NOTE
from: Polish delegation
to: Council
Subject: Difficult situation in agriculture
         – Request from the Polish delegation

Delegations will find attached a document submitted by the Polish delegation, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 27 to 28 October 2008.
ANNEX

Difficult situation in the agricultural sector
– proposal to be submitted by Poland at the meeting of the Council of the European Union
(Agriculture and Fisheries) on 28 October 2008

The European Community must today face up to the consequences of rapidly changing prices in the agricultural sector. The primary causes of this phenomenon are varied and include worldwide fluctuations in supply and demand, as well as factors extraneous to the agricultural and food sector such as unfavourable trends in markets for raw materials (mainly fuel) and the financial crisis.

2007 saw a sudden sharp increase in the price of cereals and dairy products, which was reflected in profitability results. An improvement in the situation of the agricultural sector in 2007, as identified by the majority of studies, was undoubtedly a good sign, but did not indicate a lasting trend. After some delay, a steep rise in the prices of production inputs occurred in the wake of rising sales prices for certain agricultural products.

The prices of most agricultural production inputs are currently at a high level, with the highest prices being observed for fertilisers and plant protection products. Mineral fertiliser prices have reached world record levels this year, and in Poland have risen by up to around 63 % since the beginning of 2008, in particular for potassic and phosphoric fertilisers (the price of which has risen by around 106 % and 91 % respectively). This situation on the market for agricultural production inputs is reducing farming profitability.

At the same time, good cereals harvests (much better than in the previous two years) are leading to a drop in cereals prices on both domestic and international markets. As in August, September saw significant falls in cereal grain prices, in comparison with both the previous month and the same period in 2007. Edible grain prices fell by an average of around 36 % in September 2008 compared to September 2007. Wheat prices on the world market are forecast to continue on a downward trend until the end of the second quarter of 2009.

Despite the fact that the Community has recently adopted a range of measures aiming inter alia to alleviate the effects of the food crisis and stabilise the worsening price situation on the cereals market (through the reintroduction of import duties), Poland feels that such measures, while most necessary, will be far from satisfactory unless they are accompanied by lasting changes to the Common Agricultural Policy to ensure its effectiveness in response to future challenges.

We therefore propose that an analysis be conducted of the increase in cereals production costs, and that discussions be held on the possibility of raising intervention prices at least to the level of average production costs. Poland is also in favour of maintaining the current market intervention mechanisms and considering the possibility of developing new instruments to cope with any crises which may occur.