strategic Plan for the Common Agricultural Policy for 2023–2027, also in the Ordinance of the Minister of Agriculture and Rural Development of 31 March 2023 on detailed conditions and detailed procedure for granting and paying agri-environment-climate payments under the Strategic Plan for the Common Agricultural Policy for 2023–2027[21]. The agri-environment-climate payment is granted under the following interventions or variants thereof, for example: Protection of valuable habitats and endangered species in Natura 2000 areas; Protection of valuable habitats and endangered species outside Natura 2000 areas; Extensive use of meadows and pastures in Natura 2000 areas; Preservation of orchards of traditional fruit tree varieties; Biodiversity on arable land; Conservation of endangered animal genetic resources in agriculture; Conservation of endangered plant genetic resources in agriculture:

Another significant aspect of agricultural support is the allocation of EU funds for farm modernization and other measures outlined in the Strategic Plan, as well as those previously established under the Rural Development Plan. These include initiatives such as support for Areas with Natural Constraints (LFAs), Farm Modernization, Restructuring of Small Farms, Aid for Young Farmers, and other related programs.[22] In the 2023–2027 funding period, financial support under Pillar II of the CAP is awarded following a call for proposals. This support is formalized either through an administrative decision or by concluding a contract between ARMA and the beneficiary.

Article 81 of the Act of 8 February 2023 on the Strategic Plan for the Common Agricultural Policy specifies that the provisions of the Code of Administrative Procedure do not apply to proceedings for aid in interventions granted based on a contract, except where otherwise stipulated in the Act. Exceptions to this exclusion include provisions concerning the territorial competence of authorities, exclusion of the authority's employees, access to files, and complaints and applications.

The contract for granting aid must include, at a minimum, the following elements:

- Identification of the subject and the contracting parties.
- Specification of the conditions, timeline, location, and objectives of the operation, along with indicators to measure its achievement.
- Commitment to submit to inspections conducted by the paying agency, the competent implementing body, the relevant intermediate body, the certifying body, and other authorized entities.
- Stipulation of conditions for reductions in aid amounts in cases of non-compliance with contractual obligations or public procurement regulations.
- Definition of the conditions and mechanisms for aid repayment.

Prior to the conclusion of a funding agreement, a procedure is conducted, the rules of which are set out in the aforementioned Act of 8 February 2023 on the Strategic Plan for the Common Agricultural Policy 2023–2027 and the specific guidelines. The freedom of the parties to determine the terms of the contract is therefore limited. ARMA shall make public the call for applications for aid at least on its website. It shall carry

18 Dudek (2023).

19 Litwiniuk (2018).

20 See more broadly ARiRM, Report on the activities of the Agency for the Restructuring and Modernisation of Agriculture for 2023, Warsaw, https://www.gov.pl/web/arimr/sprawozdania-z-dzialalnosci-agencji-restrukturyzacji-i-modernizacji-rolnictwa [accessed 20.09.2024].

21 Journal of Laws, item 734.

22 See more: ARiRM, Report on the activities of the Agency for the Restructuring and Modernisation of Agriculture for 2023, Warsaw, https://www.gov.pl/web/arimr/sprawozdania-z-dzialalnosci-agencji-restrukturyzacji-i-modernizacji-rolnictwa [accessed 20.09.2024].

out the procedure for granting aid based on the Act and the rules for the call for aid applications drawn up in accordance with the guidelines of the managing authority.

Support for the sector, for example in the fruit and vegetable market, should also be mentioned. Fruit and vegetable producers, and in particular pre-recognised fruit and vegetable groups, apply for and benefit from additional EU funding. At the same time, they have to comply with a number of marketing standards, such as quality, inspection, e.g. Commission Delegated Regulation (EU) 2023/2429 of 17 August 2023 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards marketing standards for the fruit and vegetables sector, certain processed fruit and vegetable products and the bananas sector, and repealing Commission Regulation (EC) No 1666/1999 and Commission Implementing Regulations (EU) No 543/2011 and (EU) No 1333/2011(23).

## 3 Extraordinary Financial Support

ARMA also provides exceptional assistance as defined by EU legislation. For this purpose, the European Commission adopts implementing acts introducing necessary and justified programmes to address specific issues. The limited scope of this article does not allow for an in-depth analysis of these measures. However, notable examples include the Commission Implementing Regulation (EU) 2024/2023 of 23 July 2024, which provides exceptional financial support to the fruit and vegetable sector and the wine sector affected by adverse climatic events in Austria, the Czech Republic, and Poland.

Based on this EU regulation, the Ordinance of the Council of Ministers of 3 September 2024 was issued, enabling the Agency for the Restructuring and Modernisation of Agriculture to implement tasks related to granting extraordinary financial support to these sectors.(24) Financial assistance is provided upon request by an agricultural producer who has sustained crop damage. Such requests are submitted via the teleinformatic system of the Agency for the Restructuring and Modernisation of Agriculture.

## 4 Agency for Restructuring and Modernisation of Agriculture in Poland as an Accredited Implementer of Instruments Co-Financed by the European Union Budget

The Agency for the Restructuring and Modernisation of Agriculture functions as a paying agency under EU regulations. Member States are required to accredit as paying agencies those bodies or institutions that possess an administrative structure and internal control system capable of providing sufficient guarantees that payments are executed legally, correctly, and properly accounted for. To meet these requirements, paying agencies(25) must satisfy the minimum accreditation conditions regarding internal structure, control activities, information and communication, and monitoring, as specified by the European Commission.

In Poland, the Regulation of the Minister of Finance of 21 December 2005 established ARiMR as the paying agency. The scope of its accreditation encompasses the management of financial assistance under the Common Agricultural and Fisheries Policy in the following areas: direct payments to agricultural land, the processed fruit and vegetable market, the fruit and vegetable market, the fish market, the Rural Development Plan, the separate sugar payment.

Also worth noting is the structure of the Agency for the Restructuring and Modernisation of Agriculture, which is three-tiered, namely, the headquarters in Warsaw, 16 Regional Branches, and 314 District Offices. The Poviat Offices, which are, as a rule, located close to farms, are to be assessed positively, which allows agricultural producers to have better consultation and application visits. The scope of the ARMA's tasks is very broad, including the provision of information on EU and Polish measures, keeping registers (e.g. register of agricultural holdings(26), register of animals, groups of agricultural producers, the register of preliminarily recognised producer groups, recognised producer organisations and their associations and supranational producer organisations and their associations in the fruit and vegetable market; National Register of Rural Housewives' Circles), accepting applications for funding, issuing administrative decisions, answering questions from beneficiaries, running competitions, concluding funding contracts, dealing with appeals against administrative decisions of the An important aspect of the activity is also the control and supervision related to the records and the financial assistance provided the Agency for the Restructuring and

23 OJ L, 2023/2429, 3.11.2023.
24 Journal of Laws item 1331.
25 Journal of Laws No. 257, item 2157 as amended.
26 Suchoń (2022).

Modernisation of Agriculture uses new technologies. For example, each paying agency in the European Union operating in the agricultural sector from 2023 onwards was obliged to implement the Area Monitoring System [AMS] defined in Article 66(1) of Regulation (EU) 2021/2116 of the European Parliament and of the Council of 2 December 2021 on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013. Pursuant to the act, the AMS is part of the integrated system on the basis of which the paying agency, grants EU subsidies to farmers. The AMS is based on the use of satellite imagery (in particular, free imagery from the COPERNICUS Programme from Sentinel type satellites).[27]

## 5 Aid de Mininis, Notified and Ratified Programmes

In addition to Pillars I and II of the Common Agricultural Policy, financial support for agriculture includes the provision of de minimis aid in agriculture. This form of aid is tied to European Union membership but does not require prior notification or control by the European Commission. Its admissibility is justified by the principle that such aid has only a negligible effect on competition and trade between Member States.[28] For many agricultural producers, de minimis aid serves as a significant instrument for subsidizing their agricultural activities, providing essential financial support within the permissible thresholds.

It should be clearly emphasised that funds for de minimis aid are provided from the national budget. At the same time, their disbursement, indicated in detail in Polish regulations, must be in line with the general principles set out in the EU regulation.[29] Currently, the legal regulations concerning the support in question are primarily contained in Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agricultural sector remain applicable for the period 2023–2027 and Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid[30]. Procedural issues, in turn, appear in the Act of 30 April 2004 on proceedings in public aid cases. It is also worth mentioning Commission Regulation (EU) 2023/2832 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest[31].

Examples of financial assistance provided to agricultural producers under the de minimis rule in agriculture include a variety of support measures. These may encompass subsidies for the purchase of seed, cancellation of obligations to the Agricultural Social Insurance Fund (KRUS), exemptions and relief from agricultural tax, and agreements to cancel or reschedule debts owed to the National Support Centre for Agriculture. Additional aid includes support related to combating African Swine Fever (ASF) and drought aid for farms that have incurred losses in agricultural production of less than 30%.

Other forms of support under the de minimis rule include assistance to beekeepers, exemptions from the civil law transaction tax (PCC) on the purchase of agricultural land, and aid for soil liming, which enhances the production potential of agriculture and improves soil quality. Furthermore, interest subsidies for disaster loans and investment loans are also available.

Of particular significance in the context of ownership transfer is the exemption from civil law transaction tax (PCC) on the transfer of ownership of agricultural property, as provided under de minimis aid in agriculture.

Notified and ratified programmes are another important source of financial support for agriculture.[32] Of note is aid related to the reimbursement of excise duty on agricultural fuel granted under the Act of 10 March 2006 on reimbursement of excise duty included in the price of diesel used for agricultural production. This fits into the schemes approved by the European Commission under, for example, Commission Regulation (EU) No 651/2014 of 17 June 2014, declaring certain types of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, namely, Aid SA. 39937 (2014/X) – Reimbursement of part of the excise duty included in the price of diesel used for

27 AMS – Area Monitoring System – ARMA's new digital tool, https://www.gov.pl/web/arimr/ams---systemu-monitorowania-obszaru--nowe-narzedzie-internetowe-arimr [access: 20.10.2024]

28 See more: e.g. P. Marquardt, Pomoc publiczna dla małych i średnich przedsiębiorców (Public aid for small and medium enterprises), Warsaw 2007, pp. 112–130; I. Postuła, A. Werner, Pomoc publiczna (Public aid), Warsaw 2006, p. 148; A. Suchoń, Podatek od czynności cywilnoprawnych a sprzedaż gruntów rolnych (Tax on civil law transactions and the sale of agricultural land), 'Rejent' 2018, no. 6,

29 Suchoń, (2021).

30 OJ L, 2023/2831, 15.12.2023. Before Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

31 OJ L, 2023/2832.

32 Suchoń (2021).

agricultural production, considering the minimum rate laid down in Directive 2003/96/EC.

The reimbursement of excise tax included in the price of diesel fuel is available to agricultural producers. According to the relevant Act, an agricultural producer is defined as a natural person, legal entity, or organizational unit without legal personality that holds an agricultural holding, as defined by the provisions governing agricultural tax.

Notably, following legislative changes in 2019, eligibility for this aid was expanded. Initially limited to agricultural producers owning agricultural land, the scope was extended to include owners of cattle and, subsequently, to owners of other livestock.

### 6 Categories of aid Exempted from Notification, So-Called State Aid Permitted

Public funding fulfilling the criteria of Article 107(1) of the Treaty on the Functioning of the European Union (TFEU) constitutes State aid and must be notified to the Commission on the basis of Article 108(3) TFEU. It is recalled that Article 42 of the Treaty provides that the rules on competition shall apply to the production of and trade in agricultural products only to the extent determined by the European Parliament and the Council. According to Article 145 of Regulation (EU) 2021/2115 of the European Parliament and of the Council, State aid rules do not apply to payments made by Member States pursuant to that Regulation or to additional national financing where they fall within the scope of Article 42 of the Treaty. In addition, Article 109 TFEU allows the Council to define categories of aid that are exempted from this notification obligation. According to Article 108(4) TFEU, the Commission may adopt regulations for such categories of aid. An example is Commission Regulation (EU) 2022/2472 of 14 December 2022 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (Text with EEA relevance)[33]. The Regulation lists the types of public aid that may be granted: aid for SMEs active in the primary production, processing, and marketing of agricultural products; aid for environmental protection in agriculture; aid for investment to conserve cultural and natural heritage; aid to make good damage caused by natural disasters in the agricultural sector; aid for research, development, and innovation; aid for forestry for SMEs in rural areas.

Examples of transparent aid include grants, interest rate subsidies, loans, guarantees, tax advantages, and the sale, rental, or lease of tangible assets at below-market rates. Regarding the categories of aid, it is important to highlight that aid for investment in agricultural holdings engaged in the primary production of agricultural products is deemed compatible with the internal market if it pursues one or more of the following objectives:

- Improving the overall performance and sustainability of the agricultural holding.
- Enhancing the natural environment.

Modernizing agriculture, including improving access to farmland, land consolidation, land improvement, energy efficiency, sustainable energy supply, and savings in energy or water usage.

## III Conclusions

The discussion here leads to the following conclusions: Undoubtedly, Poland's membership in the European Union has played a decisive role in financing agricultural production since 2004. As indicated, the current financing of agriculture in Poland is, as a rule, governed by principles derived from EU regulations. Before Poland became a member of the European Union, agriculture was primarily supported financially by the state budget. Legal regulations would not have been so complex and extensive. The financial support was much smaller than currently under the CAP. However, already in the pre-accession period in Poland, farmers could benefit from the UE SAPARD programme.

EU funds, benefiting not only agricultural producers but also other entities operating in rural areas, have significantly contributed to the modernization of farms, agricultural activities, and rural infrastructure. Financial support mechanisms include direct benefits such as direct support payments, assistance in agricultural markets, and measures under Pillar II, initially through the Rural Development Plan and now through the Strategic Plan of the Common Agricultural Policy (CAP). Additionally, Polish agricultural support measures are provided under the EU de minimis rule in agriculture, which currently sets a general limit of EUR 20,000 over a three-year period. It is important to distinguish between approved and notified aid, reflecting the complex legal model for agricultural financing that combines EU and Polish regulations.

The funding model for agriculture changed after Poland joined the EU. It consists of various types of regulations, including those related to state aid, environmental obligations, and the challenges of sustainable agricultural and rural development, taking into account environmental, social, and economic objectives. Regulations seek to address the challenges

33 OJ L 327, 21.12.2022, p. 1–81.

of increasing long-term food security, ensuring economically sustainable agricultural production in the Union, improving the position of farmers in the value chain, and supporting the sustainability of natural resources such as water, soil, and air. However, regulations do not solve all problems, e.g. The position of the agricultural producer in the agri-food chain is still weak.

It is clear that increased financial assistance to agricultural producers is necessary. Within the agri-food supply chain, the legal position of agricultural producers remains weak and is increasingly subject to environmental obligations. While the ecologisation of agricultural legislation has been going on for many years, this trend has intensified under the CAP 2023–2027. The current financial programmes are designed to address the serious challenges currently facing the agricultural sector, but sometimes they focus too much on the environment rather than on agricultural producers and farms. The ongoing war in Ukraine, resulting from Russia's invasion, has further weakened the position of agricultural producers in the agri-food chain. Farming costs have risen significantly, while disruptions in the sale of agricultural products have affected continuity and created uncertainty. Producers have also faced difficulties in loan repayment. In response, the European Union has introduced emergency measures addressing the consequences of the war in Ukraine as well as adverse climatic events

The basic institution for financing agricultural activities in Poland is the Agency for the Restructuring and Modernisation of Agriculture, which was established as early as 1994 to support the development of agriculture and rural areas. Poland's membership of the EU has significantly broadened the Agency for the Restructuring and Modernisation of Agriculture tasks. Currently, it is a paying agency and the scope of accreditation granted to the Agency includes handling financial aid under the Common Agricultural and Fisheries Policy in the following fields: direct payments to agricultural land; processed fruit and vegetable market; fruit and vegetable markets; fish markets; the Rural Development Plan; a separate sugar payment. Financial resources from the 2nd Pillar of the CAP are, in the new financing period 2023–2027, granted following a call for proposals, either in the form of a decision or following the conclusion of a contract between the ARMA and the beneficiary. Approximately 1.3 million farmers are covered by the direct payments scheme, while another 700,000 receive subsidies from the ARMA for farming in mountainous and difficult to farm areas (LFA). In parallel, a group of approximately 100,000 farmers benefit from so-called agri-environmental payments.[34] the scope of ARMA's responsibilities is extensive and encompasses maintaining registers, receiving and processing applications for funding, issuing administrative decisions, conducting competitions, concluding funding contracts, and handling appeals against ARMA's administrative decisions. These responsibilities also include oversight and controls related to registers and the disbursement of financial assistance.

The (ARMA) is the primary institution responsible for the disbursement of funds for agricultural activities in Poland. Following the liquidation of the Agricultural Market Agency, which previously operated branches in voivodeship cities, certain responsibilities were transferred to ARMA. The consolidation of these responsibilities under ARMA has resulted in a more centralized and efficient structure for agricultural producers. Having most matters related to agricultural financing managed by a single institution is, as a rule, a more effective solution. According to the EU Green Deal and related documents, there are many challenges for agriculture, e.g. conversion of agricultural land to organic farming, sustainable agriculture, closed-loop management by agricultural producers, protection and restoration of ecosystems and biodiversity, provision of clean, affordable and secure energy, building and renovation in an energy- and resource-efficient way. Views on the EU strategy vary. Some believe it will do much more to improve the environment and the situation of agricultural producers. Others are concerned about the new rules for farming and the marketing of agricultural products. It should be stressed that the main objective of agriculture is to produce food and ensure food security, and that environmental measures are important but should be complementary to food production. Further legal regulations are needed to increase the position of the agricultural producer and financial support.

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