



Research Institute of Agricultural Economics

Structural impacts of the new direct payments in Hungary

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The New EU Agricultural Policy – continuation or revolution?

Jachranka, 9-11 December

Outline

- Direct Payments envelope - new CAP 2015-2020
- Decision-making dilemma – combination of mandatory and optional support schemes
- Model – scenarios – results
- Conclusion



Budget 2015-2020



current prices billion EUR

	2015	2015-2020	
Direct payments			
Hungary	1.27	7.62	3 %
EU-28	41.67	252.23	
Rural development			
Hungary	0.49	3.45	3.6 %
EU-28	13.65	95.57	

Source: EC

Comparison



2004-2013:

- SAPS + National direct payments favouring:
 - arable,
 - ruminant,
 - tobacco farmers

	Area eligible 1000 ha	Farmer eligible 1000	Flat rate EUR/ha
2004	4.99	208.5	70.2
2012	4.99	175.6	260

2014-2020: :

- 2014 – transition rules
- 2015 onwards: combination of mandatory and optional schemes

Decision-making dilemma



BPS or SAPS ?

VCS?

SFS?

**Redistributive
payment or
capping ?**

.....?



Several mixes of options

To assess the structural impacts of the new policy option mixes

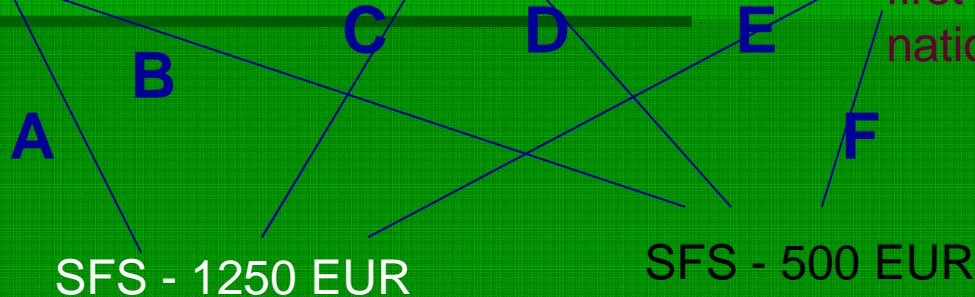
→ agent based model (FADN database)
In the broad sense general equilibrium model

SCENARIOS

Degressivity /
reduction (5%)

Redistributive payment –
first 30 ha (5% of the
national envelope)

Redistributive payment -
first 30 ha (30% of the
national envelope)



Results



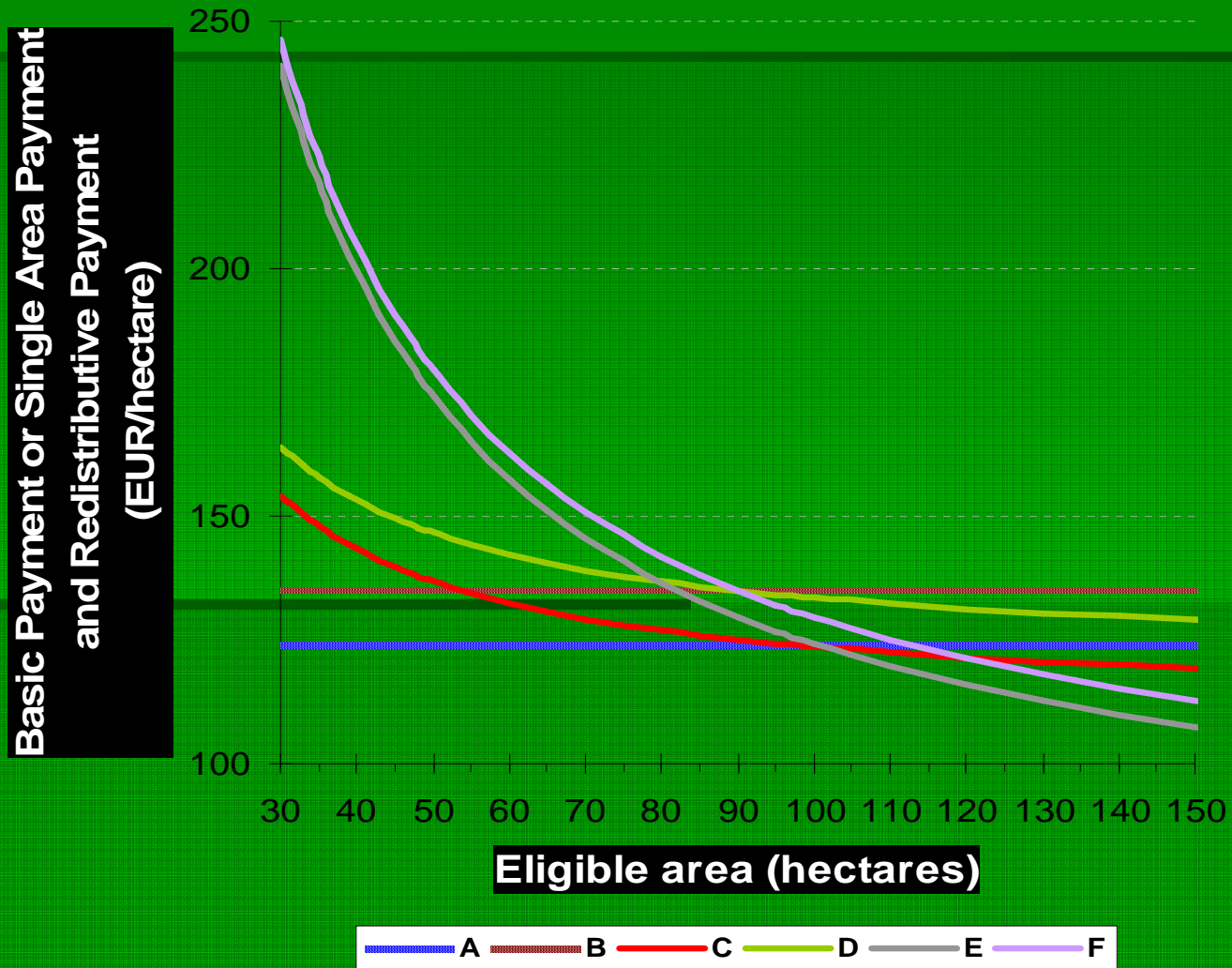
- Redistributive payments
 - 5-20 % of the financial envelope
 - 40-60% of potential claimants
 - 43 or 167 EUR/ha



Degressivity / reduction

- Small Number of farms affected
- Small Amount of DP

The break-even point for benefitting from the redistributive payment



The size of the subsidy for small farmers



Scenario	Financial envelope of the payment scheme %	Potential claimants %	Eligible area used by the potential claimants %
A	5.1	52.7	5.1
B	0.7	25.6	1.3
C	5.4	54.5	5.5
D	0.8	27.6	1.5
E	6.3	59.8	6.9
F	1.1	34.3	2.2

The share of the potential beneficiaries of the Redistributive Payment of the area under vegetables, in dairy production and in the number of other ruminants



	Vegetables area %*	Milk production %	Suckler cows %**	Feeder cattle % **	Ewes %**
C	44.4	7.8	48.1	53.2	55.8
D	43.5	7.1	46.3	52.5	53.5
E	45.0	8.0	48.5	53.5	56.7
F	43.7	7.3	46.9	52.7	54.0

* Percentage of the area eligible for the SAP

** Percentage of the total number of the respective ruminant eligible for any direct payment

Estimated annual percentage changes in the area of the major arable crops – scenarios vs 2013



Scenario	A	B	C	D	E	F
Area						
Wheat	0.4	1.1	0.9	0.8	1.4	1.2
Maize	4.2	5.1	4.7	4.4	5.0	4.6
Barley	-1.7	-2.2	-2.4	-2.0	-2.1	-2.0
Rapeseed	1.8	2.1	2.0	1.9	2.2	2.3
Sunflower	2.1	2.1	2.2	2.0	1.8	2.4



Estimated annual percentage changes in the number of livestock - scenarios vs 2013

Scenario	A	B	C	D	E	F
Livestock numbers						
Broilers	-0.1	0.1	0.1	0.7	1.1	-0.1
Turkey	-0.8	0.1	0.1	0.7	1.1	0.1
Ducks	-0.3	0.1	0.1	0.7	1.1	0.3
Geese	0.4	0.1	0.1	0.7	1.1	-0.2
Slaughter pigs	-0.9	0.1	0.1	0.7	1.1	-0.5
Sows	-1.2	0.1	0.1	0.7	1.1	-0.7
Feeder cattle	-1.0	-0.8	-0.5	-0.7	-0.4	0.1
Dairy cows	-1.2	-1.0	-1.1	-1.6	-1.3	-0.8
Ewes	-0.8	0.1	0.3	0.1	0.1	-0.6

NEGLIGIBLE IMPACT

Conclusion



Ruminants may be preferred by VCS

scenarios would favour arable production

Redistributive Payment would have

no real benefit over the capping

NO significant structural changes in arable production or in livestock farming



**Thank you
for your
attention!**

EUROPEAN ENVIRONMENTAL BUREAU



dy I don't
with it!"

Mauro



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Number of farmers below 30 ha

