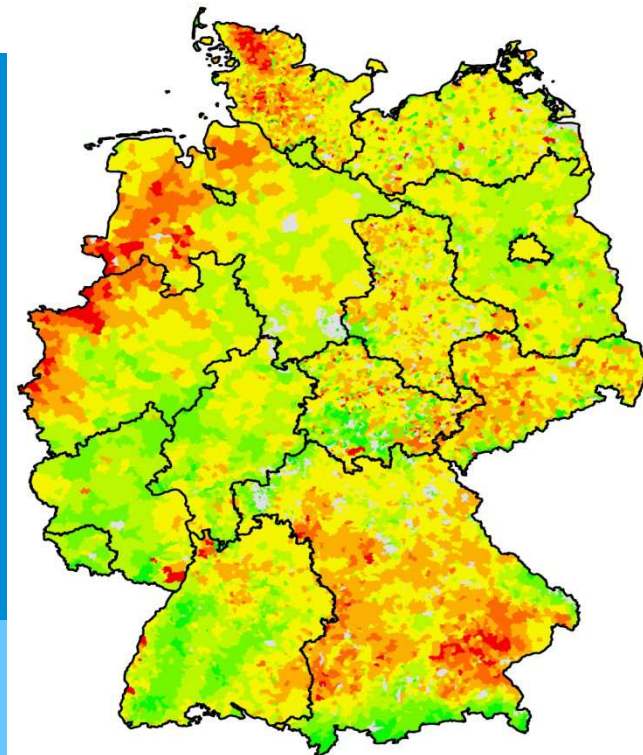


Distributional and Income Effects of Direct Payments under the New CAP – The Case of Germany

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Structure

- **Method and data**
- **Decoupling: From historic to regional FlatRates – Experiences from the Regional Model of Germany**
- **Proposal and Agreement of Agric. Ministers (AMK) on implementing the New CAP**
- **Partial effects of measures of AMK decisions**
- **Income effects of measures**
- **Conclusions**

Method and Data

Simulation model based on farm data from the German Farm Accounting Data Network

Selection of a balanced sample of representative farms 2009/10 to 2011/12

Projection of Direct Payments under the New CAP Framework

- **Simulations at farm level**
- **Sector aggregation using weighting factors**

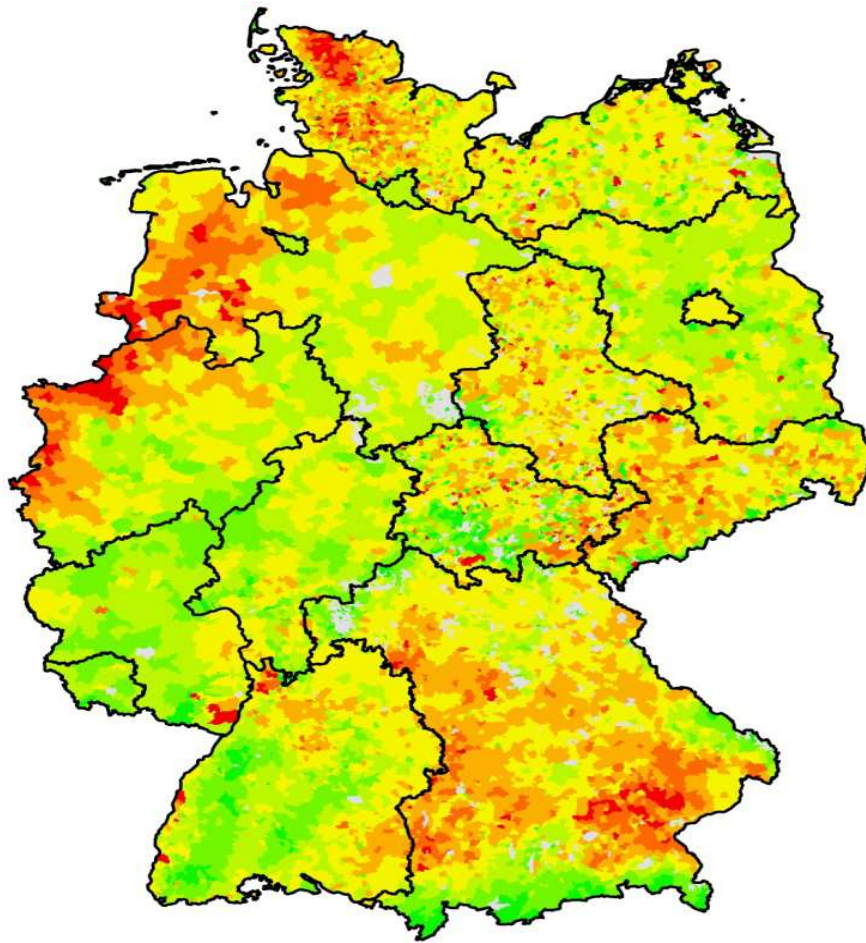
Decoupling: From historic to regional FlatRates – Experiences from the Regional Model of Germany

One main element of New CAP – the harmonisation of entitlements at regional (national) level has been implemented in the Mid-term Review & Health-Check of CAP

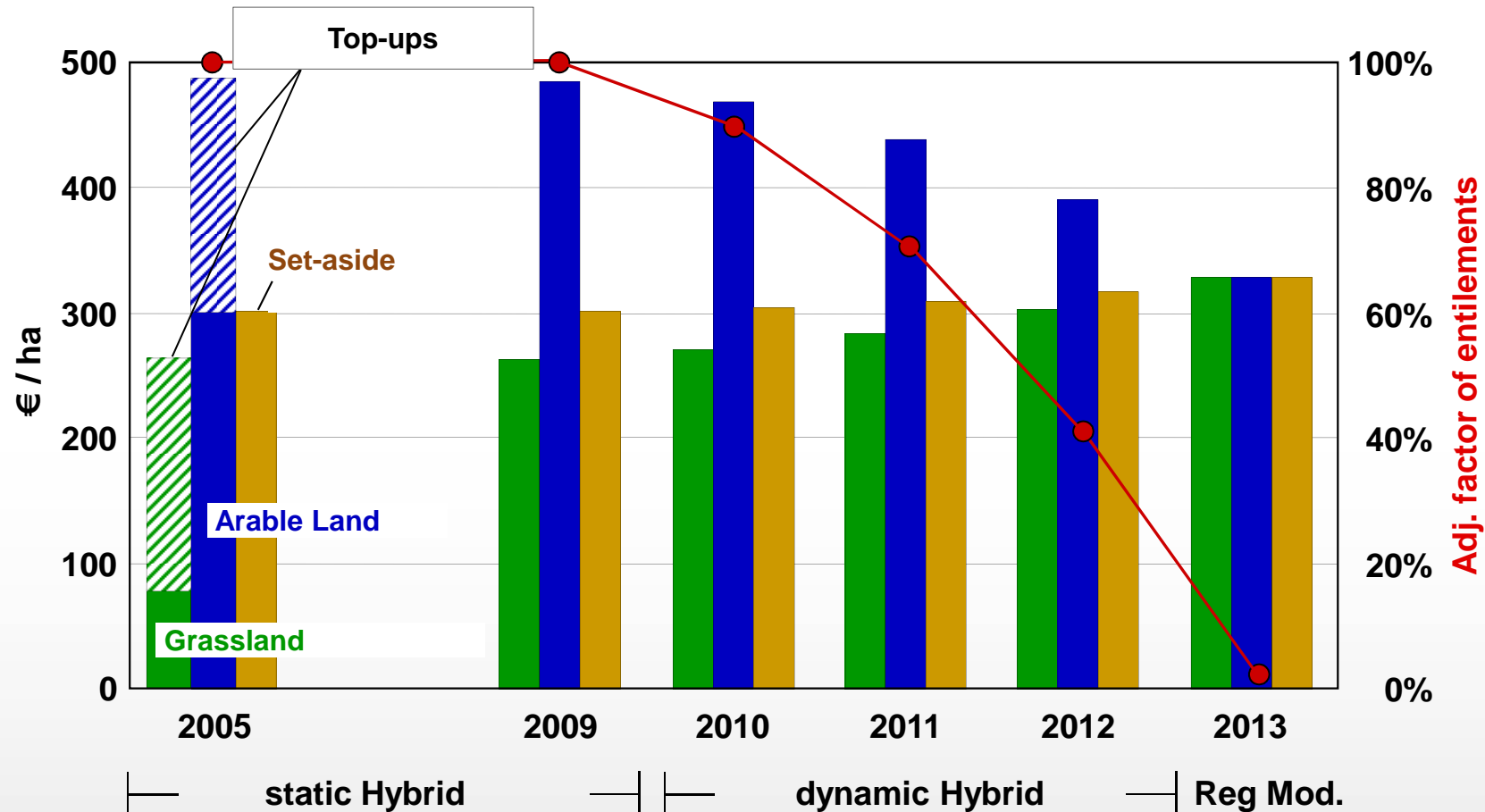
Within the so-called Regional Model historic payment levels have been successively transferred into regional FlatRates; national FlatRates will be successively introduced between 2015 to 2019

Regional (national) FlatRates induce significant redistribution effects between farms and regions

Entitlement levels in Germany 2004 (historic)

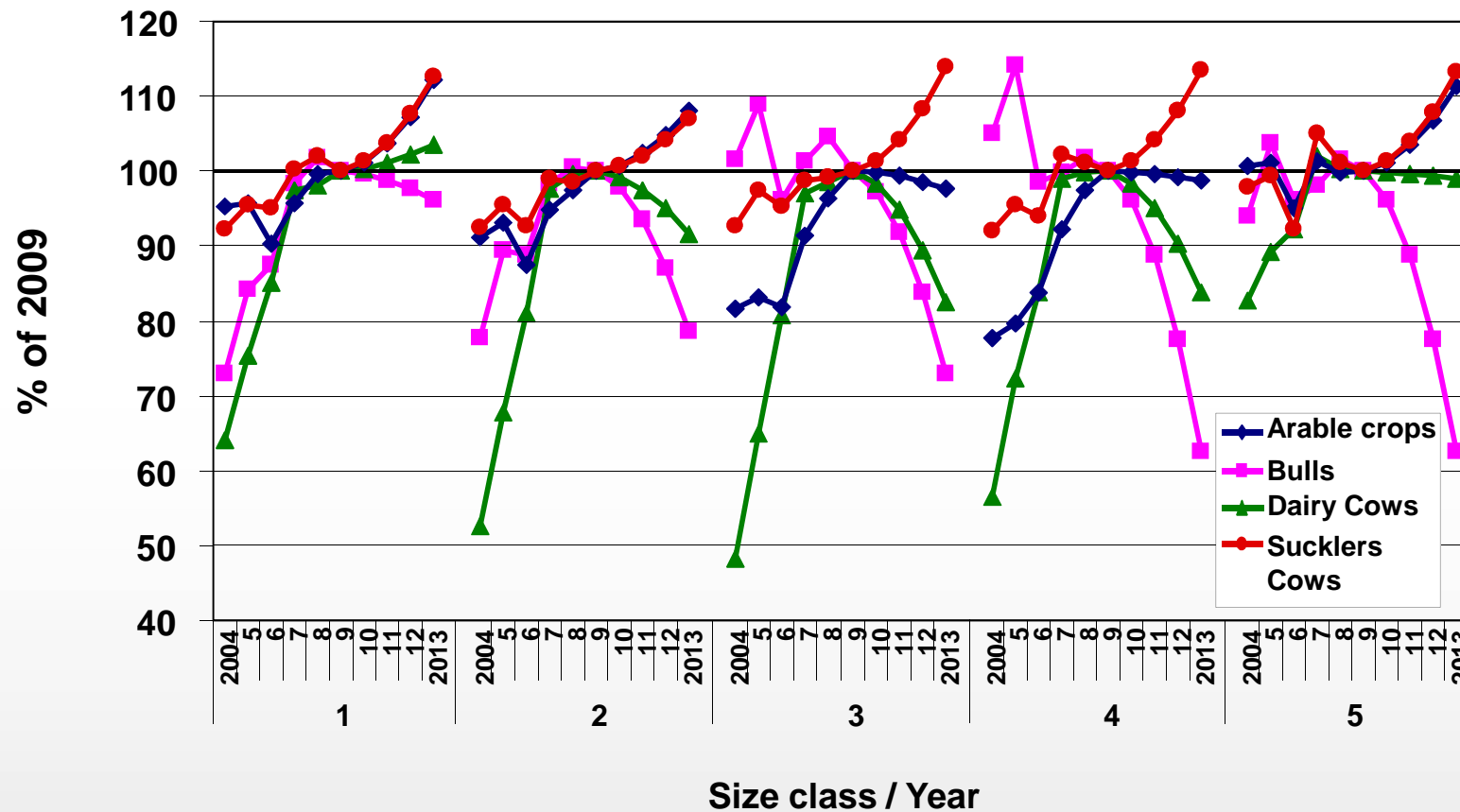


Adjustments of entitlements in the German SPS scheme (example)



Source: Kleinhanss, vTI (2008).

Development and projection of Direct Payments by Type and Size of Farms (% of 2009)



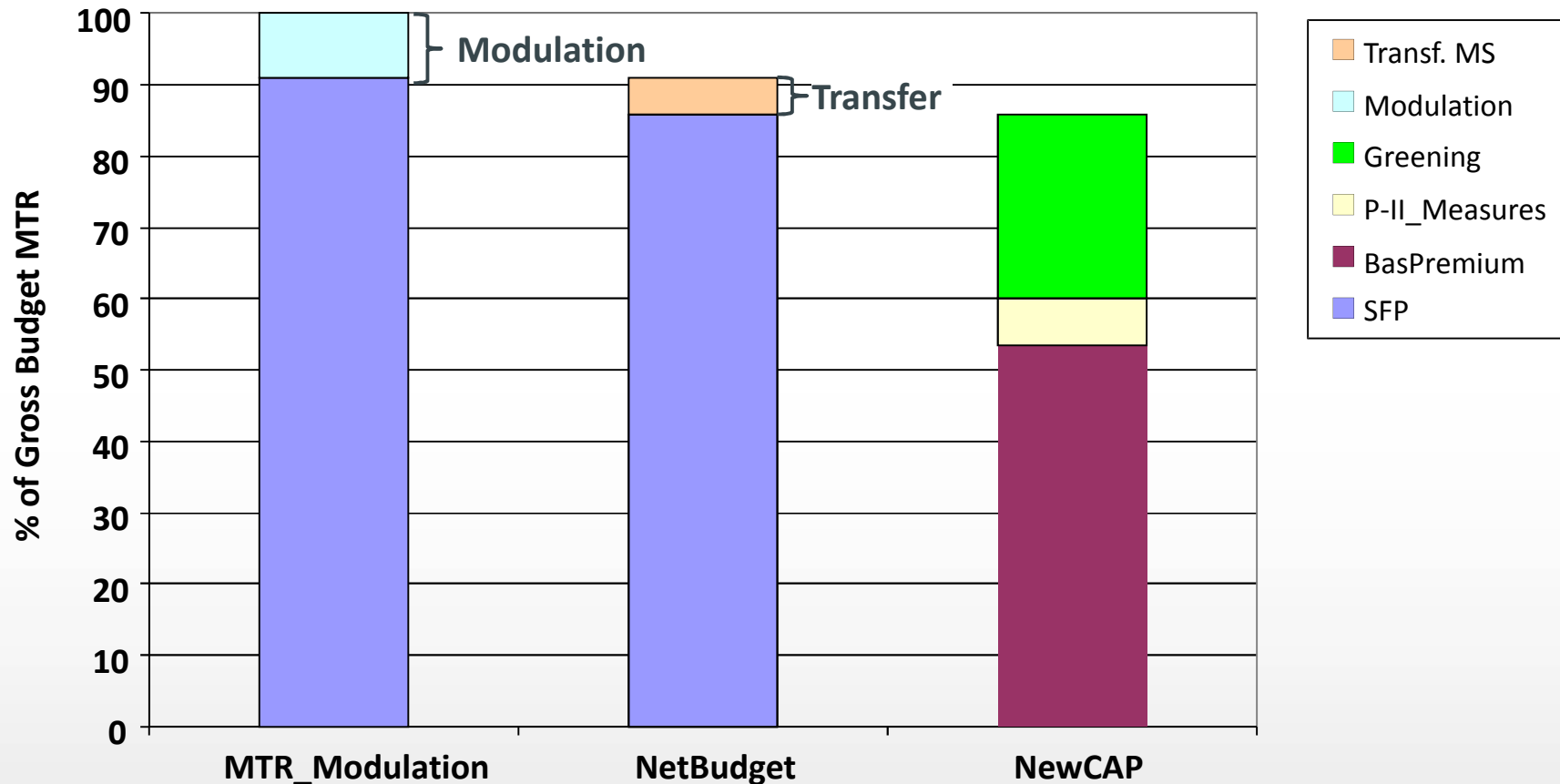
Source: BMELV Testbetriebe; Kleinhanss, vTI (2010).

Reference (MTR) and Implementation of New CAP in Germany

	Reference (2013)	New CAP AMK proposal	AMK agreement
Budget	Gross: 5.852 bn € Modulation -0.48 bn €	Transfer to MS below DP average -0.342 bn € Budget net (2019): 5.018 bn €	-->
Direct Payments			
Decoupling	full	-->	-->
SFP	regional FlatRates	national FlatRates (2019)	-->
Modulation	10 (+ 4%)	-	-
Greening			
Base premia		30%, nat FlatRate (≥ 2015) *) (70 - x)%, approaching nat FlatRate in 3 steps 2015 to 2019	--> -->
(x) Schemes			
Additional paymentst first hectares		0-15 ha * 50 €/ha 15-30 ha * 30 €/ha	0-30 ha * 50 €/ha 30-46 ha * 30 €/ha
Young farmers		≤ 90 ha * 50 €/ha [< 40 years old]	-->
Grassland LFA		ha permanent grassland * 40 €/ha	4.5 % of P-I budget --> P-II implementation of measures by Länder
Grazing livestock mountain areas		GrazingLU * 80 €	

*) Allowing production of food, non-food and feed (grazing livestock) on ecological focus areas.

From GrossBudget (MTR) towards NetBudget (NewCAP) -1st Pillar

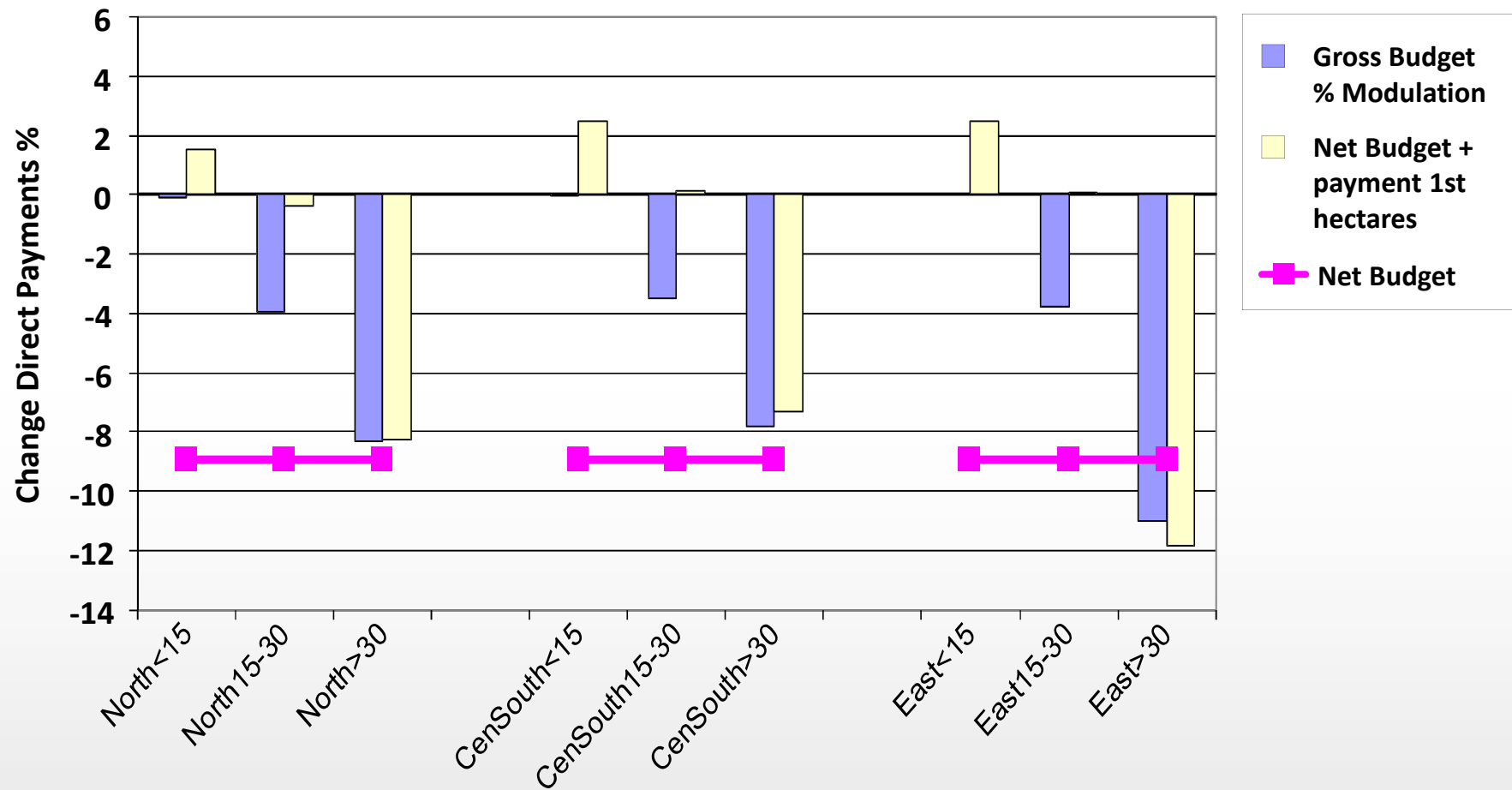


Impacts of AMK Proposal

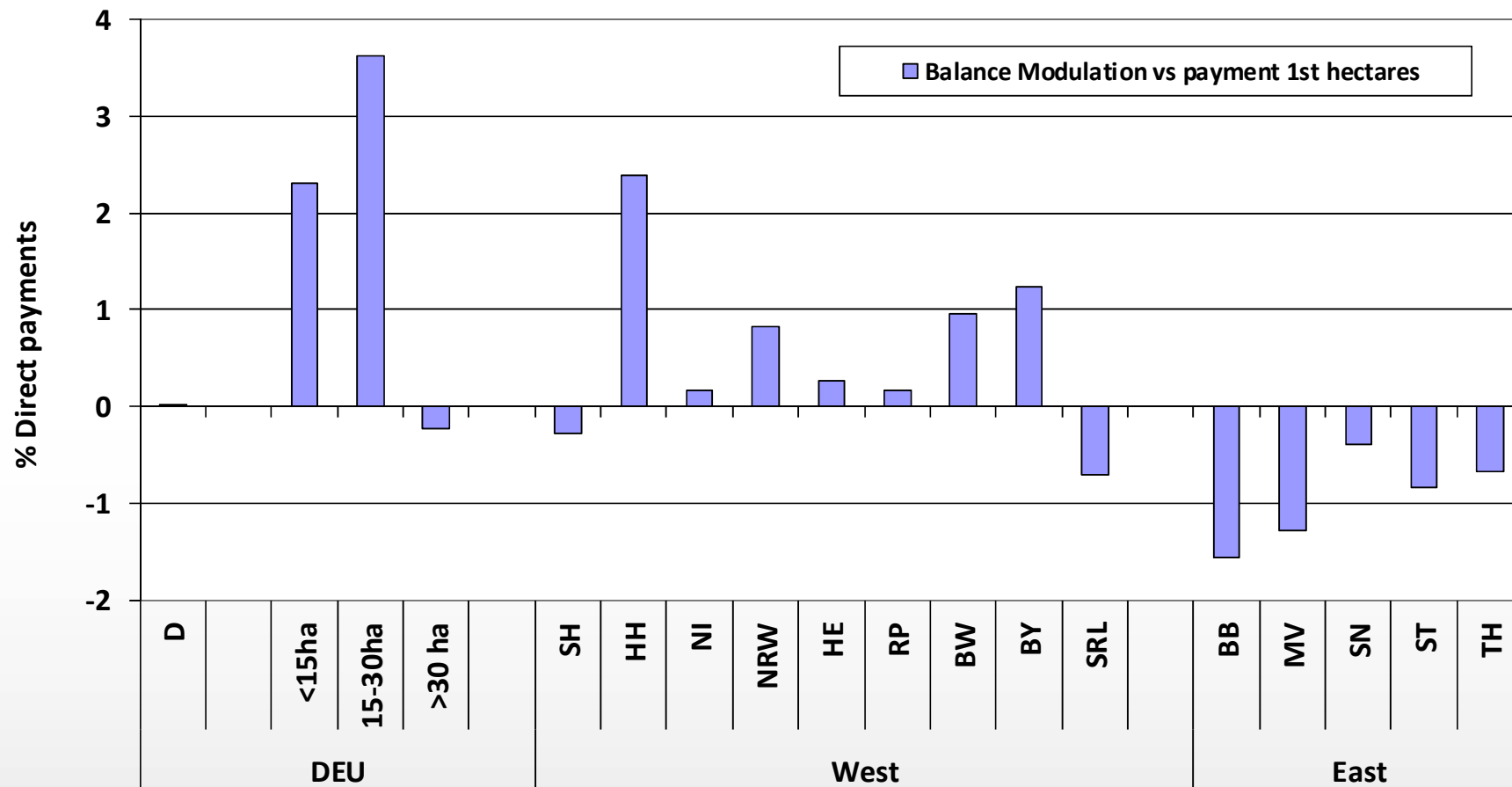
2 options wrt distribution of DP between size of farms

- **Degression: reduction of DP of at least 5% for DP > 150,000 € / farm**
- **Redistributive payments, i.e. additional payments for 1st hectares → implemented in Germany**

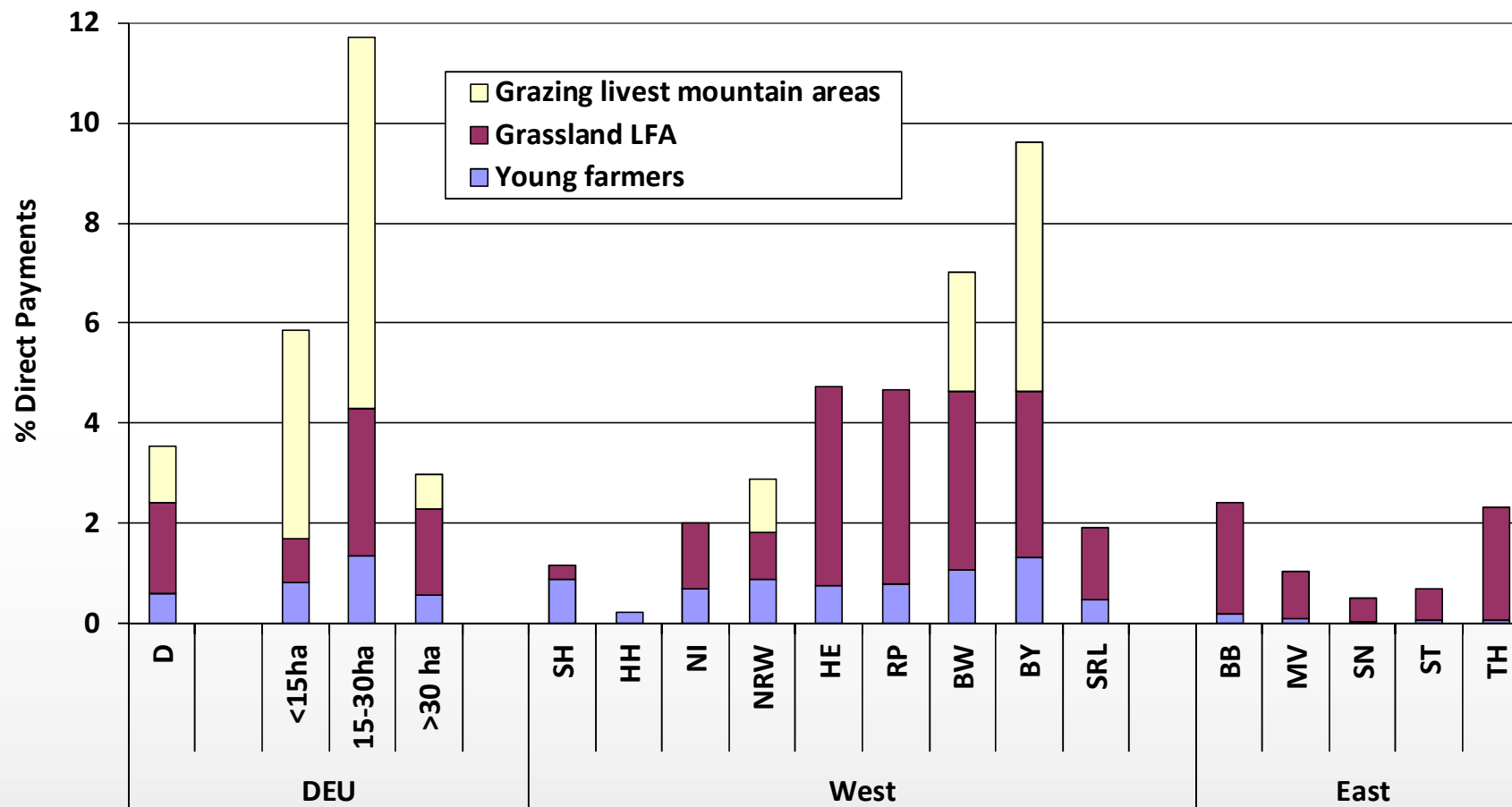
Balance DP Gross (-Mod) to Net Budget and compensation via Payments 1st hectares



Balance Gross vs Net Budget incl. Payments 1st hectares, by Size / Länder



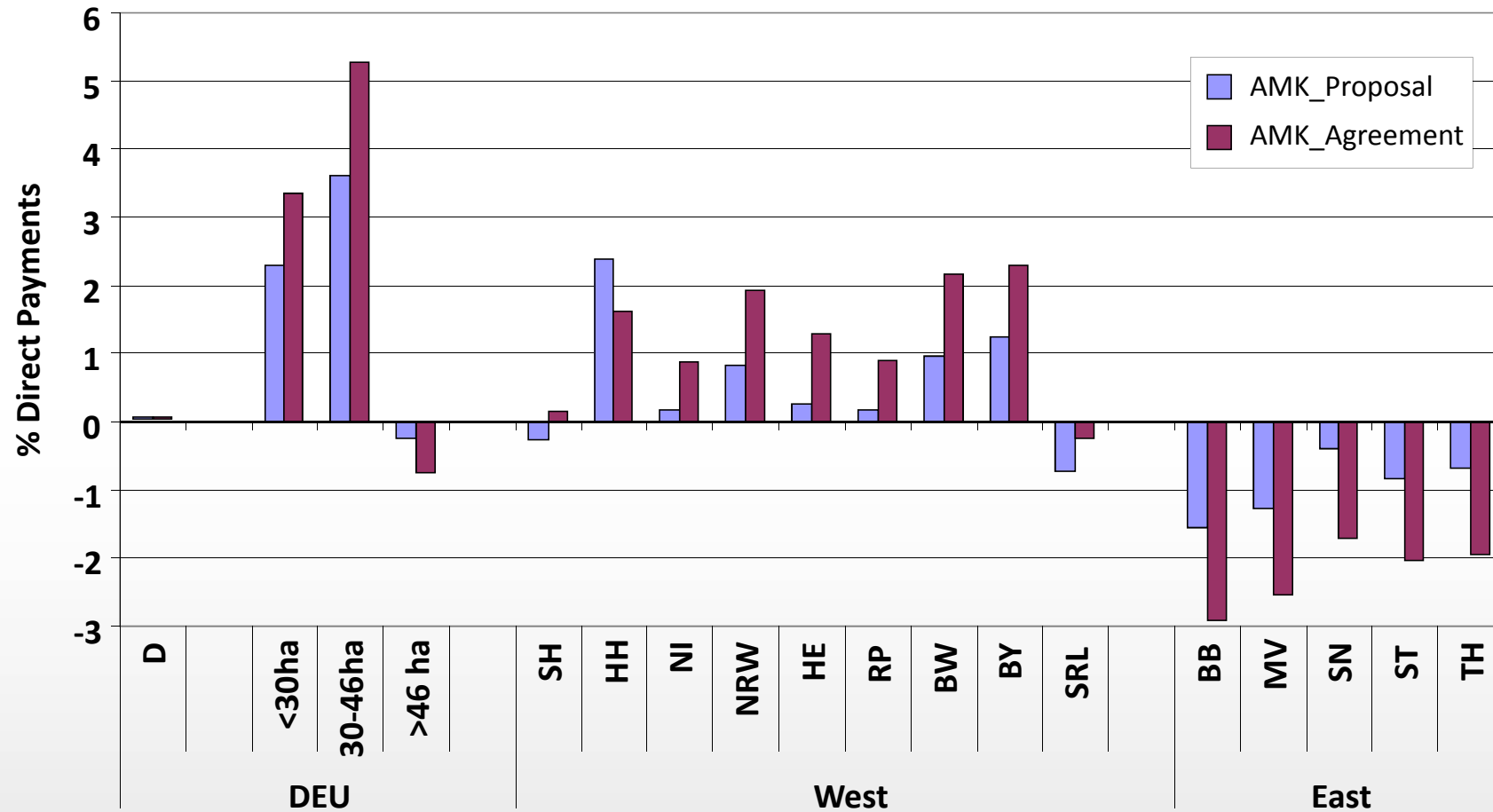
Partial Effects of Measures (Young Farmers, Grassland LFA, Grazing livestock mountain areas)



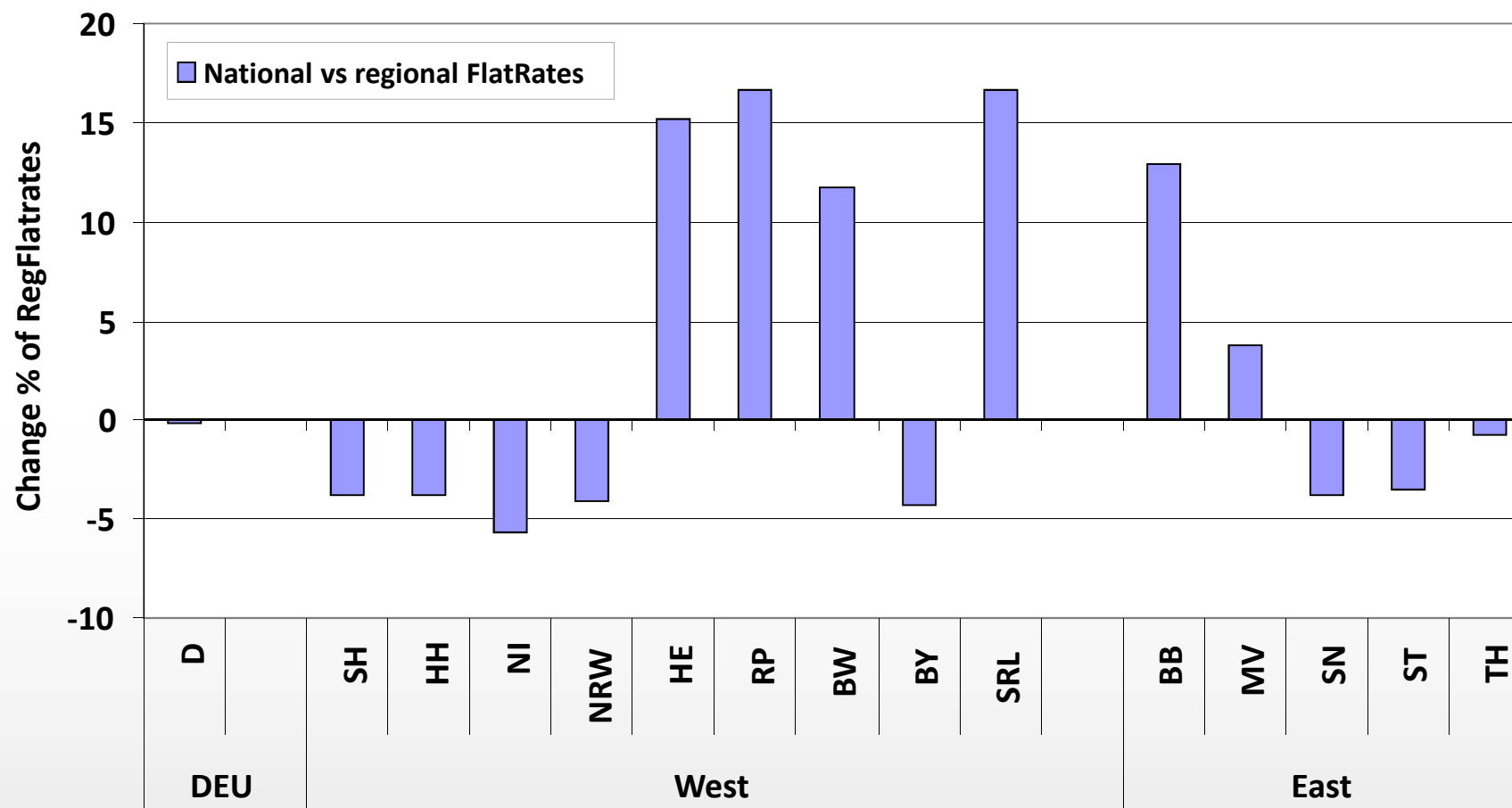
Impacts of AMK Agreement

- **Higher payments 1st hectares**
- **Young farmers; other measures designed at Länder level → budget 4.5 %**
- **From regional to national FlatRates**

Balance Paymentst 1st hectares - AMK Agreement vs Proposal



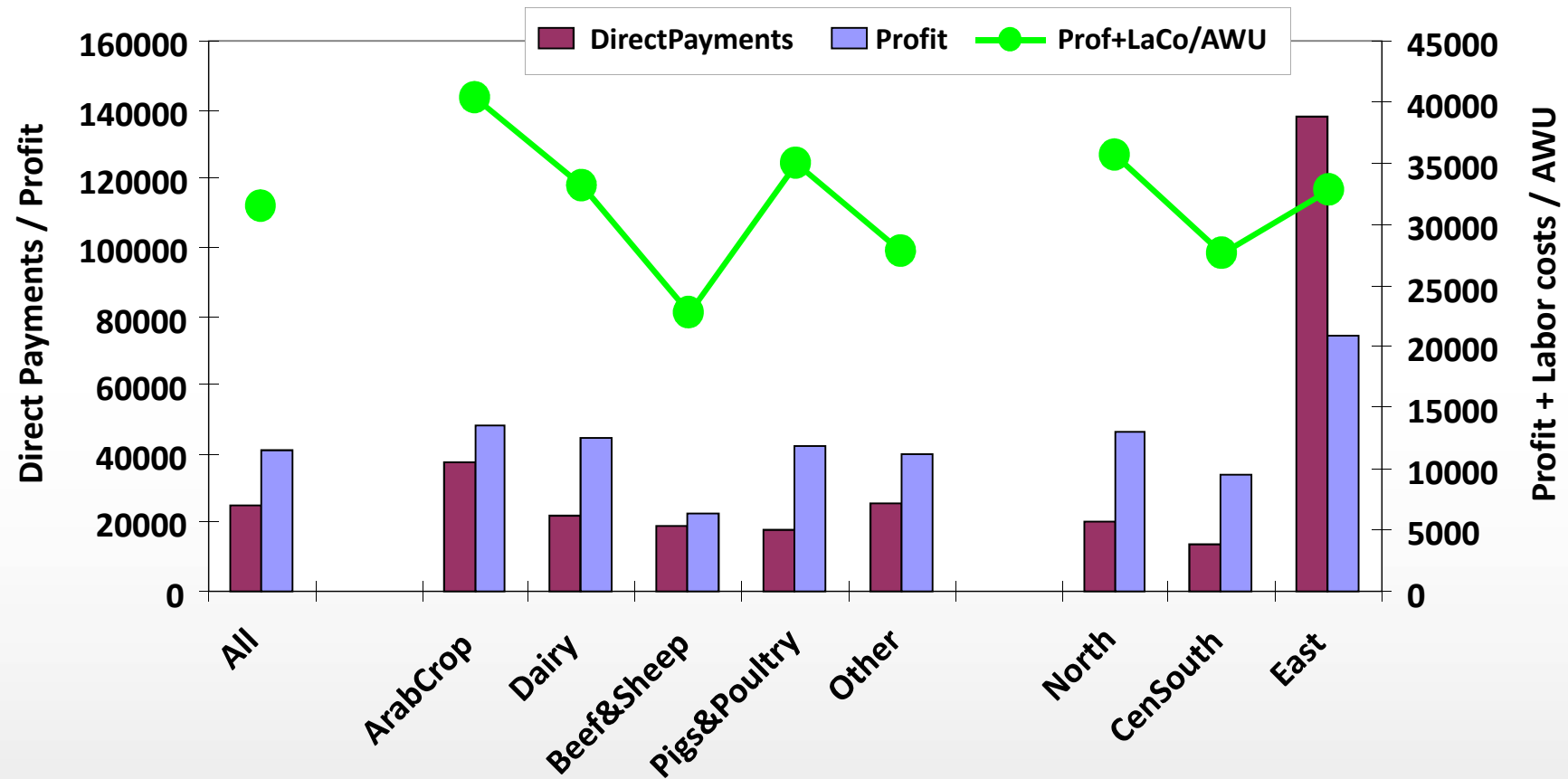
Redistribution National vs Regional FlatRates



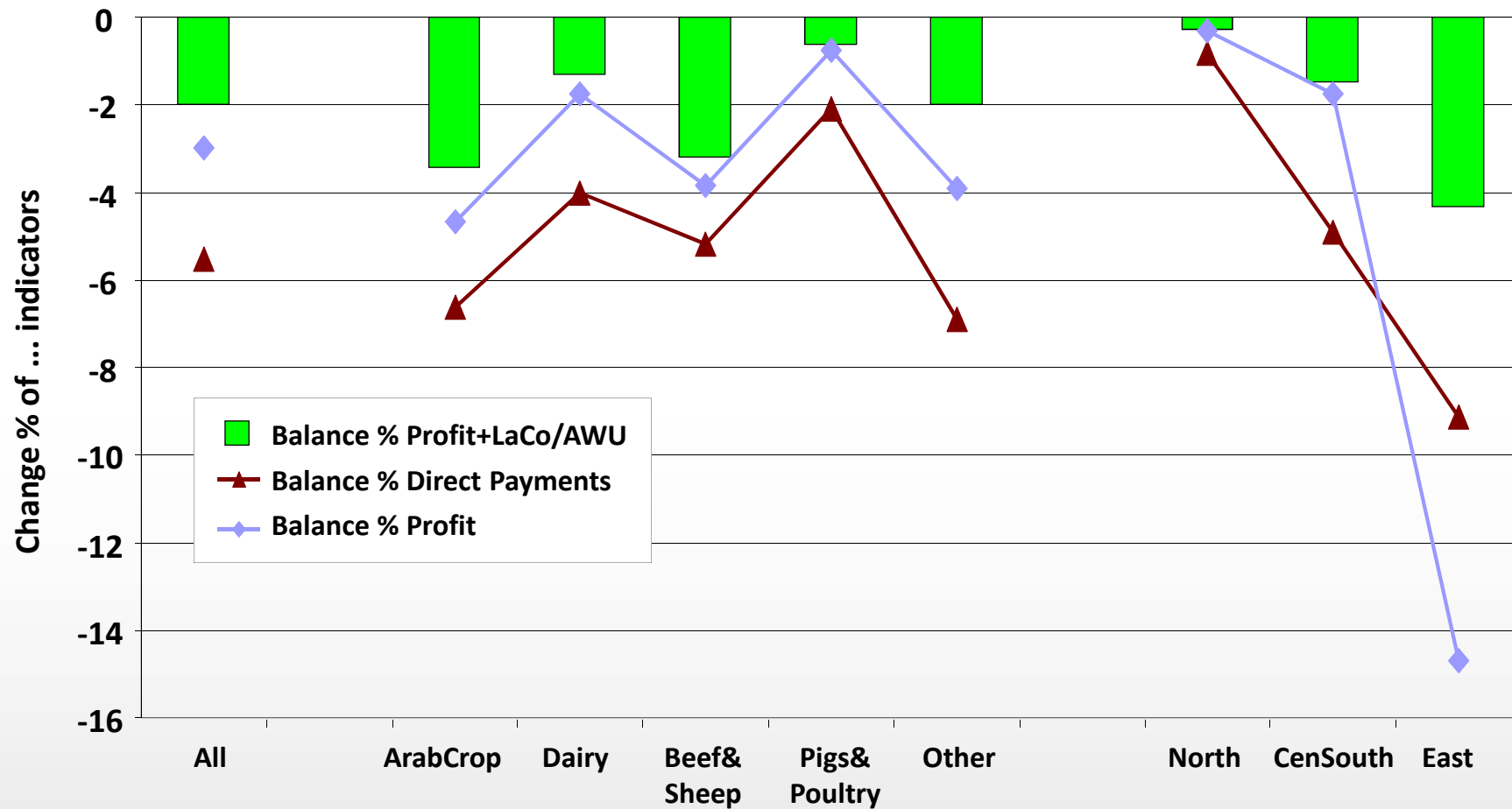
Impacts on Income and relation to DP

- **Income indicators**
 - Profit
 - $(\text{Profit} + \text{costs of hired workers}) / \text{AWU}$

Direct Payments and Income Indicators by FarmType and Regions



Effects of measures on Direct Payments and Income (AMK Agreement) by FarmType and Regions



Conclusions

Large redistribution effects of New CAP due to regional / national FlatRates already realised under the Regional Model of decoupling in Germany (Mid-term Review and Health Check) → could be an example for Member States applying the historical model of decoupling

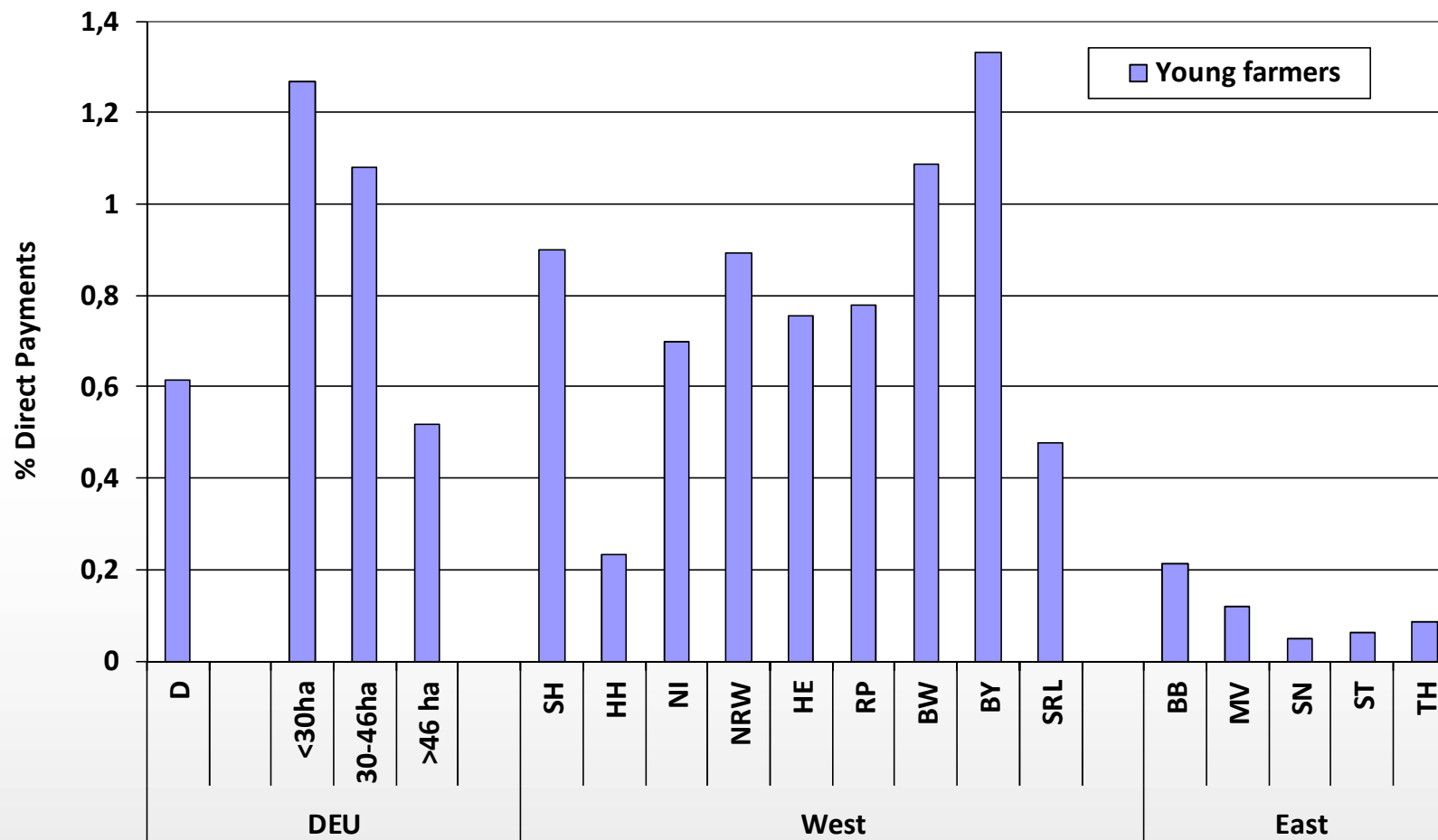
Almost the same budget as before

- Disaggregated into different measures, multiple options for Member States / regions
- Innovation in new names rather than new targets
- Partial transmission of direct payments (especially subsidization of bio-energies) into land rental prices

Rather low income and redistribution effects of New CAP in Germany

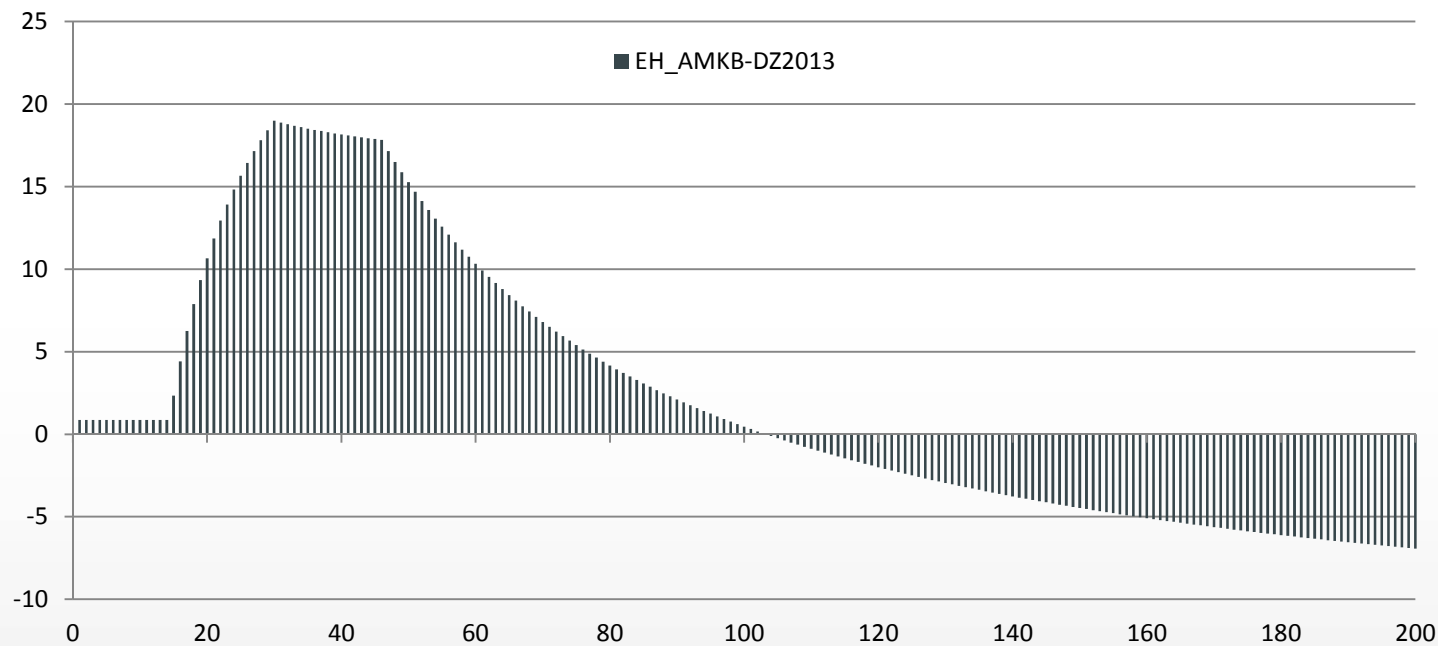


Partial impacts Young Farmers' Scheme



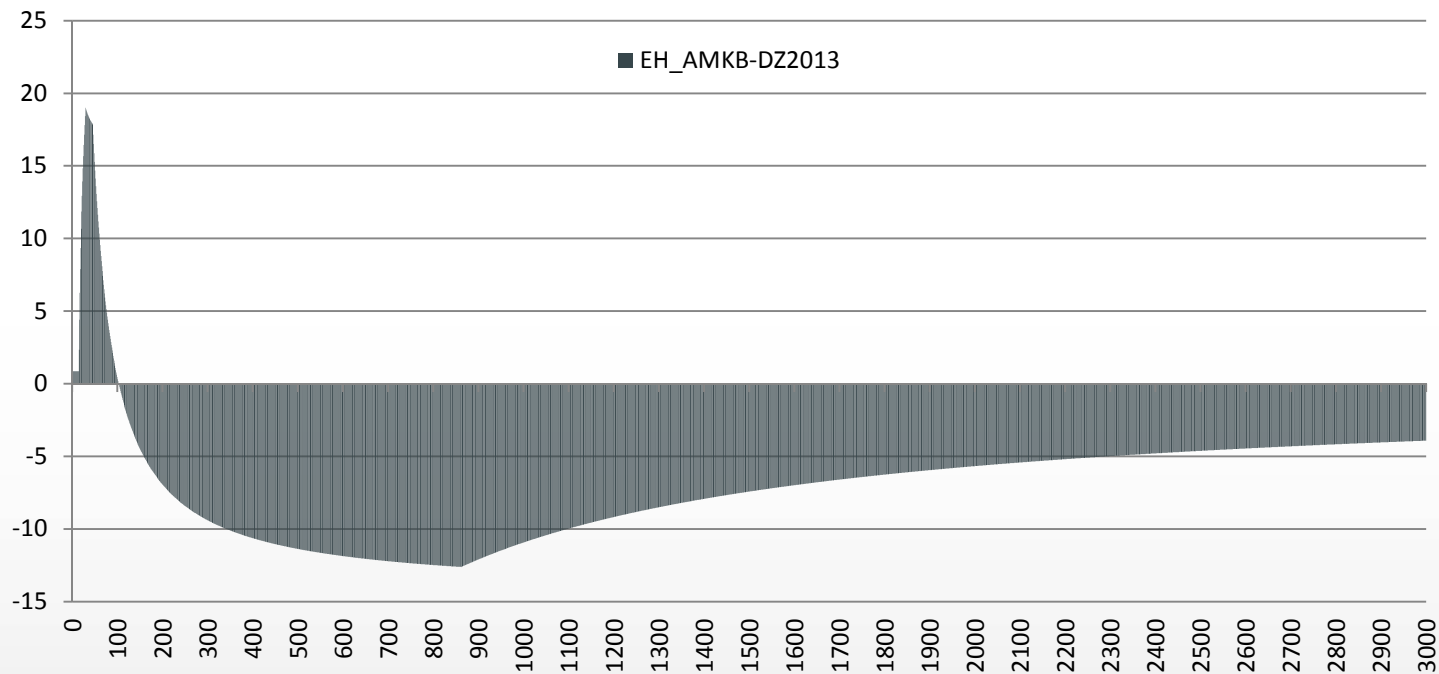
Balance (EUR/ha) Payments 1st hectares % Modulation by Farm Size in ha (Offermann et al)

EH_AMKB-DZ2013



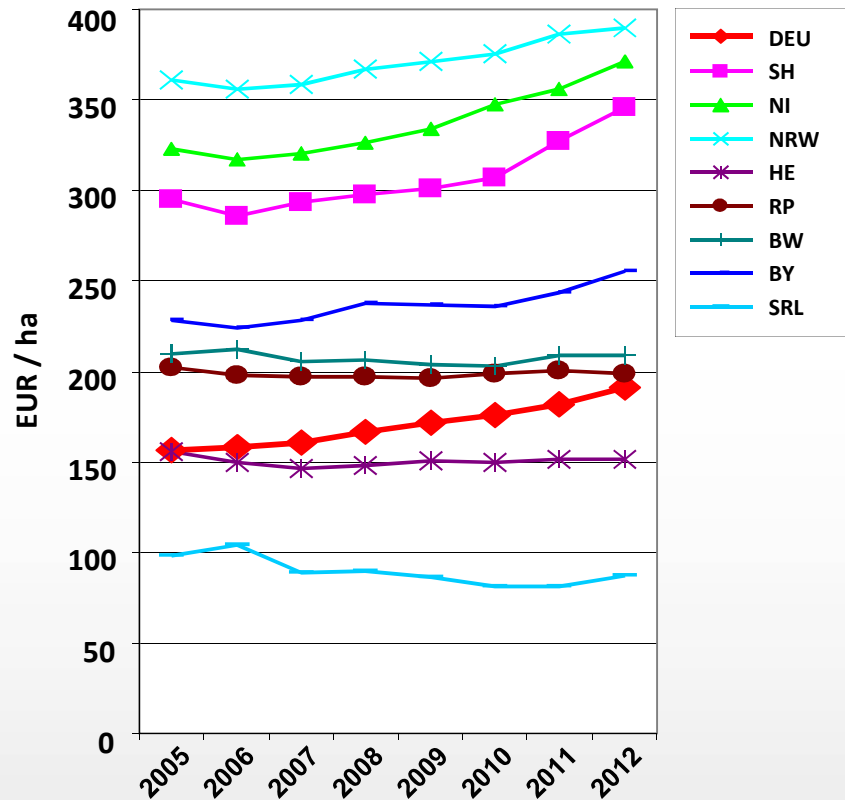
Simulations: Balance (EUR/ha) Payments 1st hectares (-) Modulation by Farm Size in ha

EH_AMKB-DZ2013



Development of land rental prices by Länder

Land rental prices Germany West



Land rental prices Germany East

