

Impact of the new Common Agricultural Policy (2015-2020) on the value of direct payments and on farmers' income in Wallonia (South of Belgium)

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Abstract

A new Common Agricultural Policy was defined in 2013, with a new structure for direct payment. In Wallonia, the government implemented the following scheme: 30% for the green payment, 29.9% for the basic payment, 17% for the additional payment for the first 30 ha, 1.8% for young farmers and 21.3% for couple payments. Due to convergence, the mean support through direct payments will decline from 21,900 € in 2014 to 19,283 € in 2019. The number of losers will be equivalent to the number of gainers. Regions where cereals and sugar beet are produced will lose the most, where the region suitable for cattle raising will gain somewhat. There will be a better distribution of direct payments among farmers: the Gini index will decline from 0.55 to 0.49. The highest negative impact on income will occur for the specialties "green crops", "crops and dairy cattle" and "crops and non-dairy cattle": the least negative impact will be observed within the specialties "dairy cattle", "meat cattle" and "dairy and meat cattle". The reform will be more profitable for the farms from 30 to 50 ha and will mainly impact the largest farms.

Finally, the CAP reform implemented in Wallonia guarantees a smooth evolution to 2020.

Keywords: Common Agricultural Policy, Wallonia, farm income.

1. Introduction

A new Common Agricultural Policy was defined in 2013 after several years of negotiations between the EU Commission, the Member States, the EU Parliament and the Council of Ministers (Burny and Gazinski, 2015). The EU Regulation No. 1307/2013 deals with the new architecture of the direct payments granted to farmers, giving the Member States or their regions several choices according to their own conditions and priorities. The Walloon Region (Belgium) finally defined its own policy which is described below. This policy is supposed to have as less and as slow consequences as possible in order to avoid too important losses for some farmers. However, it will have impacts on the value of direct payments and on farmers' income. These impacts were calculated based on the available data before making the final choice of the new rules to be implemented in the Walloon Region, and are presented below.

2. New architecture of the direct payments in the Walloon Region

The new architecture of direct payments in Wallonia is illustrated in Figure 1.

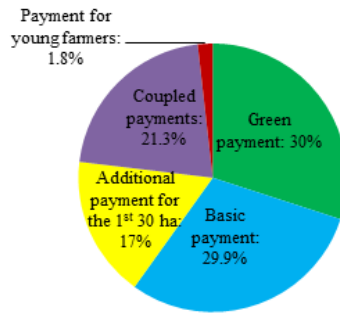


Figure 1 New architecture of direct payments in Wallonia (%) (2015-2020)

As it is compulsory for each Member State/Region, the “green payment” represents 30% of the total envelope for direct payments (Burny, 2014). This payment is submitted to conditions in favour of the environment (crop rotation, maintenance of permanent pastures, areas with specific environmental purposes). The specific payment for young farmers has been decided to reach 1.8% of the total amount of direct payments, according to the expected number of young settlers (Burny and Terrones Gavira, 2013). The maximum allowed by the EU regulation is 2%.

A characteristic of the Walloon Region is its high level of payments which are still coupled: 21.3% of direct payments, including 18.8% for suckling cows, 1.2% for dairy cows, 1.1% for double-end cows and 0.2% for ewes. This share of coupled payments is largely above the figures mentioned in the EU regulation. However, the Walloon government used the possibility offered to negotiate a higher share, justified by the economic importance of the bovine meat sector.

Among the options proposed to the Member States/Regions, the Walloon Region also decided to devote 17% of the available amount for direct payments to grant an additional payment for the first 30 ha of each farm. So doing, the remaining share of the so-called “basic payment” reaches only 29.9%.

3. Evolution of the total envelope for direct payments in Wallonia

As Belgium in one of the Member States where the payments per hectare were among the highest, it has to contribute to the principle of the convergence among the EU Member States. So, the total amount for direct payments will decline for Belgium and for its regions (Wallonia, Flanders and Brussels) between 2013 and 2020 (Table 1).

Table 1 Budget of the 1st pillar of the CAP for Belgium and Wallonia from 2013 to 2020

	2013	2014	2015	2016	2017	2018	2019	2020
Belgium								
Budget (000 €)	568,980	544,047	536,076	528,124	520,170	512,718	505,266	505,266
Annual variation (%)	-	-4.4 %	-1.5 %	-1.5 %	-1.5 %	-1.4 %	-1.5 %	-
Wallonia								
Budget (000 €)	306,680	291,990	287,712	283,444	279,175	275,176	271,176	271,176

Annual variation - (%)	-4.8 %	-1.5 %	-1.5 %	-1.5 %	-1.4 %	-1.5 %	-
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Not taking into account the possible inflation rate, the decline for the Walloon Region will reach 11.6%. If the number of farms remains the same (static model), the mean financial support per farm would decline from 21,900 € in 2014 to 19,283 € in 2019.

4. Positive and negative Impacts of the new architecture of direct payments on the support received by farmers from the first pillar of the CAP

According to the available data and if the agricultural area and the number of farms remain equal through the period 2014-2019, it appears that 42% of the framers will lose a significant amount of money through direct payments while 44% will be significant gainers. These results are also a consequence of the principle of convergence within each Member State/region. For 14% of the farmers, the change, positive or negative, will be smaller than 5% compared to 2014, and so it can be considered as a status quo (Table 2). Losses are significant (more than 20%) for around 18% of Walloon farmers, while gains are significant for 31% of farmers.

Looking into more details, it appears that the regions (like the silty agricultural region) where cereals and sugar beet are produced will lose the most, while the regions suitable for cattle breeding (like Ardenne) will gain. For the specialties “general crops”, “crops and dairy cattle”, and “crops and non-dairy cattle”, the negative impact on the farmers’ income will be the highest, contrary to the specialties “dairy cattle”, “meat cattle” and “double-end cattle”. Concerning the size of the farms, the new CAP will be more profitable for the middle-sized farms from 30 to 50 ha and will mainly impact negatively the largest farms.

Table 2 Losers and gainers between 2014 and 2019

	% of Walloon farmers
LOSSES	
50 % and more	0
From 30 to 50 %	6
From 20 to 30 %	12
From 10 to 20 %	16
From 5 to 10 %	8
TOTAL	42
STATU QUO (from - 5 % to 5 %)	14
GAINS	
From 5 to 10 %	5
From 10 to 20 %	8
From 20 to 30 %	5
From 30 to 50 %	6
50 % and more	20
TOTAL	44

5. Distribution of financial support among farmers

Though the situation is improved compared to the previous one, it is still obvious that the financial support to farmers continues to be linked to the size of the farm (Figure 2). Globally, the larger is the farm, the bigger is the financial support. Nevertheless, it appears that in 2019 (in red), the dispersion of the points is less important than in 2014 (in blue), showing less disparity among farmers.

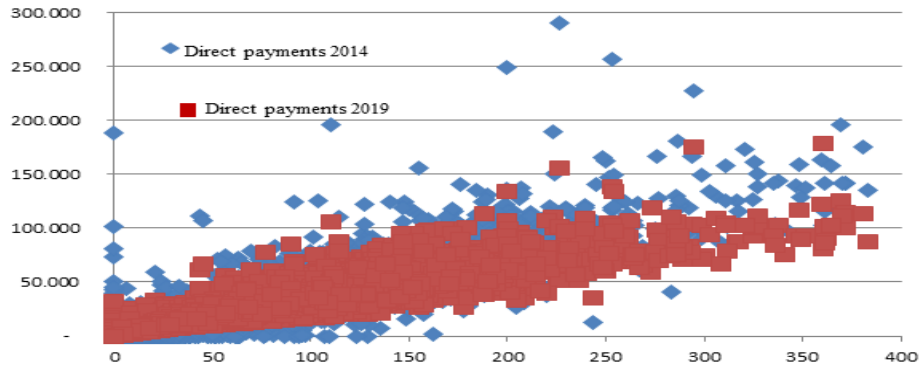


Figure 2 Financial support from the first pillar of the CAP according to the area of the farms in Wallonia (€/farm)

Effectively, in 2019, 50% of the direct payments will be granted to 20% of the farmers, against 18% in 2014. The Gini index (Worldbank, 2015), as a measure of inequality, can vary between 0, which reflects complete equality and 1, which indicates complete inequality (if one farmer gets all the direct payments, all others have none and the index is equal to 1; if each farmer receives the same support, the index is equal to 0) will decline from 0.55 to 0.49 (Terrones Gavira et al., 2015). The situation is illustrated in Figure 3.

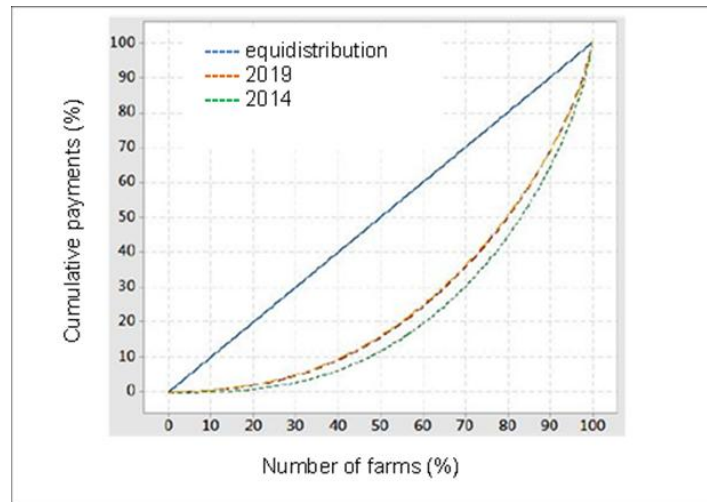


Figure 3 Distribution of direct payments among farms (Gini index)

6. Conclusions

The implementation of the new Common Agricultural Policy (CAP) is a complex process. In the Walloon Region, it was sought since the beginning to get the smoothest evolution as possible, mainly

avoiding too big and brutal losses for some farmers, who could be forced to give up farming. Though the Walloon Region will get less financial support from the CAP budget, notably for direct payments, it seems that the results of the new CAP are finally politically acceptable. Smaller and younger farmers will get more support while the losses for largest farmers will be limited.

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