



The CAP health check in France: a significant redistribution of payments?

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► To cite this version:

Vincent Chatellier, Herve Guyomard. The CAP health check in France: a significant redistribution of payments?. OCDE workshop, Organisation de Coopération et de Développement Economiques (OCDE). FRA., Mar 2010, Paris, France. 10.1787/9789264097070-13-en . hal-02745408

HAL Id: hal-02745408

<https://hal.inrae.fr/hal-02745408>

Submitted on 3 Jun 2020

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CAP Health Check in France

A significant redistribution of budgetary payments ?

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OECD - Workshop

11 march 2010 - Paris



Plan

Introduction

1- The measures of the CAP Health Check

2- Tools and method of simulations

3- The consequences of the CAP Health Check

Conclusion

Introduction : CAP, a continuous process of reform

■ A decline in guaranteed prices

- Strengthening internal and external competitiveness of european products
- Anticipating tariff cuts
- Encouraging the reduction of export refunds

■ Direct subsidies are granted to farmers

- To offset the economic shock induced by lower producer prices
- First, aids were allocated to factors of production (land and livestock)
- Then, they were decoupled (inclusion in the WTO « green box »)

■ Cross-compliance

- The obligation to comply with standards / guidelines

■ Transfer of direct aids in favour of the 2nd pillar

- By the way of the compulsory modulation

Part 1 :

The measures of the CAP Health Check



The European decisions (CAP Health Check / 20-11-2008)

■ Less market intervention / regulation

- Limitation of intervention (storage, refunds ...) in agricultural markets
- Abandonment of mandatory set-aside
- Confirmation of the abolition of milk quotas in 2015

■ A simplification of how subsidies are granted

- Strengthening the decoupling of direct payments (except suckler cow and ewe)
- Encouraging greater harmony in the amount of the SFP per hectare
- Adaptation of certain rules of conditionality

■ A reorientation of aid towards new challenges

- Climate, water management, biofuels and biodiversity

■ An important place left to the principle of subsidiarity

The Single Farm Payment (SFP) in France

■ Initial french choices as regards to the SFP

- Historical model (aids received in 2000-2002)
- It is not obliged to produce for receiving the payment, but :
- “Maximum coupling”: 100% suckler cow premium and calves slaughter premium; 50% ewe premiums; 40% bovine slaughter premium; 25% cereal and oilseed premiums
- Article 69 was no used

■ Modalities for transferring payment rights between farmers

- It is possible to sell the rights of payments (in each french department)
- A taxation is applied if the transfer is made without land

French application of the CAP Health Check

■ Modulation of direct payment (1st pillar of the CAP)

- A compulsory scheme for all sectors receiving direct aids
- An increase in the modulation rate, from 5% in 2008 to 10% in 2012
- Funds are allocated to new challenges, LFA and *PHAE*

■ Article 68

- An option for all sectors receiving aid
- The french choice: a levy of 5% (10% are authorized by the regulation)
- Funds are allocated to sustainable production and environment

■ Article 63

- An optional disposal which concerns only coupled direct aids
- 760 million € : 630 for cereal and oilseed premiums + 130 animal premiums
- It has justified the use of partial decoupling (25%) of the suckler cow premium
- Funds are allocated: productive grassland, vegetable and fodder surfaces

The french application of the HC : redistribution of funds

New support in favour of breeders

| | |
|-----------------------------|-------------------|
| Aid to productive grassland | 700 millions d'€ |
| PHAE (extensive surface) | 240 millions d'€* |
| Fodder surface | 30 millions d'€ |

Tools for risk management

| | |
|----------------|------------------|
| Insurance | 100 millions d'€ |
| Sanitary funds | 40 millions d'€ |

Consolidate the fragile production

| | |
|-----------------------------------|------------------|
| Sheep and goat | 135 millions d'€ |
| Dairy farms in mountains | 45 millions d'€ |
| Durum wheat in traditionnal areas | 8 millions d'€ |
| Calves | 4,6 millions d'€ |
| Field vegetable | 30 millions d'€ |
| Less favourable areas | 42 millions d'€* |

Support to sustainable productions

| | |
|------------------------------|-------------------|
| Proteaginous | 40 millions d'€ |
| Organic farming | 57 millions d'€ |
| -To maintain organic farm | 50 millions d'€ |
| -To encourage conversion | 7 millions d'€* |
| New environmental challenges | 32 millions d'€** |

Part 2 :

The method to simulate the impacts the CAP Health Check



The method used to simulate the Health check

■ Simulations applied to individual data from the french FADN

- This database is representative of professional farms
- Reference situation : 2007 (but average of 5 years for the income indicator)
- Simulations consider all CAP Health Check measures (ie 2012)

■ Subsidies and income variation

- Without taking into account technical adaptation to the new rules
- Without taking into account productivity gains

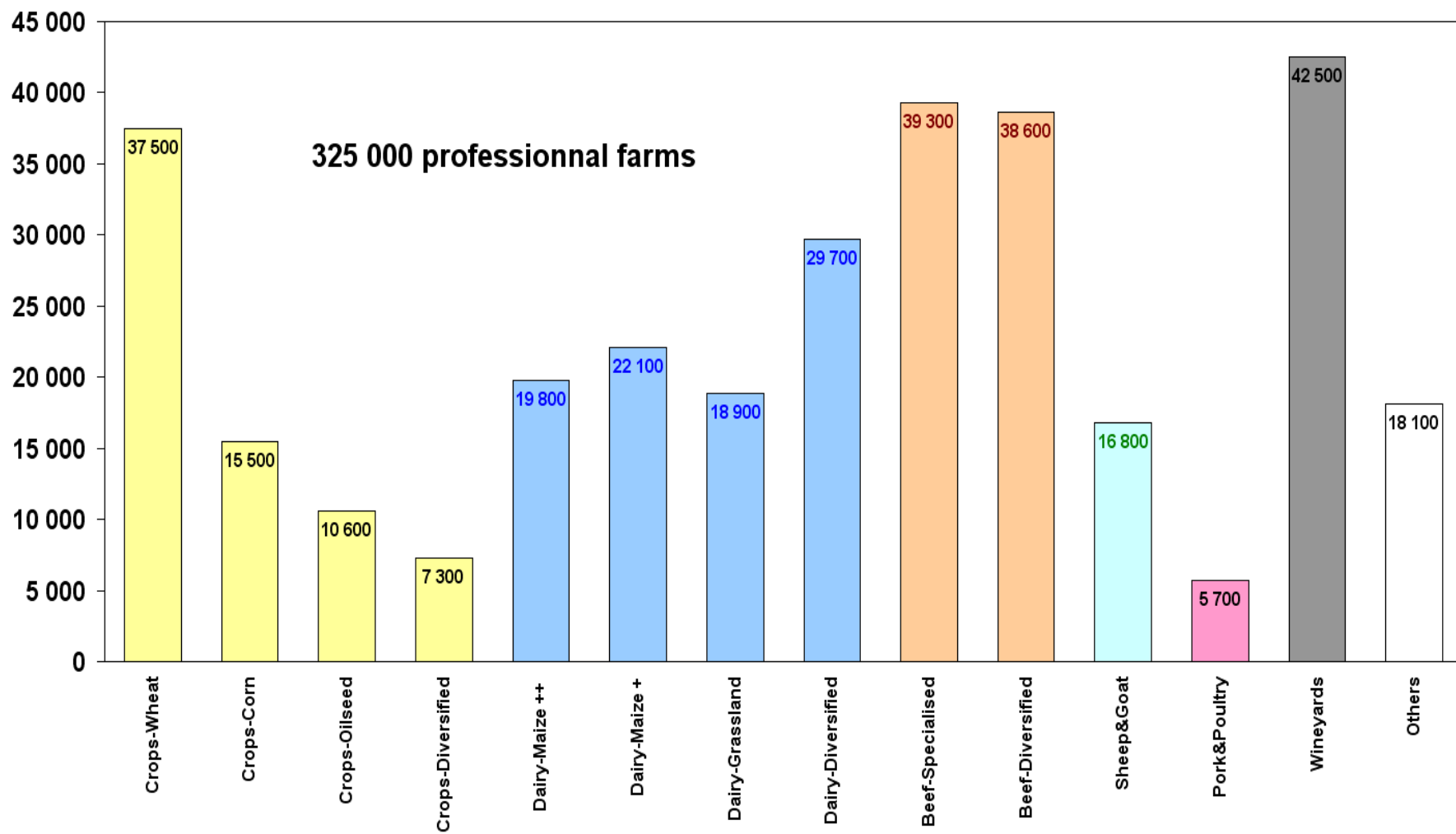
■ Some hypothesis were made to allocate the funds

- Example for organic farming: aid per farm and not per hectare

■ Some collected funds are not redistributed

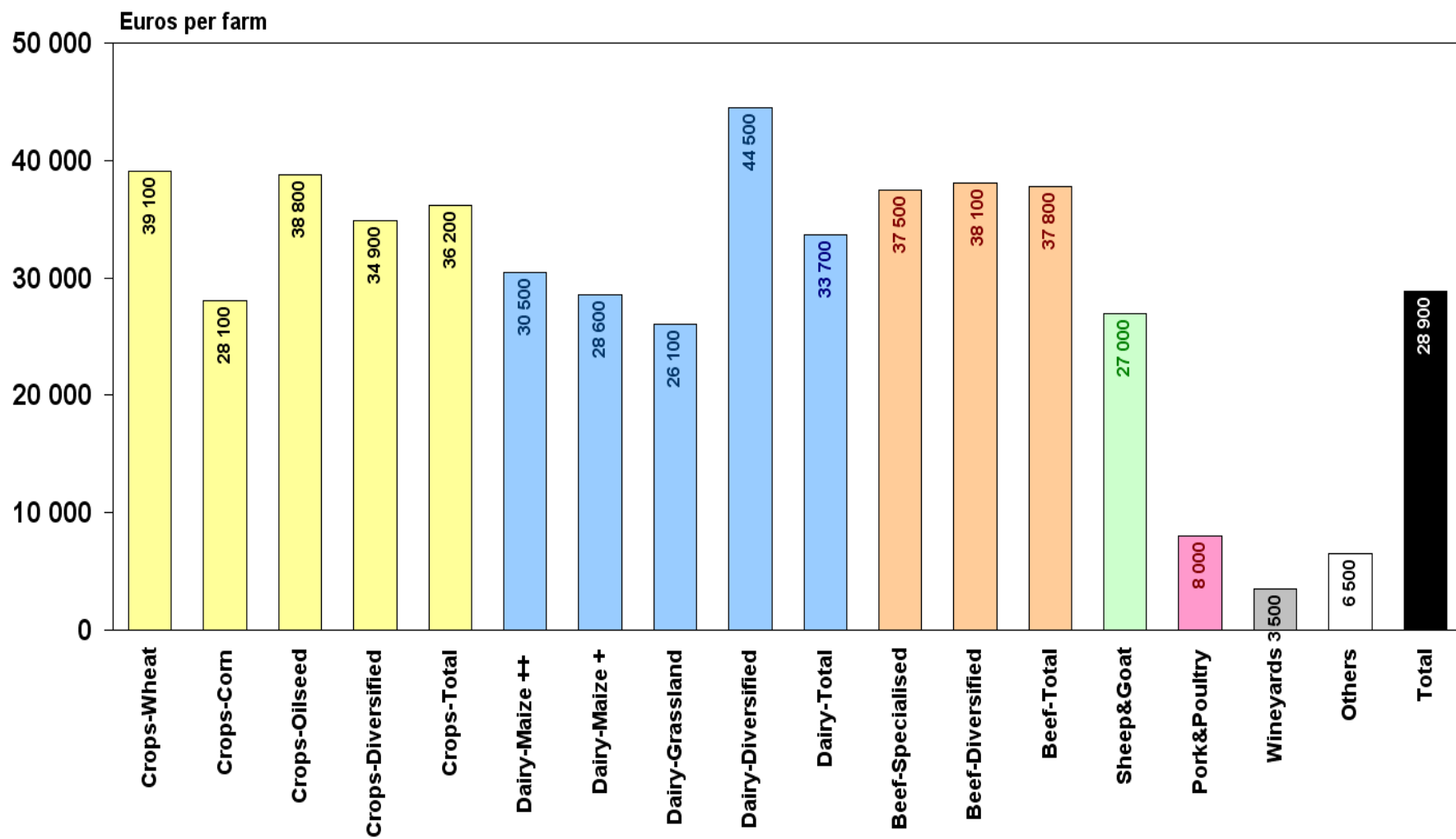
- Insurance : 100 million euros
- Sanitary funds : 40 millions euros
- New challenges : 32 millions euros
- *PHAE* : it is not a new premium

Number of professionnall farms in France

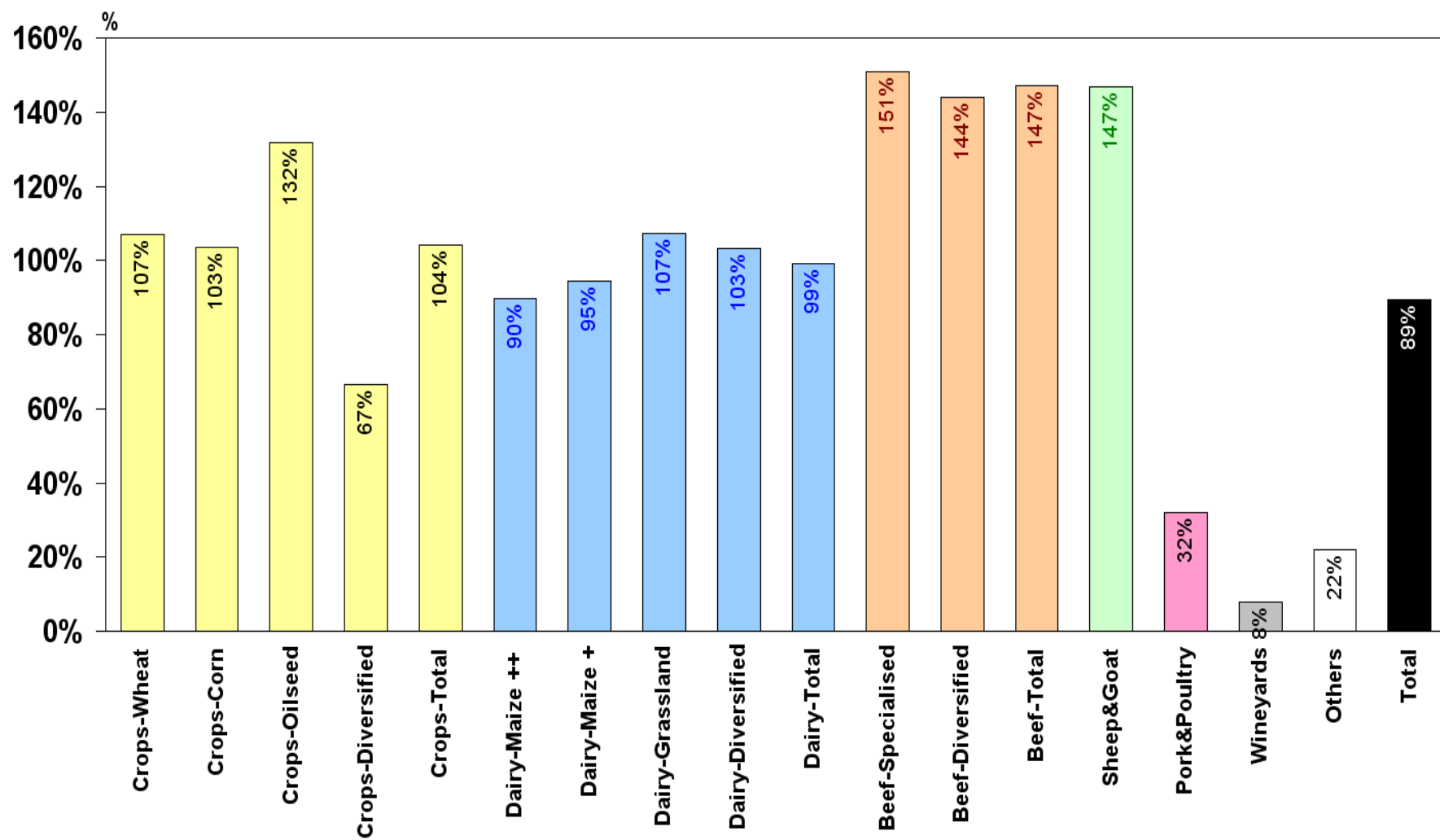


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Total subsidies (pillar 1 and 2) per farm (euros)



Subsidies / Farm Income 2003-2007 (%)



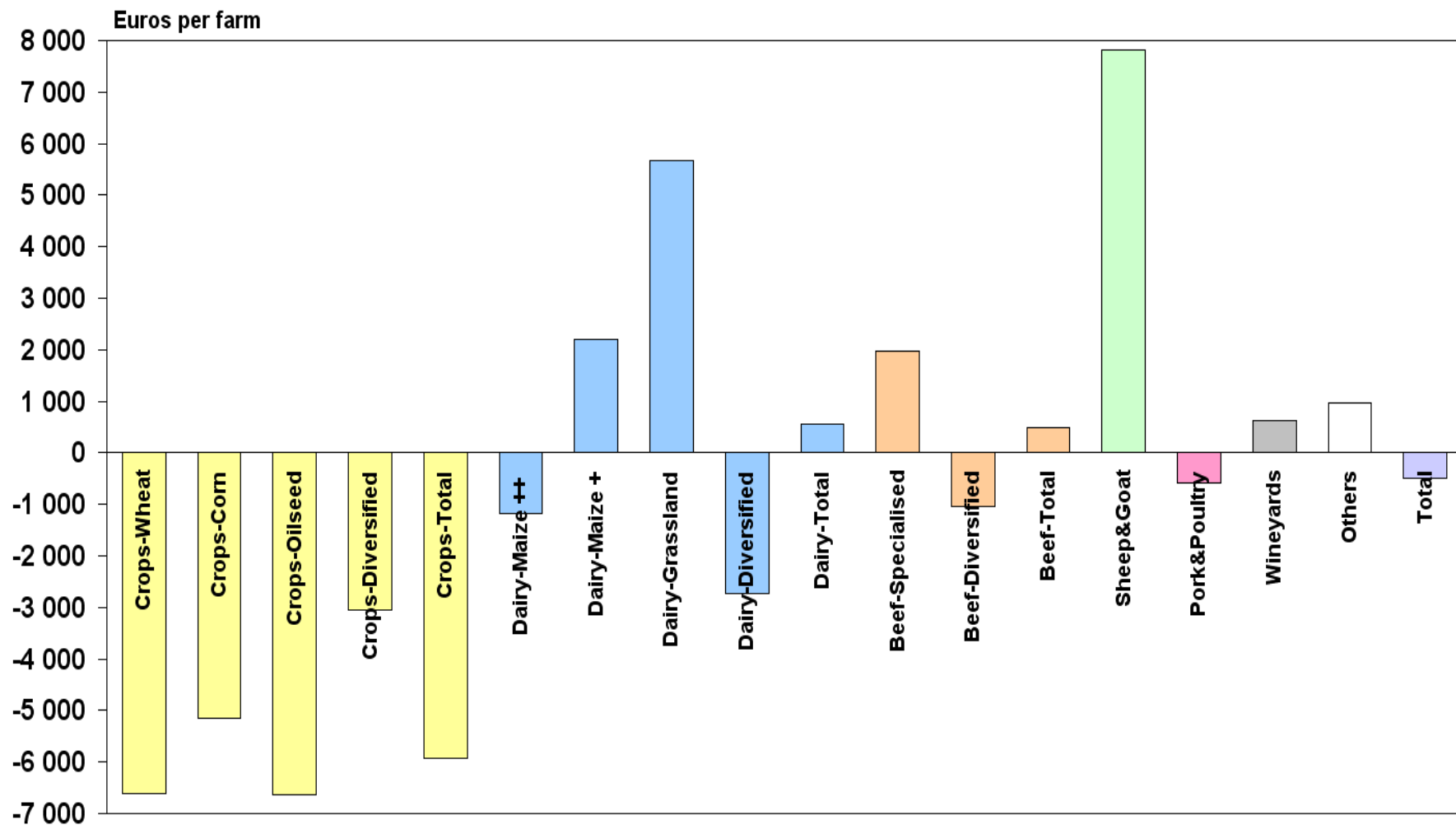
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Part 3 :

The consequences of the CAP Health Check in France

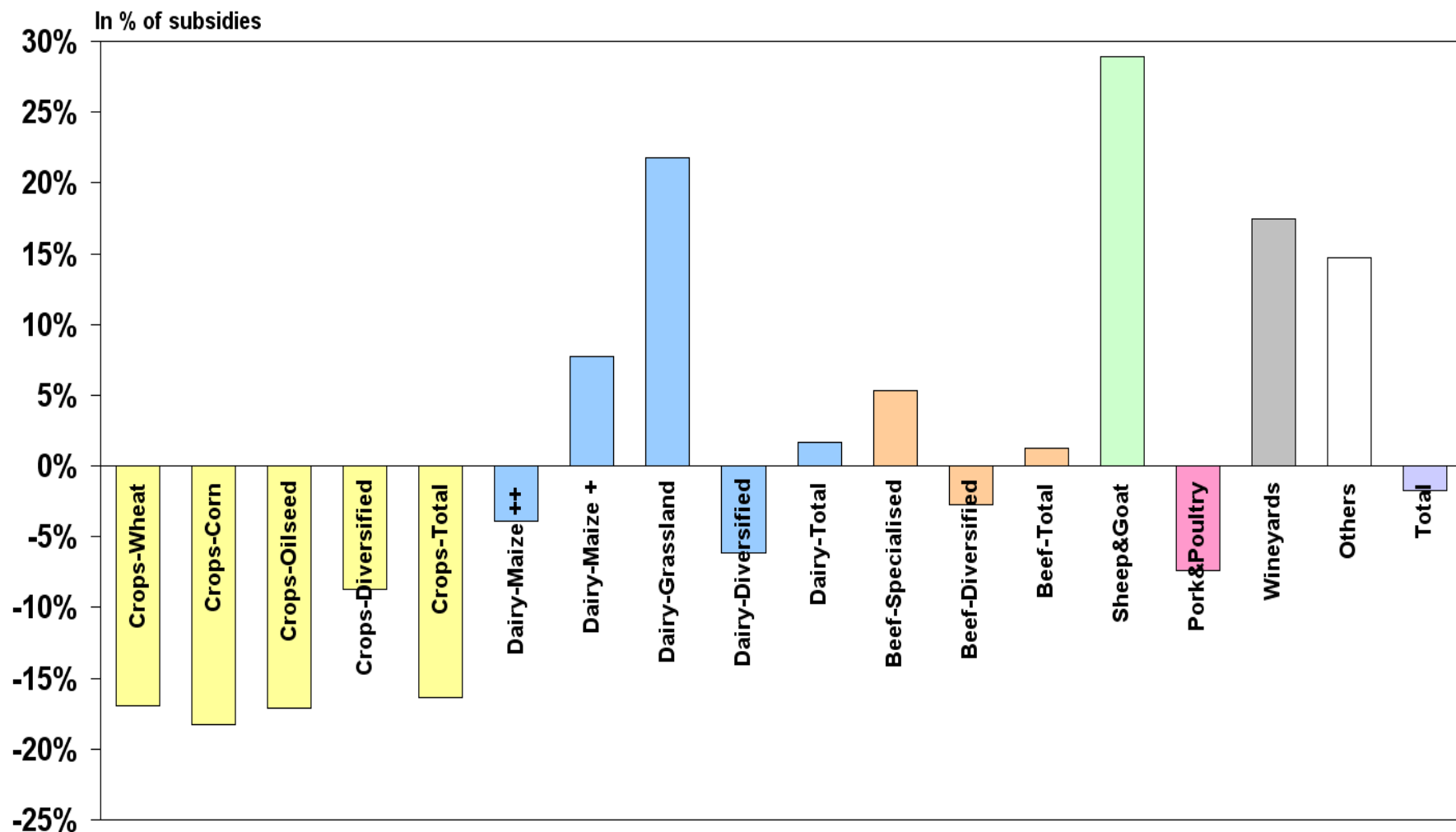


Impact of the CAP HC by types of production (euros per farm)

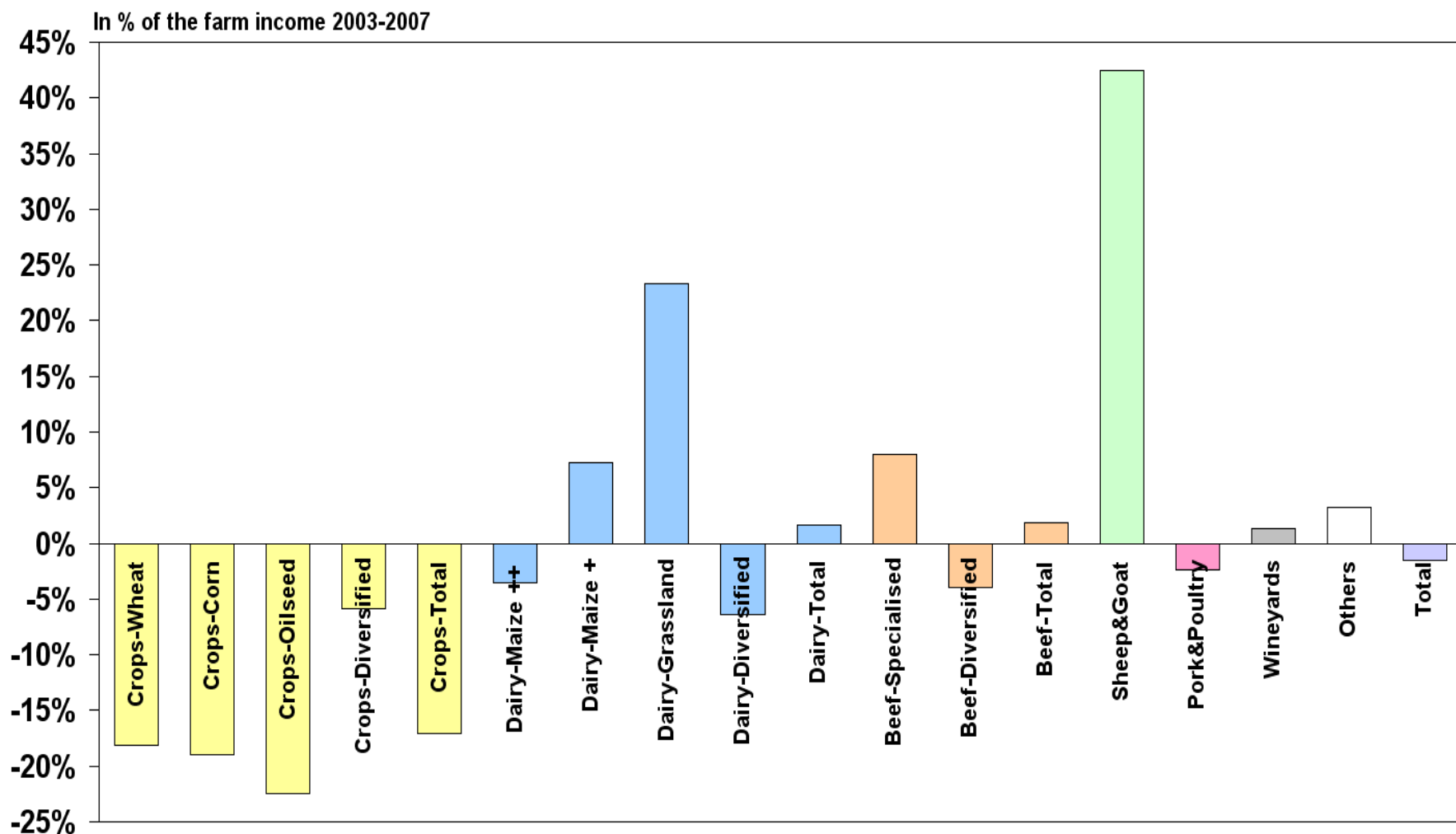


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Impact of the CAP HC by types of production (% of subsidies)

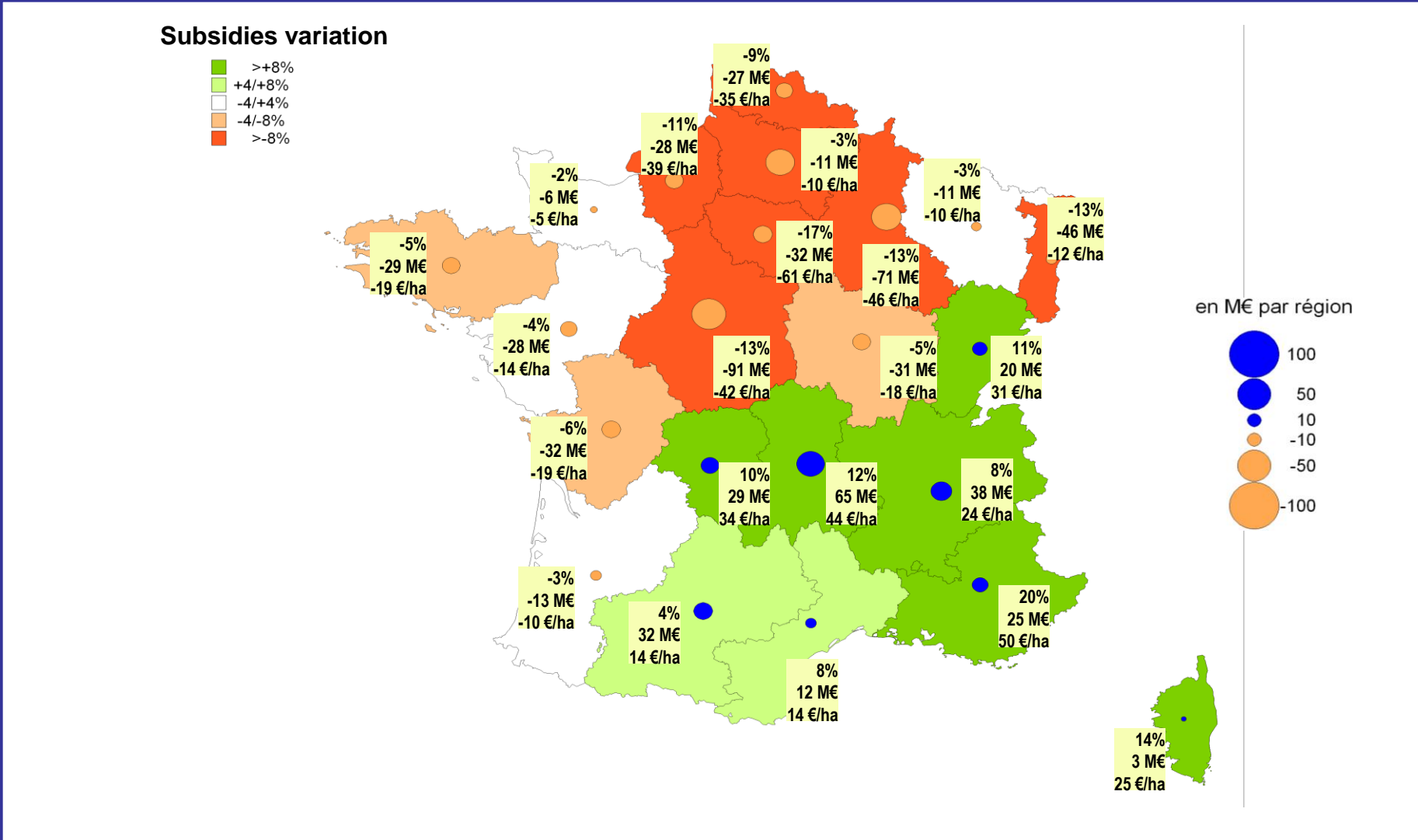


Impact of the CAP HC by types of production (% of income)

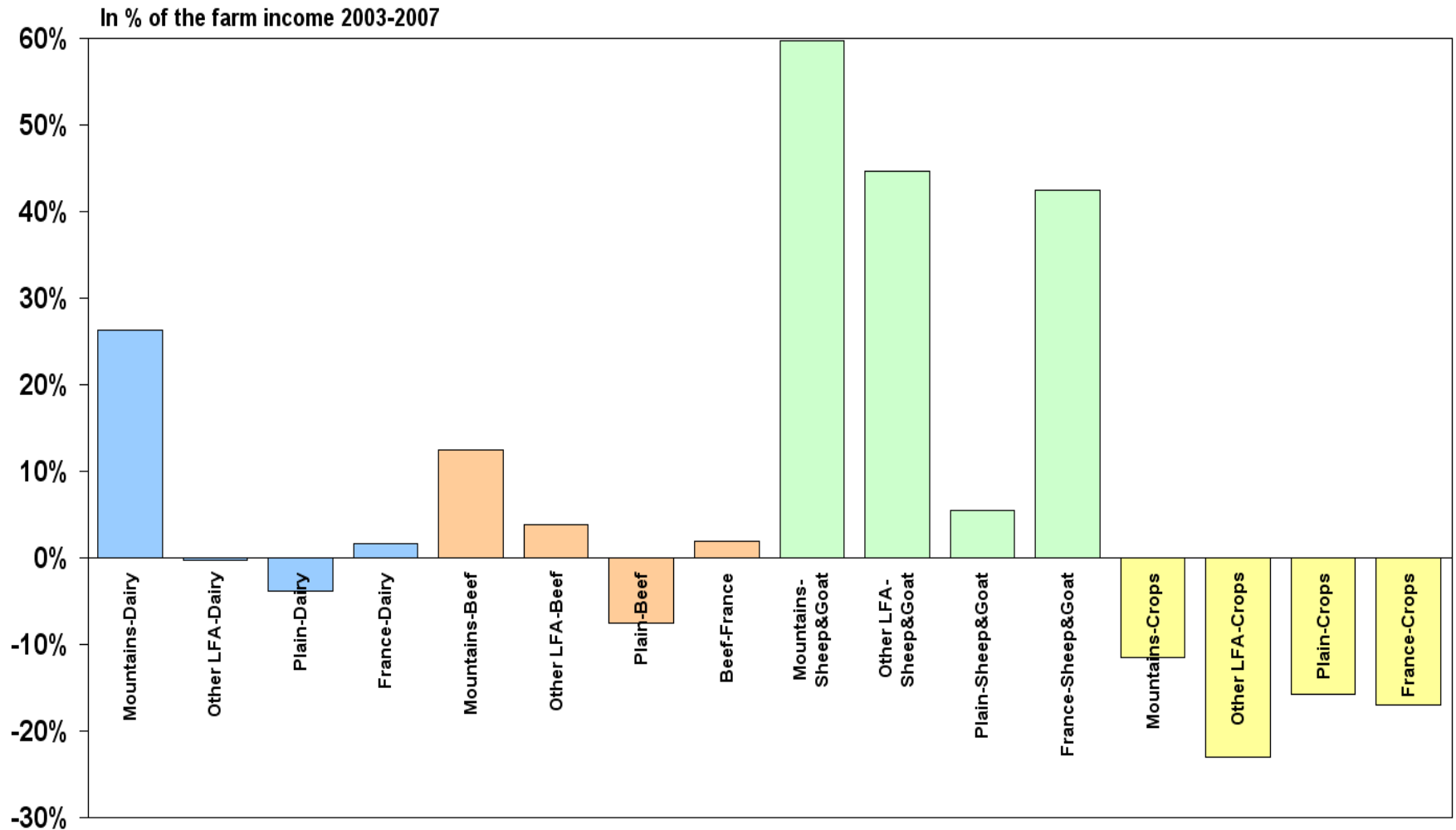


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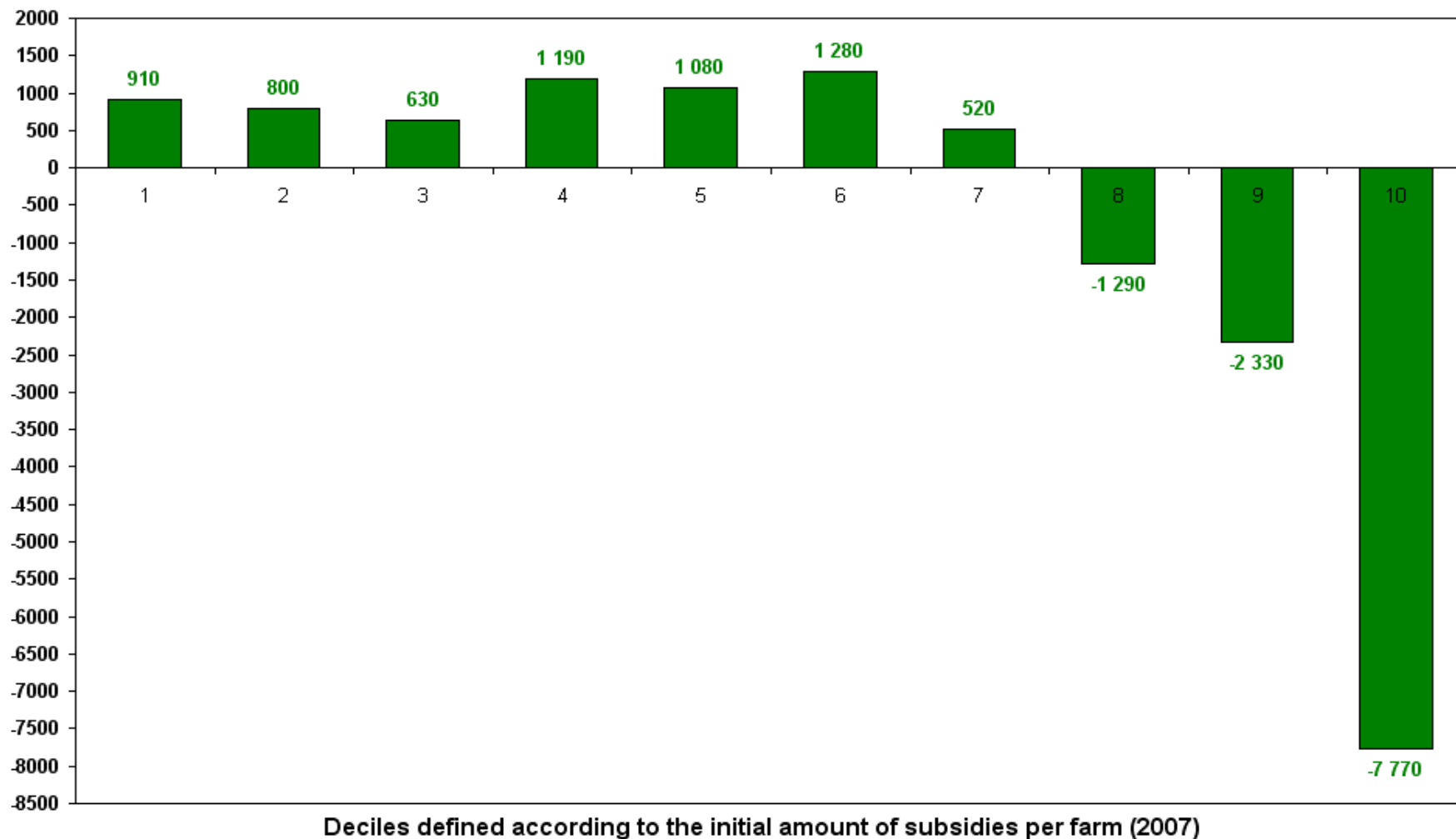
Impact of the CAP Health Check by region (subsidies)



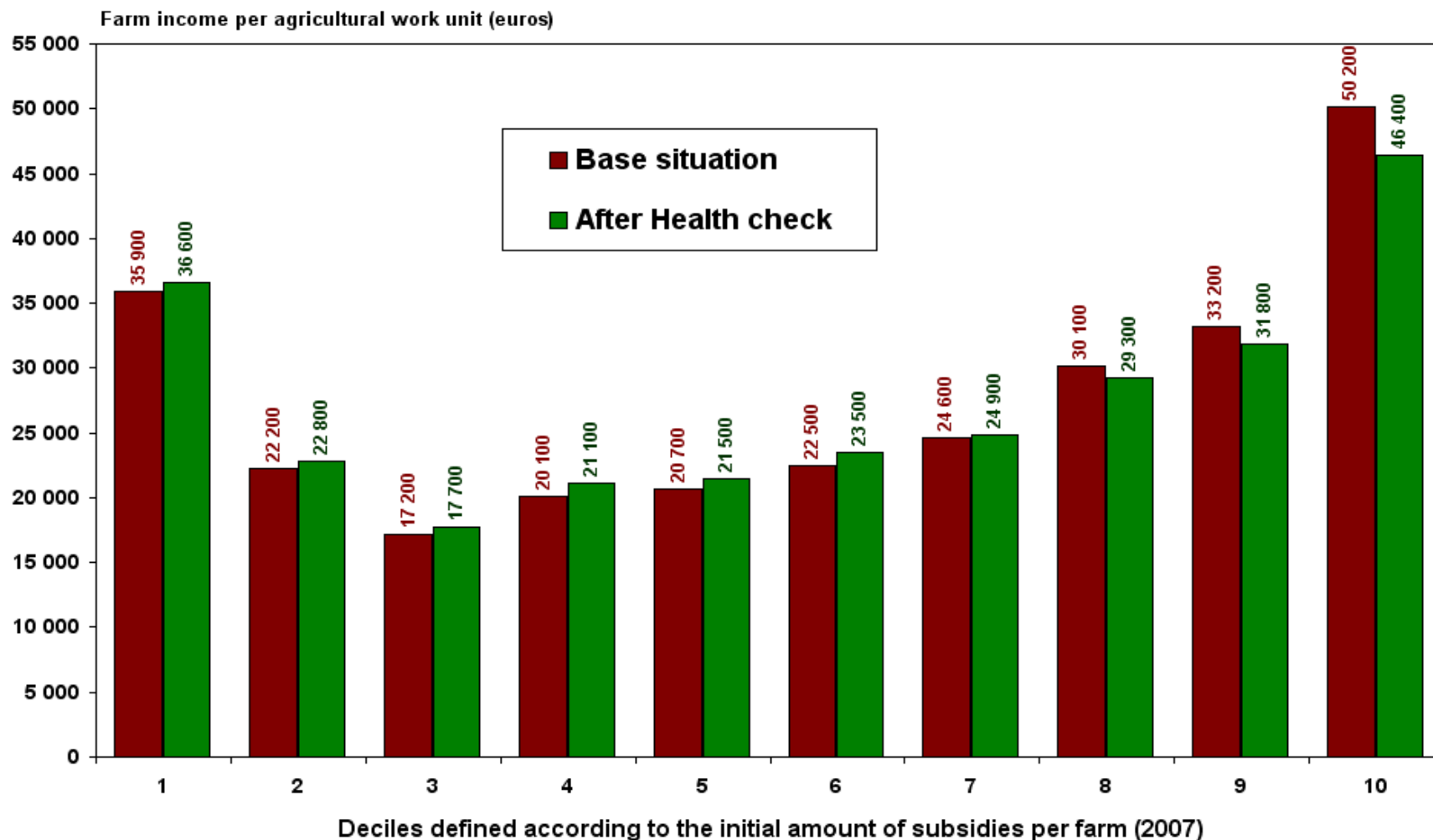
Impact of the HC by type of production and areas (% income)



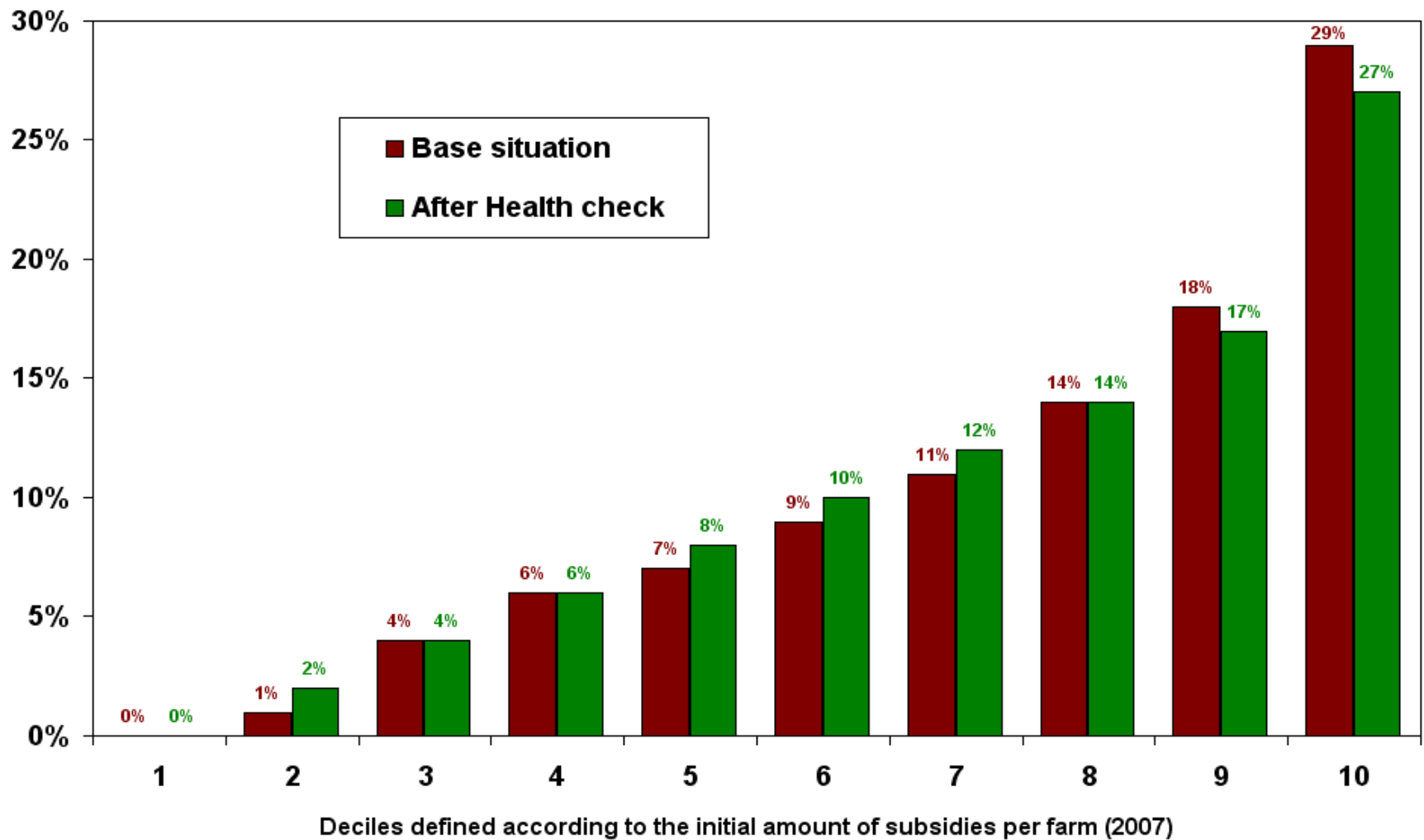
Impact according to decile of direct subsidies per farm (€)



Impact on the farm income per agricultural work unit



Impact on the concentration of subsidies



Some discussions on the french HC reform

■ French decisions aim of achieving multiple objectives

- A redistribution of support between farmers (about 1.3 billion euros)
- A better income for sheep producers and extensive dairy farms
- A gain for grassland systems (and protectors of natural resources)
- Towards greater uniformity in the amount of direct aid per hectare

■ This reform gives more support to the existing “sustainable systems”...but the intensive ones are not encourage to change

- A support to productive grassland (on the basis of existing surfaces)
- A support to organic farming (but mainly for the existing ones)

■ France is not far away from total decoupling, but still the historical model

- Premium for suckler cow: sensibility of areas with cattle+crops
- The new premium for sheep sector should be more connected to productivity

Conclusion



Conclusion

● ■ Is the legitimacy of direct aids strengthened ?

- Direct payments are allocated without taking prices into account
- A shift is necessary (CAP 2013)
 - * Transfer of direct payments to risk management tools (crop insurance ...)
 - * Increase the link between budgetary support and the provision of public goods
- Different levels of support : basic aid per ha + Environment + Natural handicap + safety nets + Insurance

■ CAP 2013 : many questions are raised

- What will be agricultural prices in the future? (aids are independent of prices)
- Will the productivity gains be identical from one system to another?
- Despite increased support, will targeted systems be competitive on the market?
- Do we have to maintain pillar 1 and 2 like they are ?
- Toward a re-nationalization of the CAP?

Thank you for your attention

