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RÉPUBLIQUE FRANÇAISE

MINISTÈRE  
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ET DE LA FORÊT



Brainstorming  
CAP 2020+  
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# IMPACT OF CAP DIRECT PAYMENTS AND THEIR DISTRIBUTION ON THE SUPPLY FOR ENVIRONMENTAL PUBLIC GOODS IN AGRICULTURE

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**CESAER**

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appliquées à l'Agriculture et aux Espaces Ruraux



# The environment to justify CAP direct payments

The ambiguity of political speeches

“It is only fair that farmers be rewarded by the CAP for providing us with this valuable public good. Income support payments from the CAP are increasingly used by farmers to adopt environmentally sustainable farming methods.”

European Commission, 2012

Decoupled payments = 75% of direct aids distributed to farmers in France



*“It is also not possible, at present, to establish a direct link between SPS aid and the positive public externalities resulting from agricultural activities.”*

European Court of Auditors, 2011

**“To what extent does the distribution of direct aid of the CAP reward the supply for environmental public goods by farming?”**

### Objectives:

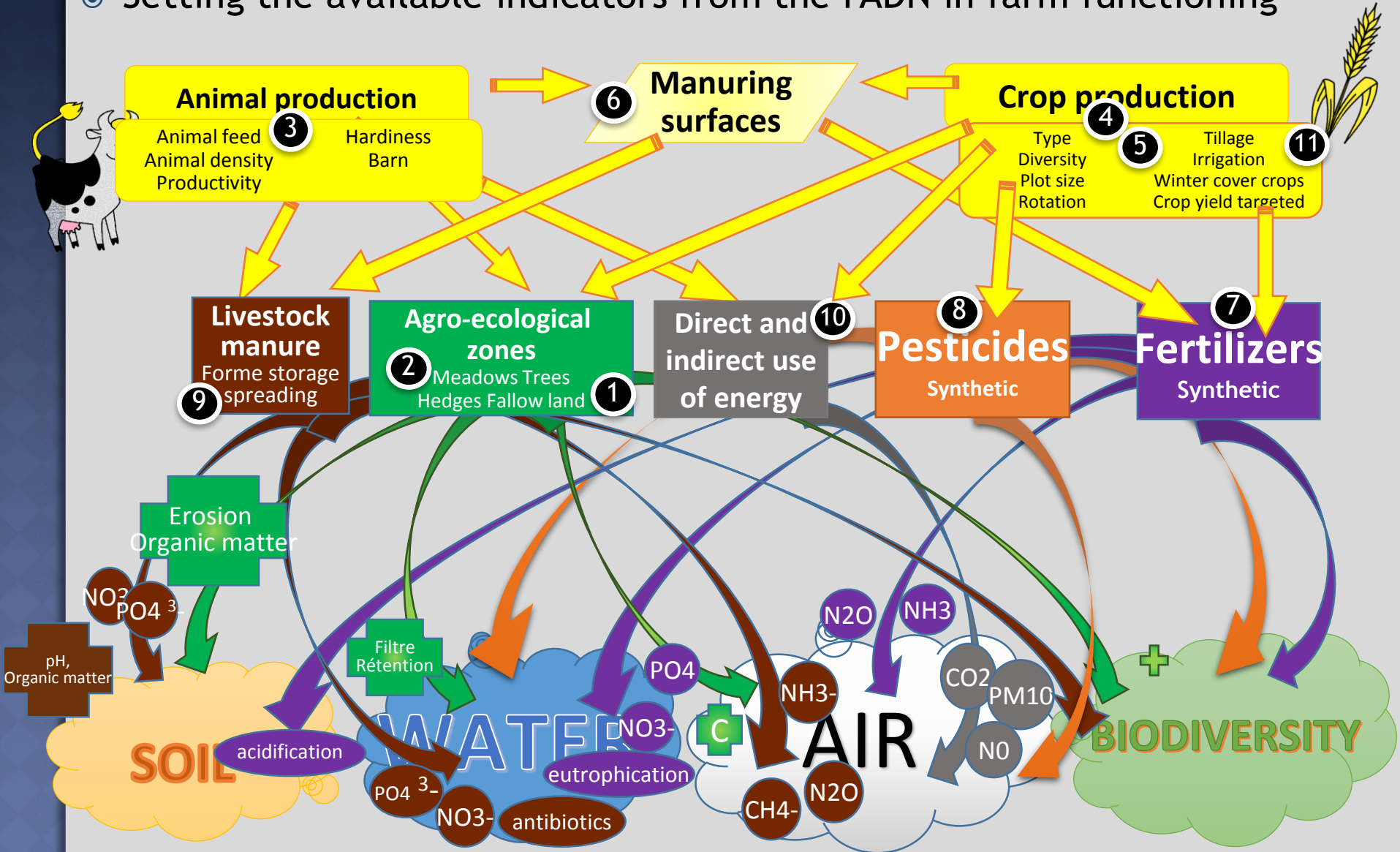
- Develop an operational method for approaching the production of environmental public goods by farms
- **Enable the analysis of the distribution of direct aid perceived by these exploitations**
  - Using FADN data
  - From previous studies such as IDERICA
- Analyse 3 types of productions: OTEX 15 (cereals and oil seeds), OTEX 45 (dairy farms) and OTEX 46 (cattle farms)
- = 44% of French farms and 50% of the direct payments of the FADN sample
- Compare with other Member States

# Methodology

The indicators

Farm ranking

- Setting the available indicators from the FADN in farm functioning



# Methodology

|  |  |
|--|--|
| 1) Part of low-productive land in UAA (%)                  | (agricultural area out of production + rough grazing)/ SAU   |
| 2) Part of meadows in UAA (%)                              | (meadows + permanent pasture + temporary grass) /SAU   |
| 3) Feeding purchases per LU(%)                             | Concentrate feeding and coarse fodder for grazing livestock purchase/total of grazing LU             |
| 4) Part of protein crops (%)                               | Areas in alfalfa, lentils, chickpeas, peas, field beans / arable land                                |
| 5) Reciprocal Simpson                                      | Diversity crop index which also considers the cropping balance                                       |
| 6) Organic N pressure (kg/ha)                              | Total LU*82,5/UAA  |
| 7) Synthetic fertilizer expenses per productive UAA (€/ha) | Synthetic fertilizer expenses / (arable land + meadow and grass)                                     |
| 8) Synthetic pesticide expenses per productive UAA (€/ha)  | Synthetic pesticide expenses / (arable land + meadow and grass)                                      |
| 9) Veterinary fees for cattle per LU(€/UGB)                | Other livestock specific costs/grazing LU  |
| 10) Direct energy use per economic size(%)                 | (Motor fuels and lubricants, electricity, heating fuels) / Economic size of holding expressed in ESU |
| 11) Part of irrigated areas in productive UAA (%)          | UAA under irrigation / (arable land + meadow and grass )   |

# Methodology

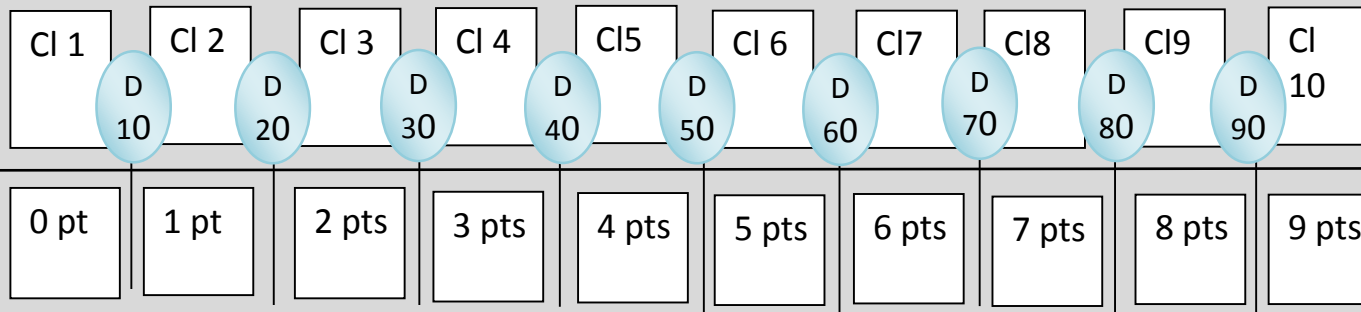
The indicators

Farm ranking

## Ranking farms on their overall environmental impact:

1. Ranking by indicator: we attribute points to each farm according to its rank in its type of farm decile.

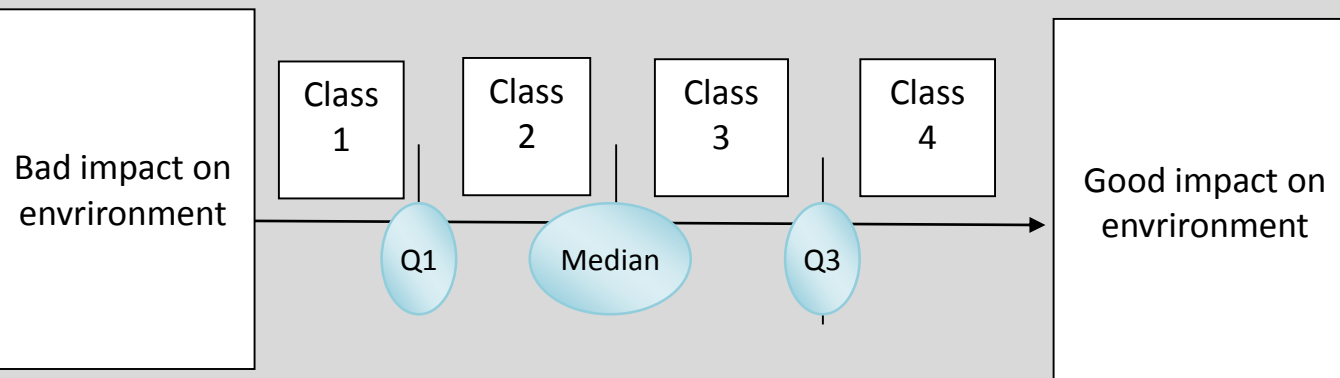
Bad impact on environment



Good impact on environment

2. For each farm, we sum the points attributed for each indicator

3. We finally rank farms in quartiles calculated according to this sum of points, still by type of farm



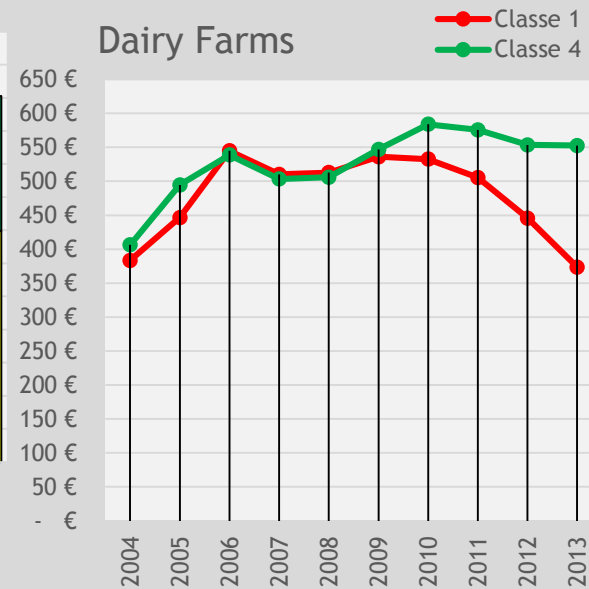
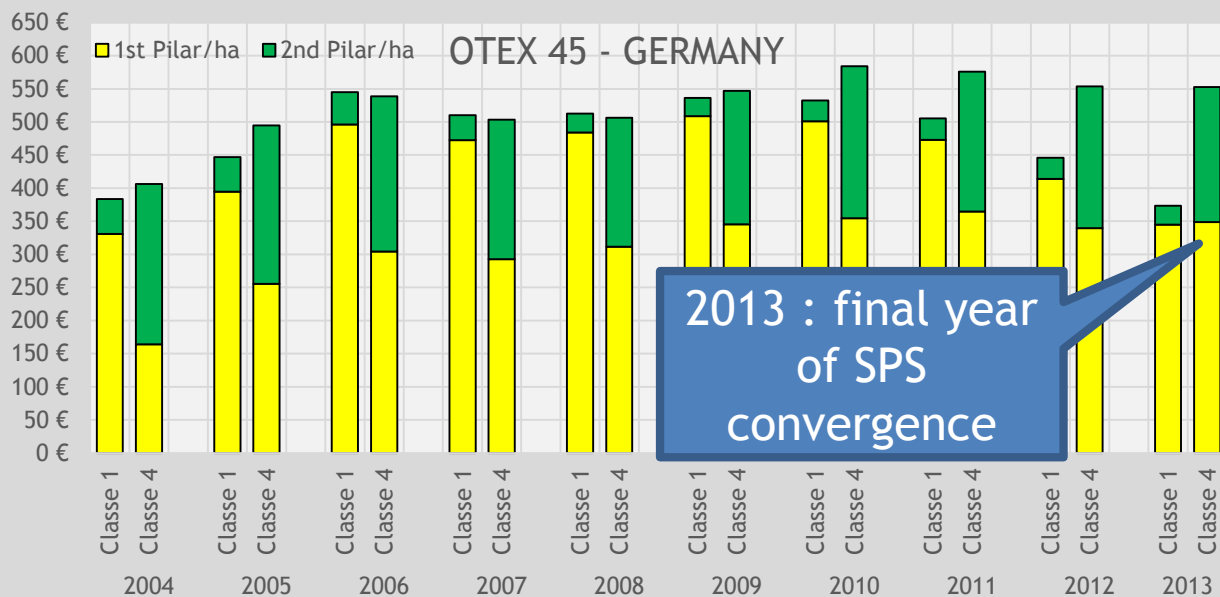
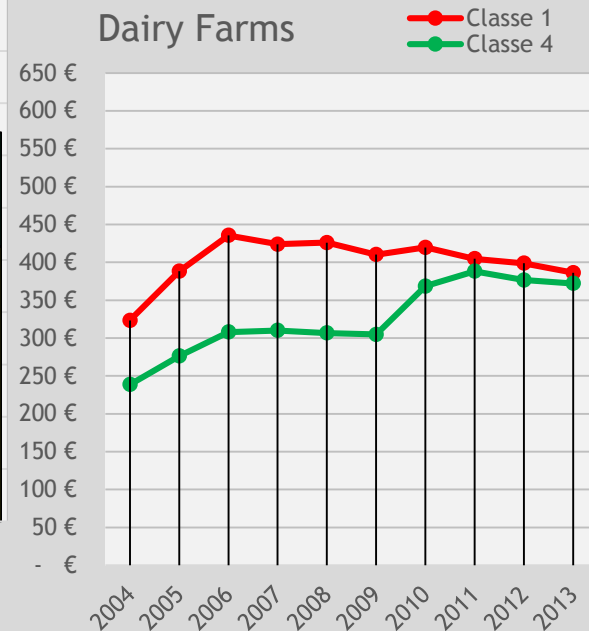
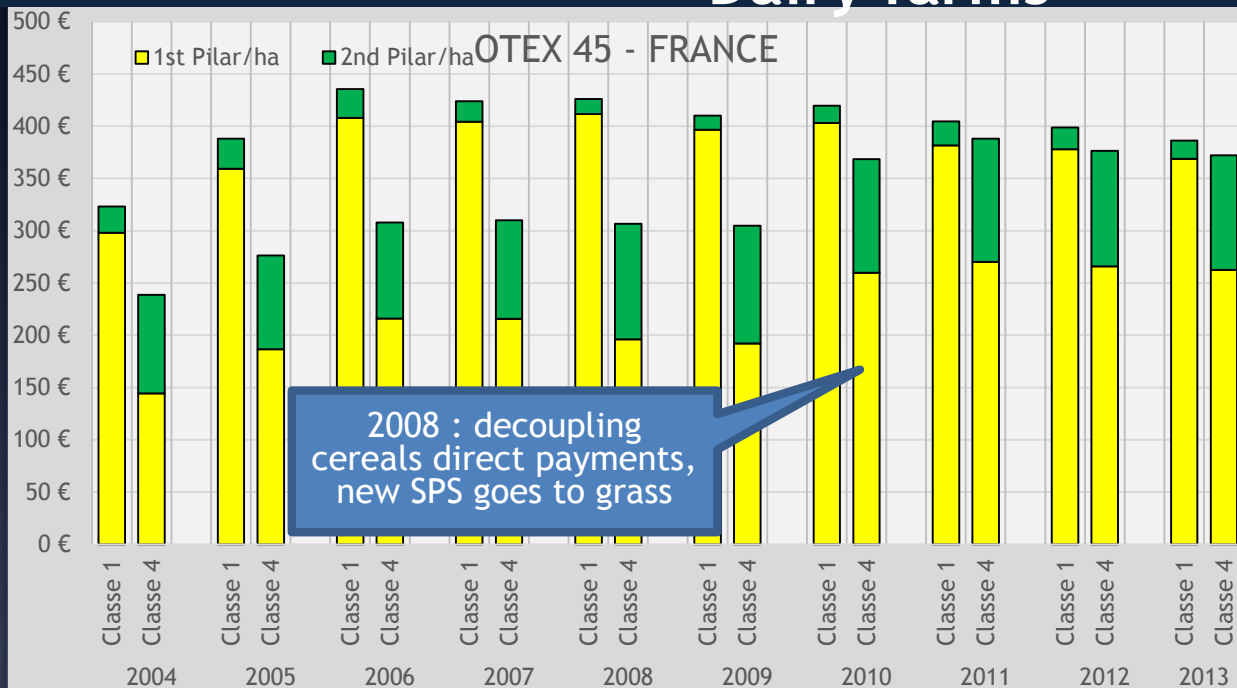
# RESULTS

## Evolution of payments distribution

## Income differences

- The payments distribution, due to the share of decoupled payments, depends on the choices made in 2003, the way of decoupling aid from production.
- Historical way keeps a link with the previous level of intensification farming : if the farm had high level of production per hectare, it had high coupled payments, giving it as high amounts of SPS per hectare → high levels of 1<sup>st</sup> pillar payments per hectare
- Harmonization of direct payments does not depend on farm own characteristics : everyone is given the same amounts. Then, the 2<sup>nd</sup> pillar aid comes to achieve their goal, and the more environmental friendly farms get more subsidies per hectare.

# FADN results - Comparison between French and Germany- Dairy farms





# RESULTS

## Evolution of payments distribution

## Income differences

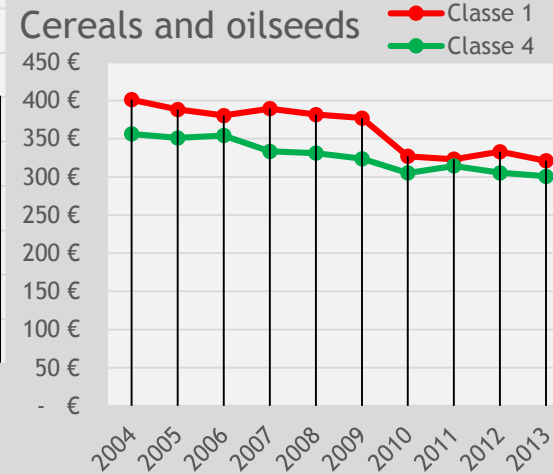
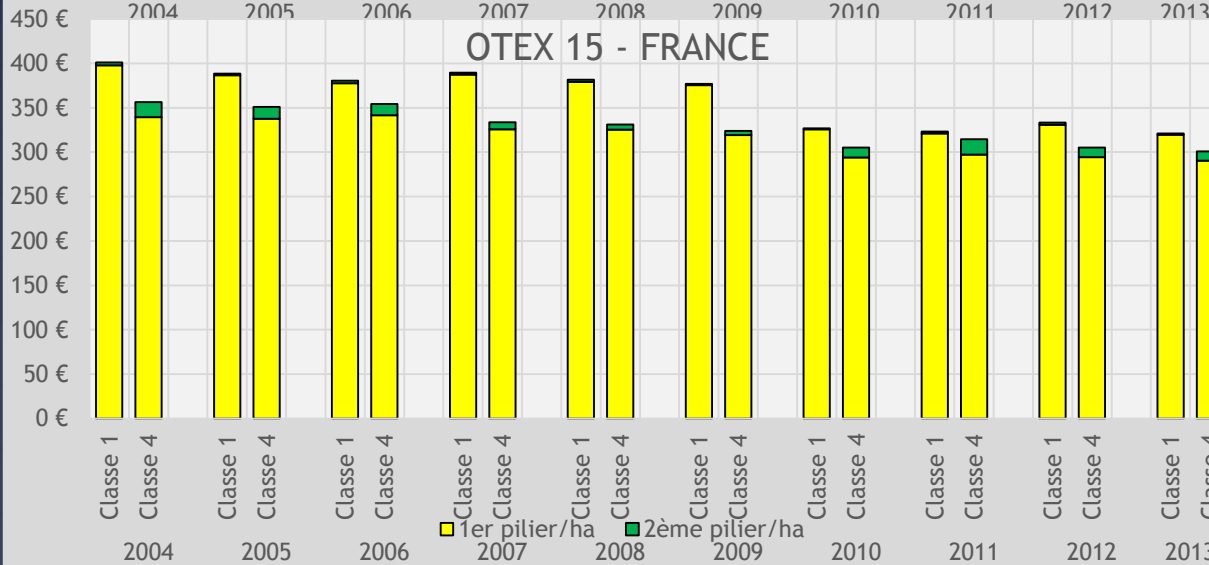
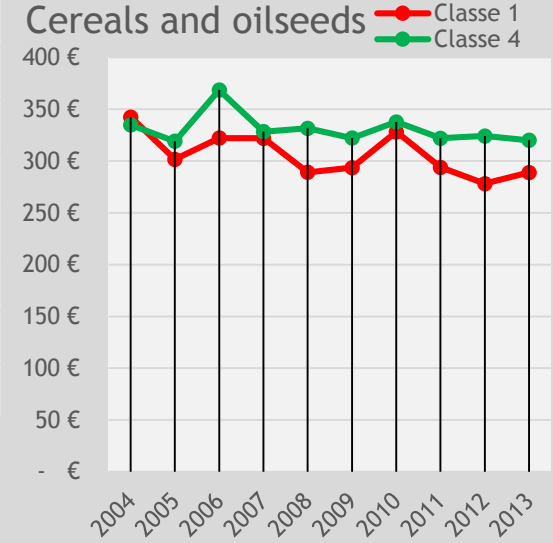
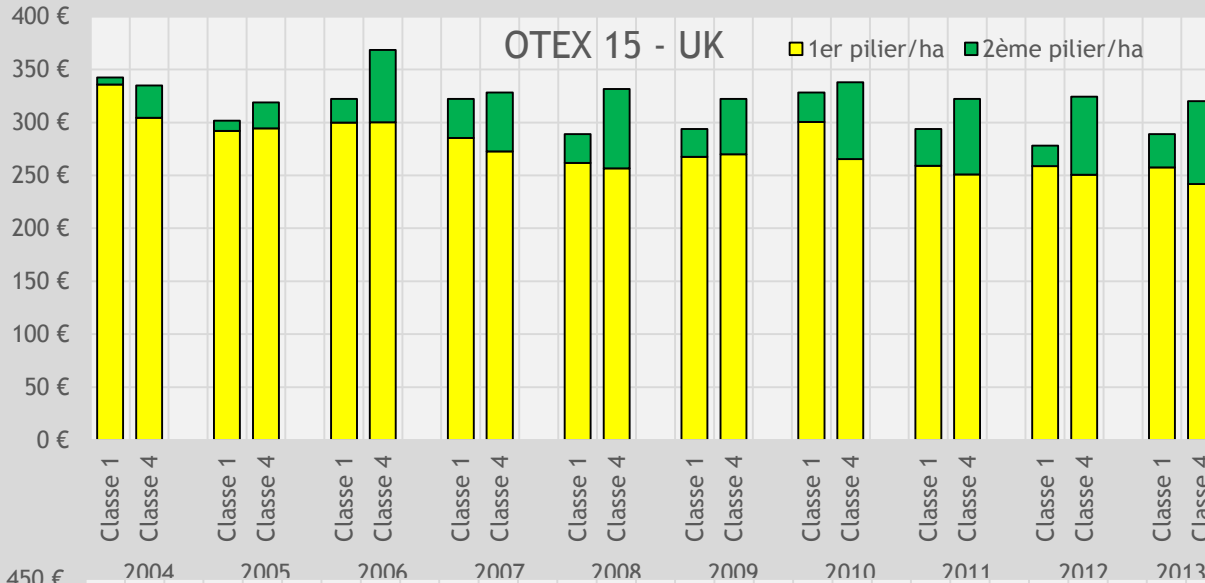
- ⦿ The payments distribution is also linked to national contexts : the United Kingdom case
- ⦿ In Great Britain, the land owners can keep CAP subsidies, even if they are not the ones who work the land. They can ask the farmers of their land to adopt some specific environmental friendly practices, to get 2<sup>nd</sup> pillar payments.
  - UK farmers of the cereals and oilseeds type get a lot of 2<sup>nd</sup> pillar payments, compared to France and Germany

# RESULTS

Evolution of payments distribution

Income differences

→ higher 2<sup>nd</sup> pillar payments for UK cereal growers



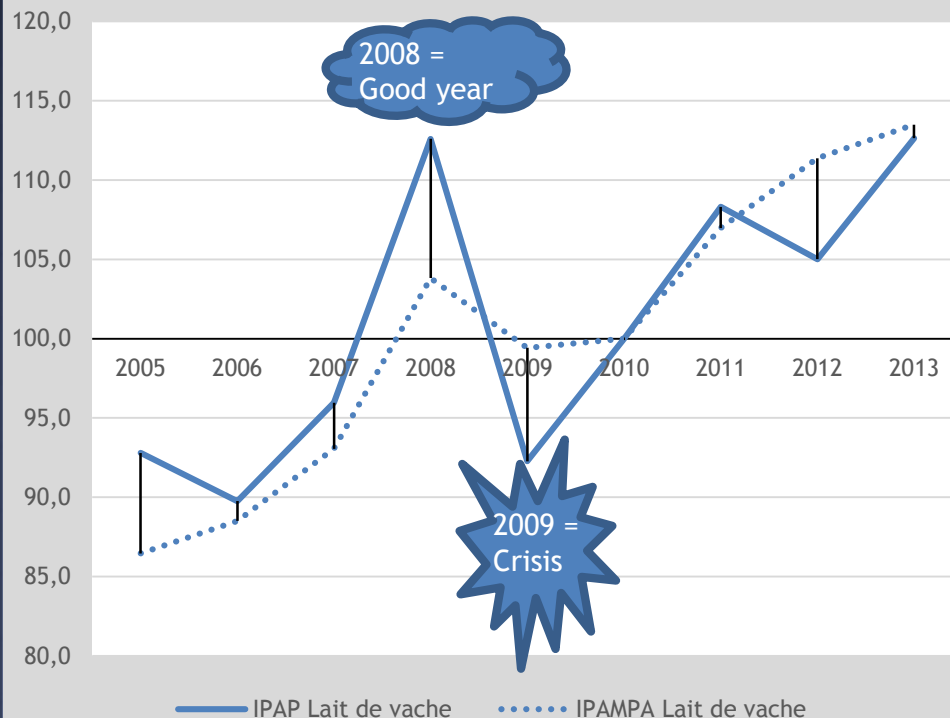
# French results - Historical retrospective

Evolution of payments distribution

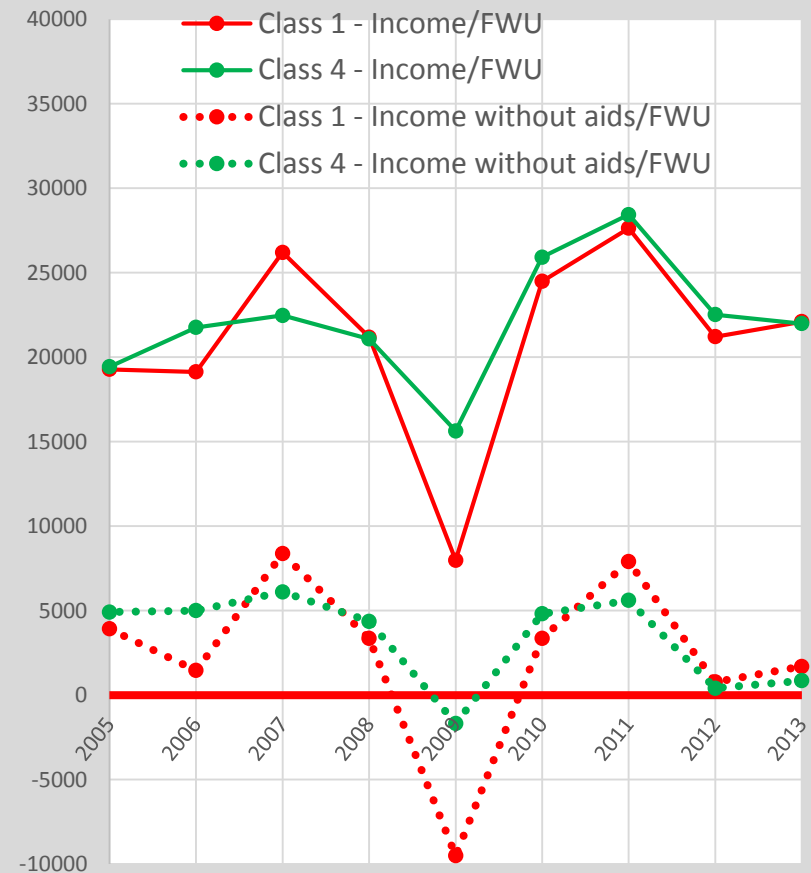
Income differences

- The group of the more environmental friendly farms take less advantage of market prices rises, but are more resilient in case of crisis. The dairy farms example.

Price differential : Comparison of milk prices (IPPAP) and milk farm charges (IPAMPA)  
base 100 in 2010



Income per FWU with and without aids  
– Dairy farms



# PERSPECTIVES

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- ⦿ Statistical method which can be reproduced every year for each Member State
- ⦿ Statistical method for simulating CAP direct aid redistribution
  - An assessment tool which can allow and help to decide for the next CAP reforms

**THANK YOU FOR YOUR ATTENTION**