

Possible implementation of the payment to young farmers within the first pillar of the Common Agricultural Policy in Wallonia

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Abstract

The new common agricultural policy gives to the member states the possibility to grant young farmers an additional financial support through the first pillar. Several methods of calculation, according to diverse proposals (commission, eu parliament, member states) are presented and their impact on the wallonian budget for direct payments (270 million € in 2020) is assessed, the maximal authorized share being 2%. Based on the situation observed in the 2006-2010 period, the mean and maximum amounts per young farmer in 2020 are calculated, giving the wallonian regional government the information to choose the way to support young farmers.

Introduction

In the European Union, only 7% of the total number of farmers are aged less than 35. To find new settlers in the farm business is more and more difficult. So, in order to prepare the new Common Agricultural Policy for the period 2014-2020, the Commission proposed a new architecture of the direct payments, including three compulsory parts: the green payment (30% of the total national amount for direct payments), the basic payment, and a payment to support young farmers, representing a maximum of 2% of the national amount.

The aim of this paper is to estimate the impact of different methods of calculation of the financial support to young farmers, proposed by the eu commission, the eu parliament or member states, on the share of the wallonian budget for direct payments devoted to support young farmers, and on the mean and maximal support per farm. The number of young farmers in 2020 and the area they manage are foreseen by using the 2006-2010 period as a reference.

The results give information to the public regional authorities about the importance of the financial support to young farmers on the microeconomic and the macroeconomic level in order to enlighten the decision about the calculation method to be decided upon (it could be expected that the higher is the financial support, the most efficient is the measure).

Evolution of the proposals of the Council of Ministers, the Commission and the EU Parliament

According to article 36 of the proposal of the Commission, concerning the direct payments regulation, "the Member States grant an annual payment to young farmers who have the right to get a basic payment". According to the Commission, "young farmers" are physical persons "who settle for the first time in a farm, or who settled during the five-year period preceding the first application for basic payment" and "who were aged less than 40 when they applied".

When moral persons are considered, a payment for "young farmers" can also be granted, if some physical persons members of the moral person are under 40 and according to conditions defined by the Commission.

The EU Parliament suggests that the Member States could determine supplementary criteria, mainly about competence, experience and/or training. This payment "young farmers" is granted per farmer and during a five-year period as a maximum. The period is decreased by the number of years between the settlement and the year of application. Each year, the Member States grant the "young farmers" payment by calculating an amount corresponding to 25% of the mean value of the rights to basic payments owned by the farmer multiplied by the number of rights he effectively used.

According to the Commission, a Member State can grant a maximum of 25 rights "young farmers" per farmer when the mean farm size is lower or equal to 25 ha. When this mean is higher than 25 ha, the Member State can grant a number of rights as high as the mean, as a maximum. For Belgium, the mean size of a farm is 29 ha, and so the maximum number of rights "young farmers" granted per farmer is also 29. However, the opinion of the EU Parliament is that the maximum number of rights fixed by the Member States should be 100.

To finance these payments, the Member States use a share of the national ceiling for direct payments which cannot exceed 2%. The Member States must notify their decision to the Commission before August 1st, 2013. If the 2% are not reached, the difference goes to the national reserve to increase the value of the rights granted to young and new farmers. An additional amount of 2% can be decided by the Member States, based on objective criteria.

Hypotheses and method

The following hypotheses are taken into account:

- the impact "young farmers" is assessed for the year 2020, considering the decisions of the EU Summit about the EU budget, which means a decrease of 11.2% in current prices for the Walloon budget for direct payments :
- there is no coupled payments for suckling cows (20% of the regional ceiling today);
- there is no additional payment for the first hectares;

- the data of the agricultural census from 2006 to 2010 are used to estimate the number of young farmers, their age and the area of their farms;
- each young farmer is granted as many rights as the number of hectares he has, their value being equal to the regional mean (the Walloon mean value of the basic payment is 247€).

As the total maximal amount for direct payments in wallonia is expected to reach a little bit more than 270 million € in 2020, the maximal amount, the maximal amount spent to support young farmers could reach 5,403,243 € (2% of the regional envelope for direct payments).

Many formulas to calculate the support for young farmers have been proposed by the eu commission, the eu parliament, the member states, ...several of them have been chosen and their impact calculated on the farm level and on the regional level. so, by choosing the way to calculate the support, the walloon authorities determine ipso facto the importance of the support.

Reference situation

As abovementioned, the period of reference is 2006-2010

The figures regarding young settlers in agriculture appear in table 1.

Table 1. Characteristics of new young farmers in 2010

Year of settlement	Maximum age	Number of farmers less than 40 in 2010	Agricultural area (ha)	Mean agricultural area (ha)
2006	35	89	3,615	41
2007	36	116	5,564	48
2008	37	115	5,482	48
2009	38	72	3,740	52
2010	39	84	4,149	49
Total		476	22,550	47

Scenarios

5.1. Method proposed by the EU Commission

Each young farmer receives 25% of the mean value of his basic payment rights, or 62€ in Wallonia, multiplied by a maximum of:

- Option A: 25 ha (proposal of the Commission) ;
- Option B: 29 ha (Belgian mean farm size according to the Commission) ;
- Option C: 47.4 ha (mean for Walloon young farmers) ;
- Option D: 100 ha (proposal of the EU Parliament).

The results are presented in table 2.

Table 2. Impact of the implementation of the "young farmers" payments, according to the method proposed by the Commission

	Option A	Option B	Option C	Option D
Value of the payment (€/ha)	62	62	62	62
Ceiling (ha)	25	29	47.4	100
Maximum amount (€/farm)	1,543	1,790	2,924	6,173
Mean amount (€/farm)	1,194	1,349	1,933	2,714
Total regional amount(€)	568,325	641,905	920,309	1,292,740
Share of the payment "young farmers" in the ceiling for direct payments	0.21%	0.24%	0.34%	0.48%

5.2. Method proposed by the Walloon Region

Three possibilities are examined here:

- Option E: each young farmer receives 25% of the mean value of his basic payment rights (25% of 247 = 62€) on his total area ;
- Option F: the total budget devoted to young farmers in the first pillar (2% of the total amount of direct payments) is entirely used. In 2020, the budget represents 5,403,243 €, the concerned area reaching 22,550 ha. In such a case, the value of the "young farmers payment" reaches 240 € ;
- Option G: each young farmer receives 150 € for each ha of his agricultural area.

According to these options, the amount of the "young farmers" payments would represent 0.52% of the total amount of direct payments for Option E, 2% for Option F and 1.25% for Option G.

The results are shown in table 3.

Table 3. Impact of the implementation of the "young farmers" payments, according to the method proposed by the Walloon Region

	Option E	Option F	Option G
Value of the payment €/ha)	62	240	150
Maximum amount (€/farm)	25,095	97,514	60,984
Mean amount (€/farm)	2,924	11,351	7,106
Total regional amount (€)	1,391,940	5,403,243	3,382,550
Share of the payment "young farmers" in the ceiling for direct payments	0.52%	2.00%	1.25%

5.3. Method proposed by Luxembourg

According to this method, the amount granted to the young farmers does not depend on their agricultural area :

- Option H: each young farmer receives 25% of the value of the basic payment right (25% of 247 € = 62 € in Wallonia), multiplied by 47.4 ha (the mean area of the farms managed by young farmers), so 2,924 € per farm ;
- Option I: each young farmer receives 50% of the value of the basic payment right (50% of 247 = 123 €), multiplied by 47.4 ha (the mean area of the farms managed by young farmers), so 5,848 € per farm ;
- Option J: each young farmer receives the total amount of "young farmers" payments divided by the number of young farmers, so 5,403,243 divided by 476 equals 11,351 € per farm.

The results are summarised in table 4.

Table 4. Impact of the implementation of the "young farmers" payments, according to the method proposed by Luxembourg

	Option H	Option I	Option J
Amount per farm (€)	2,924	5,848	11,351
Amount per ha (€)	62	123	240
Total regional amount (€)	1,391,940	2,783,881	5,403,243
Share of the payments "young farmers" in the ceiling for direct payments	0.52%	1.03%	2.00%

Conclusions

The different methods used to calculate the financial support to young farmers through the first pillar of the cap generally lead to a rather low level of support per ha and per farm. so, if these methods are chosen, it is doubtful that the granted support would be really efficient to encourage young people to take over a farm, as the total investment is very high. if the regional authorities would like to have a real impact on new settlers in agriculture, the only way is to decide to grant the maximum amount which is authorized, 2% of the regional envelope for direct payments. as the potential number of young farmers who could benefit from the measure is small, the financial support per farm could become significant enough to make their decision to take over a farm or not.

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