

The 'redistributive payment' of the new CAP: All talk, no trousers?

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Introduction

EU Regulation 1307/2013 *establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy:*

„ The **distribution** of direct income support among farmers is characterised by the allocation of **disproportionate amounts of payments to a rather small number of large beneficiaries**.

Larger beneficiaries, due to their ability to exploit economies of size, do not require the same level of unitary support in order for the **objective of income support** to be efficiently achieved.“

Introduction

Objective: to analyse the (re-)distributional effects of the national implementation of the first pillar reform

- compared to `current` system
- with a focus on the size-dependent design of direct payment schemes

Current system in Germany (DP_2013):

- Regional flat-rates
- **Modulation** (10% if DP > 5,000 €; 14% if DP > 300,000 €)

Implementation of DP-reform in Germany:

- National flat-rate for basic payment and greening payment
- Support for young farmers (50 €/ha up to 90 ha)
- Re-distribution to 2nd pillar (4.5 % of DP-Volume)
- **Extra support to first ha** (50 €/ha up to 30 ha; 30 €/ha up to 46 ha)

Reactions to the decision on the national implementation

„*strengthens* traditional family farms“

„*strengthens* the ‚middle-class‘ of rural farms“

„ensures more *justice* concerning the distribution of funds“

„redistribution *in favour of* traditional (peasant) farms too small“

„*disadvantages* farms with larger structures“

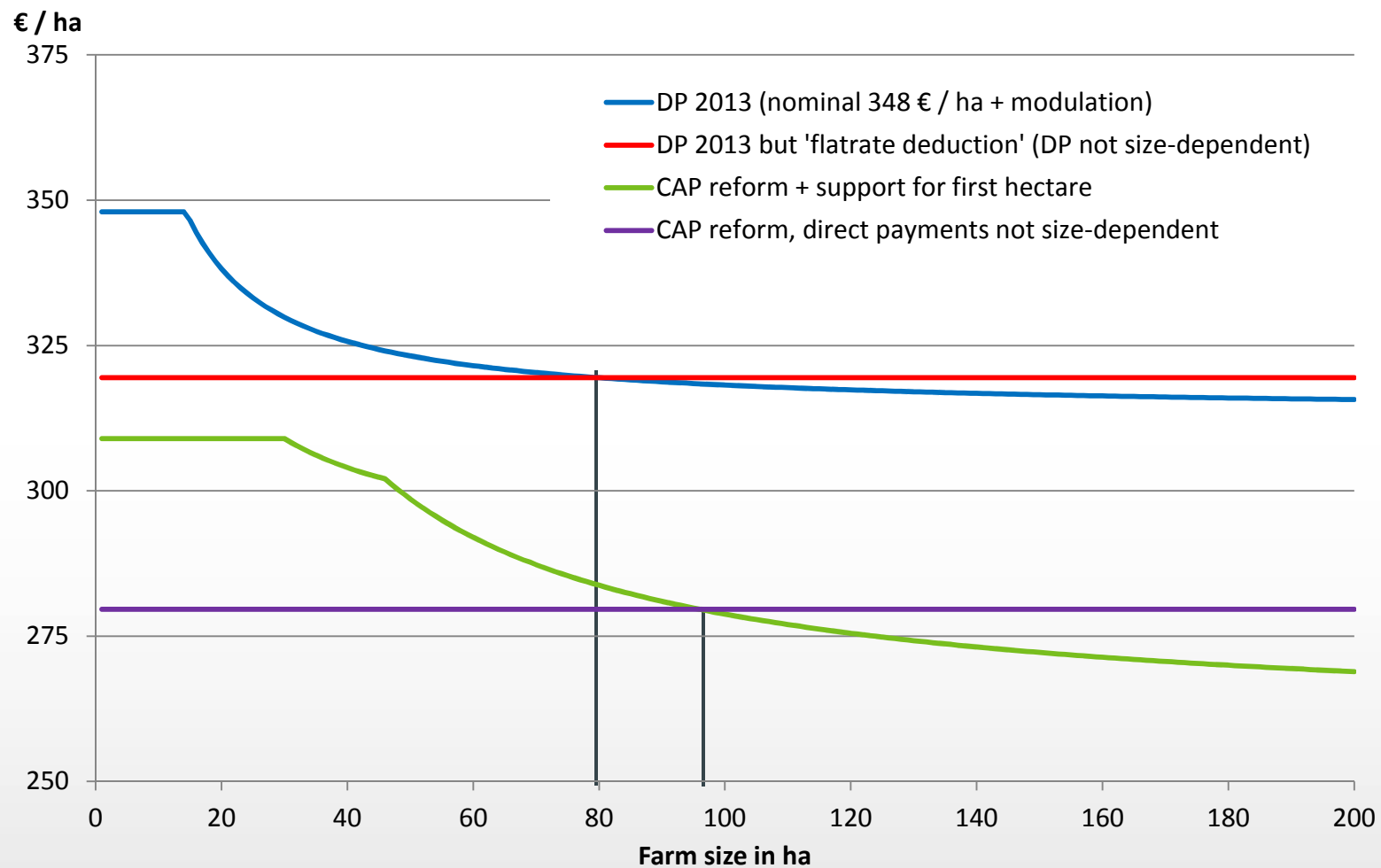
„redistribution *at the expense* of specific organisational forms“

Outline of the presentation

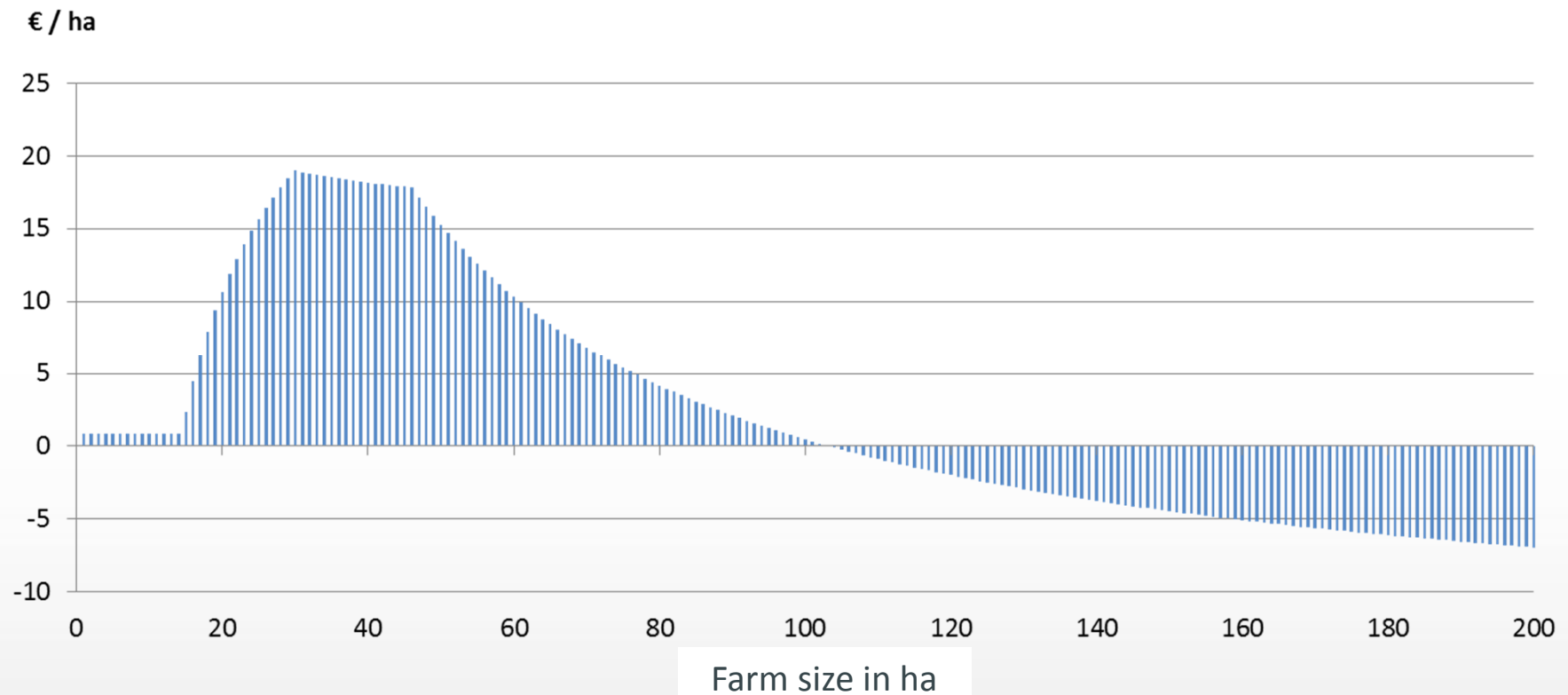
- (1) Size-dependent design of direct payment: schematic comparison of current and new scheme
- (2) Direct payments and income by farm size and profit level
- (3) Distributional analysis: Does the German implementation decrease inequality?

Data: 3-year average of German FADN accounts (2009/10; 2010/11; 2011/12) to reduce impact of profit fluctuations

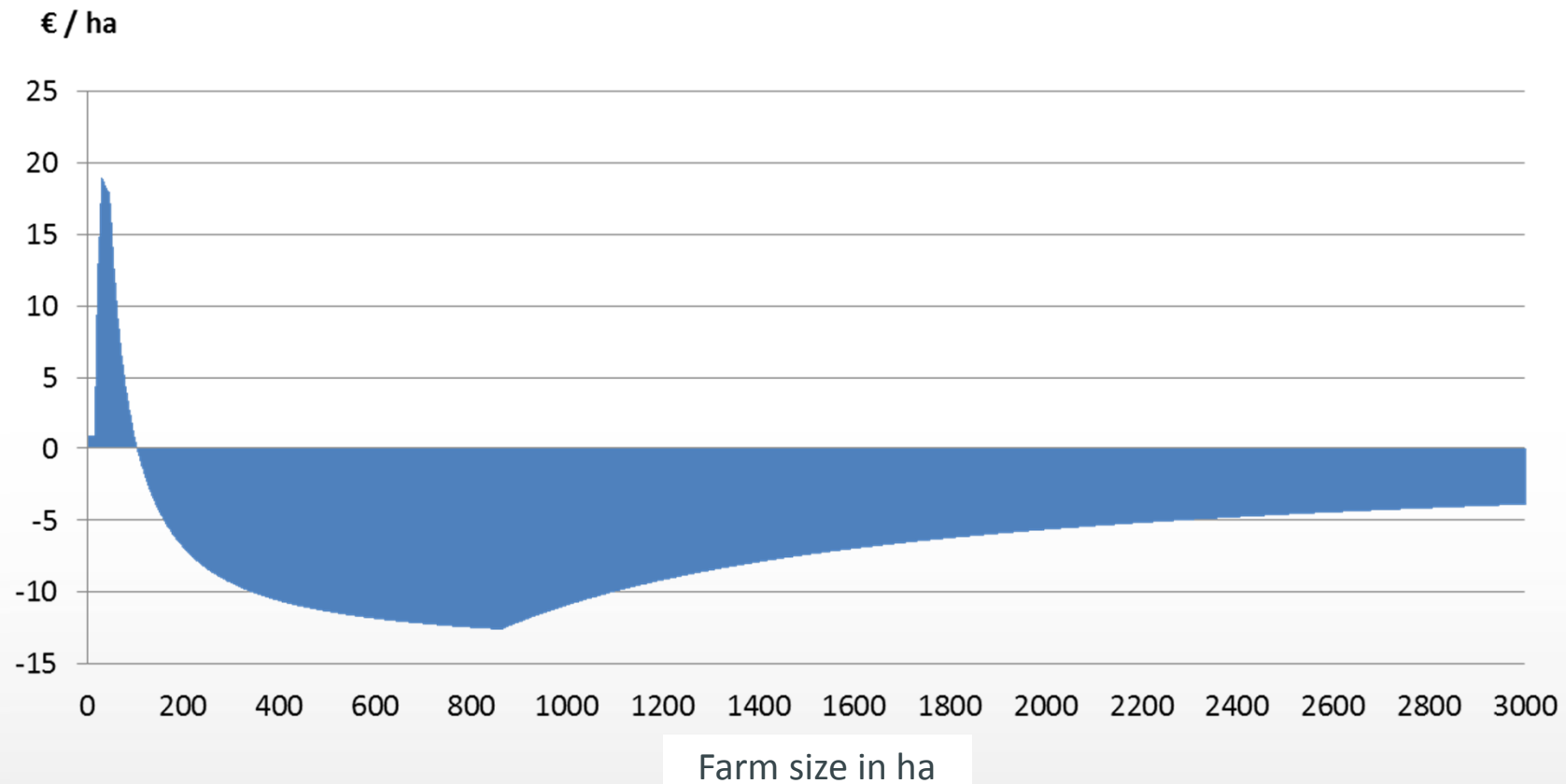
Average direct payment per ha UAA depending on farm size



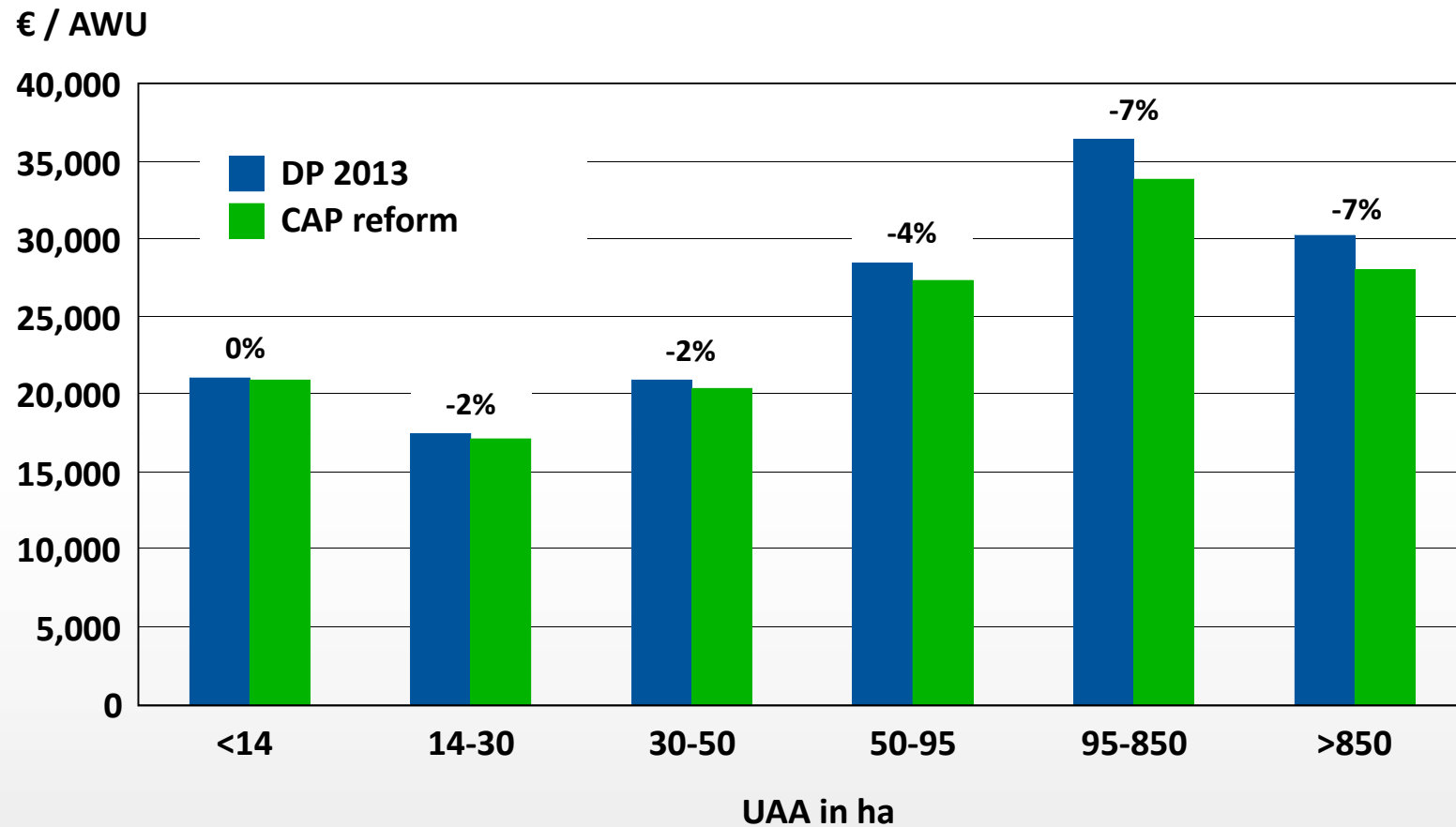
Change in difference to uniform per-ha payment: CAP-reform national implementation vs DP 2013



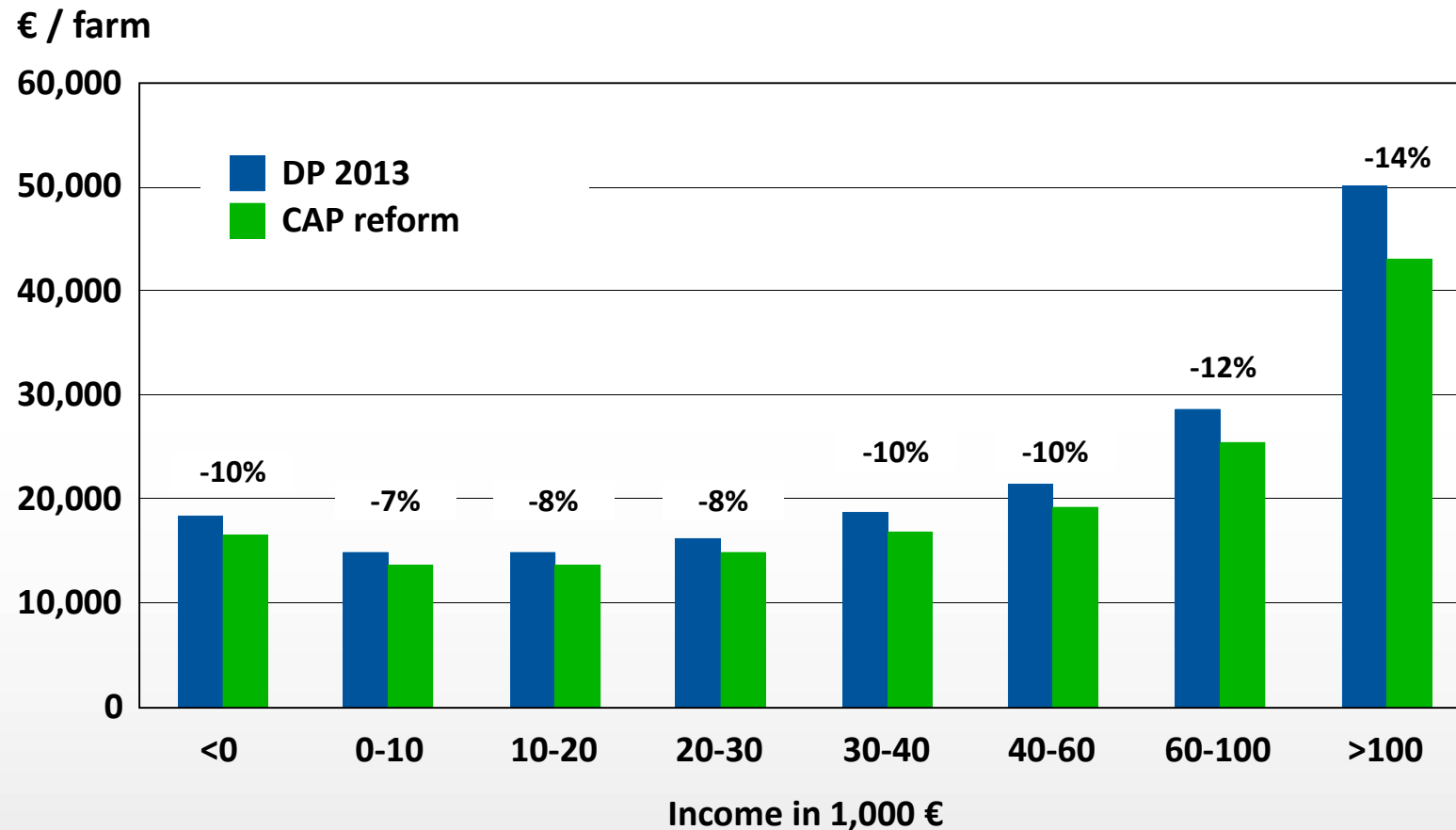
Change in difference to uniform per-ha payment: CAP-reform national implementation vs DP 2013



Change in income, by farm size (ha UAA)



Change in direct payments, by farm income (full-time family farms)



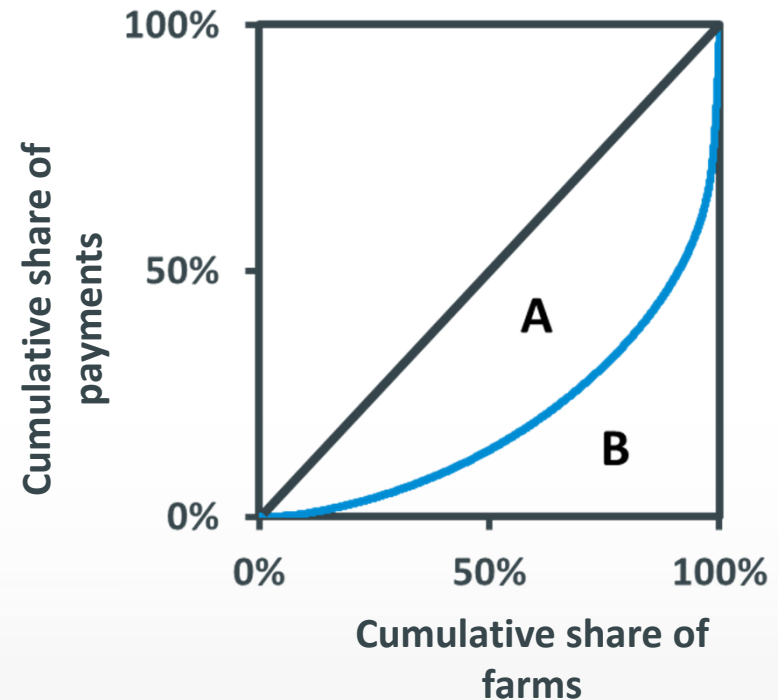
Distributional analysis using the Gini-coefficient

Gini-coefficient (G)

- is a distributional measure,
- Calculated as

$$\frac{\text{Area A}}{\text{Area A} + \text{Area B}}$$

- Values range from 0 to 1,
- G = 0 indicates equal distribution
- G = 1 indicates maximal concentration.



Distributional analysis: Full-time family farms

	Gini coeff.	Share in profits (%)	Gini-correlation	Gini-elasticity (%)
DP 2013				
Direct payments	0,438	47,7	0,47	-0,26
Profit (FFI)	0,463			
CAP reform				
Direct payments	0,423	44,9	0,40	-0,29
Profit (FFI)	0,473			

Summary and outlook

- CAP-Reform and its national implementation in Germany lead to redistribution of direct payments between regions and farms
- Farm-specific impacts depend on region, size (UAA) and eligibility for young farmer support
- Small reduction in inequality of distribution of direct payments
- No reduction of inequality of distribution of incomes

„CAP after 2020“:

- Legitimization and evaluation of income-oriented direct payments required
- Definition of ‚income‘ (agriculture/household; part-time/ fulltime-family farm / ‚corporate farms‘)
- Instruments (area-based payments / bond scheme / general social policy ?)