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PAWEŁ BRYŁA
University of Lodz
Łódź

AFTER-EFFECTS OF DIRECT PAYMENTS DECOUPLING FROM THE PRODUCTION (RESULTS OF MODEL FRENCH RESEARCH)*

Abstract

The paper aims at identifying the arguments used by the French government, trade unions and agricultural policy experts in the ongoing debate on the future of the direct payments system in the European Union. The trend towards further decoupling of direct payments seems inevitable and generally beneficial, but France remains rather reluctant. It emphasizes the problems related to land abandoning in certain regions and lower production in certain branches.

The paper presents recent results of simulations concerning various decoupling scenarios, elaborated by leading French research institutes in the field of agricultural economics. Furthermore, the issue of capping direct payments is discussed. Finally, the strategic guidelines of the President of the Republic of France regarding the future of the Common Agricultural Policy are quoted.

Introduction

In the context of the ongoing debate on the future of the Common Agricultural Policy (CAP) different concepts for the forms of support for European farmers appeared. Making the amount of direct payments more independent from the production profile will, most probably, be one of the pillars of the inevitable reform. This direction is by all means beneficial (from the perspective of economic theory, system transparency and justice, expectations of EU trade partners and Polish national interests), some "old" Member States remain reluctant, however. The debate also concerns the possible application of maximum and/or minimum lim-

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its on direct payments. The following study tries to identify the position of one of the most prominent actors in the debate – France. It will present the arguments used by the French government, trade unions and agricultural policy experts. Moreover, the paper demonstrates selected results of various CAP reform scenarios, elaborated on the basis of simulations carried out by leading French research institutes in the field of agricultural economics.

Amount of State aid

In 2006 in France the budgetary support for agriculture and rural areas amounted to EUR 13.5 billion (Table 1), of which EUR 10.8 billion allocated to agricultural incomes support (financed from the EU budget in 91%), EUR 2.3 billion paid for rural development instruments (financed from the EU in 53%), EUR 0.4 billion spent on ensuring sanitary safety of animals and plants (93% of this expenditure was incurred by the Republic of France).

Table 1

State aid to French agriculture in 2006 (EUR million)

Type of aid	Amount of aid		
	EU budget	National budget	Total
Agriculture and rural areas including:	11,055.4	2,492.2	13,547.6
agricultural markets and incomes	9,779.5	1,025.3	10,804.8
- market regulation	830.0	213.1	1,043.1
- direct payments concerning production	2,920.0	306.6	3,226.6
- subsidies to dairy cows (PMTVA)	857.2	222.3	1,080.5
- subsidies to male bovine animals (PSBM)	298.2	0.0	298.2
- subsidies to slaughter (PAB)	341.1	0.0	341.1
- subsidies to sheep and goats (PBC)	77.4	0.0	77.4
- compensation per COP hectare*	1,052.4	0.0	1,052.4
- direct aid for milk	5.5	0.0	5.5
- other forms of aid concerning production	288.3	83.3	371.5
- single payments (DPU)	5,644.7	0.0	5,644.7
- supply management	165.8	14.4	180.1
- branches organisation and modernisation	136.3	49.1	185.4
- products promotion and quality	6.7	69.9	76.5
- food aid	69.5	17.9	87.4
- risk management and burden reduction	6.6	354.4	361.0
rural areas development	1,246.6	1,094.3	2,340.9
- installations and pollution control	156.1	308.3	464.4
- cessation of agricultural activity	10.9	69.6	80.5
- compensation for natural handicaps (ICHN, etc.)	261.8	254.7	516.4
- agri-environmental measures (PHAE, CTE/CAD)	341.6	234.7	576.3
- spatial development and landscape protection	366.3	42.1	408.4
- processing of agricultural products	109.9	34.6	144.4
- activities involving horses	0.0	150.5	150.5
sanitary safety	29.3	372.6	401.9

* COP – cereals, oilseeds and protein.

Source: Author's own compilation based on [3, p. 21].

In 2006 the French transfers from the European Agricultural Guidance and Guarantee Fund (EAGGF) Guarantee Section amounted to EUR 10,044.6 million while from the Guidance Section – EUR 143.0 million. Moreover, in 2006 there were also transfers from the national budget – EUR 2,405 million. Support from the national budget in the past 10 years was higher, with the exception of 2004. The structure of transfers from the EAGGF Guarantee Section in France in 2005 was: direct payments – 77.32%, export refunds – 5.26%, storage aid – 1.55%, rural development – 8.63%, other – 7.24% [12, p. 5]. France is the largest beneficiary of the EAGGF Guarantee Section and the four largest beneficiary of the support from the EAGGF Guidance Section (because of the small share of regions of Objective 1).

In 2005 the average State aid per agricultural holding in France amounted to ca. EUR 27.4 thousand. It was the highest in the sector of large crops (cereals, oilseeds, protein – EUR 43.1 thousand). High level of State aid was also granted to beef producers (over EUR 38 thousand per holding). Milk producers received an average of EUR 23.2 thousand; sheep and goats – EUR 27.9 thousand; fruit – EUR 12.9 thousand; granivorous animals – EUR 10.9 thousand, and non-specialized holdings – EUR 20.8 thousand [3, p. 21].

Current system of direct payments

France applies a system of direct payments, which is based on historical payments. This solution was to protect farmers against unauthorised re-distribution of aid. In consequence of this solution the support per hectare of utilised agricultural area is diversified greatly – from EUR 26 to EUR 350 per 1 hectare [13, p. 13]. Average support amounts to ca. EUR 300 per hectare, which places France at an average level in the "old" European Union. Article 69 of Council Regulation (EC) No 1782/2003 has not been applied in France so far.

Table 2 also shows the asymmetric distribution of direct payments in French agriculture (typical of the whole EU).

On the basis of the data below it can be stated that the number of beneficiaries of payments at the level below EUR 5,000 amounts to 152.54 thousand, and above EUR 300,000 – 0.04 thousand, which is respectively 35.05% and 0.01% of all beneficiaries.

In 2003 France decided that it would use all possible means of linking payments to production in order to minimise the destabilizing effects of the recent CAP reform (of 2003-2004).

This form of payment is used in the following sectors: cereals, oilseeds and protein crops (coupling subsides to production at the level of 25%); rice (42% in mainland France and 100% in Guyana – overseas department); potato starch (60%); cereal seed and fibrous plants seed (100%); dairy cows (100% in the case of subsidies to maintenance of a herd of dairy cows, French PMTVA); slaughter of cattle (40%); slaughter of calves (100%); sheep and goats (50%) [5, p. 52-53].

The above solutions mean that currently 29% of direct payments distributed among French farmers are still coupled to production, which is almost EUR 2 billion of which EUR 1 billion in the cereals sector and EUR 705 million for dairy cows [13, p. 12].

Table 2

Direct payments granted to French farmers on the basis of Regulation (EC) No 1259/1999 for the financial year 2005

Amount of transfers EUR	Total value of transfers		Number of payments' beneficiaries	
	EUR thousand	%	thousand	%
<0	-194	-0.00	0.25	0.06
0-1,250	37,391	0.50	71.30	16.38
1,250-2,000	38,526	0.51	24.03	5.52
2,000-5,000	190,930	2.54	56.96	13.09
5,000-10,000	468,064	6.23	63.63	14.62
10,000-20,000	1,239,434	16.49	84.81	19.49
20,000-50,000	3,223,712	42.90	102.69	23.60
50,000-100,000	1,842,704	24.52	27.98	6.43
100,000-200,000	416712	5.55	3.36	0.77
200,000-300,000	35,786	0.48	0.16	0.04
300,000-500,000	8,709	0.12	0.03	0.01
>500,000	12,940	0.17	0.01	0.00
Total	7,514714	100.00	435.21	100.00

Source: Author's own compilation based on [12, Table 3.6.1.14].

France's attitude to the proposal of decoupling

On analysing the legitimacy of introducing a full decoupling France proposes considering the following issues:

1) compatibility of full decoupling with the objective of maintaining agricultural activity on the whole territory taking into account doubts whether full decoupling does not pose any threat to agricultural activity in specific areas, such as the mountain ones;
2) effect of decreasing the size of production;
3) risk of the shift from the logic of an entrepreneur into the logic of rentier at the level of individual agricultural holdings, i.e. risk that farmers will give priority to collecting the previously set payments, which result rather from their status and payment rights than from the decisions concerning current production, their entrepreneurship and work, over conducting agricultural activity.

It is possible that the support system in the sector of the so-called large crops (cereals) will evolve towards full decoupling, which will result in re-distribution of the area of farmland between individual crops and regions.

The situation looks different from the French perspective in respect to breeding of ruminants for meat production (beef and mutton). Full decoupling in this sector could disturb the aid system in respect of agricultural utilisation of given areas. Therefore, special forms of aid (premium for maintenance of a herd of

dairy cows and sheep compensation premium) must keep their economic objective of providing support to the types of production, which will, most certainly, never achieve the level of competitiveness recorded, for example, in Brazil or Australia. In France it is considered that there is a possibility of transforming these forms of support into a premium granted per the so-called large livestock unit in order to give them some features of decoupling. Now the level of coupling payments to production amounts to 40% for subsidies to slaughter of adult cattle, 50% for aid to sheep breeding and even 100% for subsidies to maintenance of a herd of dairy cows and the slaughter of calves.

Full decoupling in the beef and mutton sectors would result in reducing this type of production in France. In order to limit the risk some other solutions are possible: only partial decoupling of subsidies to a herd of dairy cows and/or setting up a special support for production systems, perhaps by means of agri-environmental payments for which contracts will be renewed in 2008 on the basis of new cost statements.

According to the trade unions and agricultural organisations (Table 3) France should support the following solutions:

- maintaining the sheep farms under coupled support (CGAAER) within the area of the entire country (FNO);
- not covering with the single direct payment scheme the production of dried fodder, starch, hemp and flax (CGAAER);
- introducing full decoupling (CR);
- keeping up partial coupling in sensitive regions within the scope of milk production and breeding of dairy cows in mountain areas (FGA), as well as in cereal industry within areas, which are at risk of progressing voluntary set aside (C de F);
- introducing dairy subsidies within mountain areas from the first pillar of CAP (no details on the proposal) (C de F);
- preference for an individual approach;
- maintaining the coupled support at the European level for rice, durum wheat, dried fodder, seeds, flax, hemp and fruit in a shell, enabling additional decoupling for the Member States (COPA, ANIA) [2, p. 3].

According to one of the French experts, the European Commission suggested a health check in such a form, as if there was no crisis in European agriculture, no rising food prices, no decline in dollar exchange rate, no oil crisis and no loss of confidence in the economic leadership of United States. In his opinion landscape maintenance is not a sufficient justification for the existence of agricultural policy. It would be advisable to focus on the objectives of this policy within the scope of ensuring food to European Communities, and therefore to strengthen the food safety policy. We could also consider changing its name into Common Food Policy (French *Politique Alimentaire Commune*; the abbreviation PAC now stands for common agricultural policy in France). According to this expert, EU should encourage farmers to increase their production by eliminating price volatility. Price stability leads to the increase in production

but, of course, excessive increase in production hinders the price stabilisation policy. In this context there is no justification for any decoupling. In the opinion of the expert, the American model of agricultural policy would be much more beneficial than CAP [4].

Table 3

French associations and agricultural organisations operating within agricultural sector

Abbreviation	Full name	Translation
ANIA	Association Nationale des Industries Alimentaires	National Association of Food Industries
APCA	Assemblée Permanente des Chambres d'Agriculture	Permanent Assembly of Chambers of Agriculture
C de F, COOP de France	Coopérative de France	French Entrepreneurship
CGAAER	Conseil Général de l'Agriculture, de l'Alimentation et des Espaces Ruraux	General Council of Agriculture, Food and Rural Areas
CGB	Confédération Générale des Planteurs de Betteraves	General Confederation of Beet Growers
CNIEL	Centre National Interprofessionnel de l'Économie Laitière	National Inter-Professional Center for Dairy Economics
CP	Confédération Paysanne	Rural Confederation
CR	Coordination Rurale	Rural Cooperation
FCD	Fédération du Commerce et de la Distribution	Association of Traders and Distributors
FGA-CFDT	Fédération Générale Agroalimentaire CFDT	Association of Agri-Food Industries under the CFDT union headquarters
FLR	Fédération Label Rouge	Association of Regional Products Producers marked with Label Rouge tag
FNAB	Fédération Nationale Biologique	National Association of Organic Agriculture
FNAF-CGT	Fédération Nationale Agroalimentaire et Forestière CGT	Association of Agri-Food Industry and Forestry under the CGT union headquarters
FNB	Fédération Nationale Bovine	National Association of Cattle Farmers
FNO	Fédération Nationale Ovine	National Association of Sheep Farmers
FNSEA	Fédération Nationale des Syndicats d'Exploitants Agricoles	National Federation of Farming Trade Unions
JA	Jeunes Agriculteurs	Association of Young Farmers
ORAMA	no data	organisation of producers of cereals and oilseeds

Source: Author's own compilation.

According to another expert, a part of payments to production, especially the premium to dairy cows herds, should be still included in the coupled system of support [8]. The similar opinion is also expressed by the third expert, according to whom premiums to dairy cows, flax and hemp subsidies, as well as subsidies to seed and rice should remain coupled to production. Subsidies to dairy cows make it possible to maintain basic herds, hence, decoupling of these subsidies would have an adverse long-term effect. Flax (production concentrated in the central and western regions) and hemp subsidies (mainly Normandy) are justified from the perspective of keeping the differentiated structure of agricultural production, the same level of employment and from environmental perspective. Support for the producers of seed and rice should be kept because they cannot receive support under Article 68 (69), which is based on environmental logic whereas these forms of support are based on economic logic. It is also in the French interest to exclude energy crops from decoupling. Support to energy crops should be included in the competence of individual Member States. Development of this branch of agricultural production may be justified by the implementation of the strategic objective to increase the share of renewable energy sources in the energy supplies [14].

Model approach to the effects of different decoupling scenarios

Within the framework of the European research project GENEDEC (2004--2007) an econometric model was established, which aimed at assessment of the effects of decoupling of subsidies from the production on agricultural incomes and crops structure.

According to the model, full decoupling would cause in France: increase in agricultural incomes, decrease in the share of wheat and oilseeds in the utilised agricultural area, increase in the share of pastures and meadows, in the utilised agricultural area, threefold increase of fallow land (from 2.6% to 7.5%), elimination of the set aside (which previously amounted to 8.1% of the agricultural area), reallocation of regional agricultural production, increase in the marginal costs of land (from EUR 710 per hectare to EUR 772) and decrease in the marginal costs of milk quota (from EUR 262 per ton to EUR 249 per ton) [10].

The INRA SAE2 Nantes [5] model analyses the impact of decoupling. The historic model of direct payments was adopted. H1 scenario is based on the solutions adopted in France under the latest CAP reforms; hence, it implies partial decoupling. The alternative H2 scenario is grounded on the hypothesis of full decoupling. Within the framework of H1 scenario the single payments per holding amount to EUR 16.5 thousand, while under H2 scenario – EUR 23.1 thousand. By definition, the share of single payments in the full support granted under the first and second pillar of CAP is higher in scenario H2 (80%) than H1 (average 57%). The amount of single payments depends on the profile of the holding. Single payment (SP) per 1 hectare amounts to EUR 234 under H1 scenario and EUR 327 under H2 scenario (Table 4).

French regions are much differentiated in respect to the structure of agricultural production, size of the holding and production systems. Within H1 scenario the

single payments per 1 holding range from EUR 3.1 thousand in Corsica to EUR 37.6 thousand in Picardy; the range per hectare is from EUR 46 in Corsica to EUR 358 in the Nord-Pas-de-Calais; while the share of the SP in the total support extends from 16% in Corsica to 76% in Upper Normandy. The analysis of quality aspects is identical under H2 scenario (Table 5).

Table 4

Impact of decoupling on the amount of the single payment (SP) according to the profile of agricultural production in France

Profile of the holding	H1			H2		
	SP/holding (EUR thousand)	SP/ha (EUR)	SP/support (%)	SP/holding (EUR thousand)	SP/ha (EUR)	SP/support (%)
Milk	23.0	270	69	27.8	327	83
Beef	15.0	168	40	28.8	324	76
Sheep and goats	9.7	122	34	15.2	191	52
Cereals, oilseeds and protein	28.7	290	73	36.4	368	93
Other	1.9	206	33	2.4	265	43
Total	16.5	234	57	23.1	327	80

Source: Author's own compilation based on [5, p. 162].

Assuming regionalization of direct payments in France, under H1 scenario the operating profit of holdings specializing in beef (by 16%) and mutton (by 33%) production would increase, while the operating profit of milk producing holdings would drop (by 6%), similarly to the operating profit of holdings with large crops: cereals, oilseeds and protein (by 13%). Under H2 scenario the sheep and goat farmers would gain even as much as 46%, and the producers of large crops would note a loss at the level of 8%; beef producers, instead of profits foreseen under the previous scenario, would suffer a loss at the level of 3%, whereas milk producers would earn 2%.

The committee of French experts dealing with forecasting agricultural policy in France considers two scenarios of CAP reforms.

R1 scenario adopts the following assumptions: full decoupling, regionalisation of single area payment, non-compensated reduction of the payment rights by 35%, compulsory modulation at the level of 20%, reallocation of resources saved under the second pillar modulation, abolition of compulsory set aside, abolition of sugar and milk quotas as well as intervention mechanisms on these markets, use of biofuels at the level of 5.75%, absence of agreement within the framework of WTO.

According to R2 scenario the regulatory instruments currently existing in the breeding sector were kept at the same level, especially subsidies to maintaining herd of dairy cows (PMTVA) and milk quotas. These exceptions are justified by the role of both sectors in the development of French rural areas under the territorial dimension [9, p. 46].

Table 5

Impact of decoupling on the amount of single payments (SP) in individual French regions

Region	H1			H2		
	SP/holding (EUR thousand)	SP/ha (EUR)	SP/support (%)	SP/holding (EUR thousand)	SP/ha (EUR)	SP/support (%)
Alsace	13.4	332	69	17.1	423	88
Aquitaine	8.5	227	48	13.8	370	77
Auvergne	13.7	162	37	22.4	264	61
Lower Normandy	18.9	252	67	24.6	329	87
Burgundy	22.5	209	55	33.9	315	83
Brittany	15.8	298	71	20.0	379	91
Centre	28.3	249	67	38.5	338	90
Champagne-Ardenne	24.5	281	73	30.6	351	91
Corsica	3.1	46	16	9.5	144	50
Franche-Comté	17.3	170	55	21.5	211	68
Upper Normandy	32.1	312	76	40.4	392	96
Île-de-France	35.3	305	75	44.9	387	95
Languedoc--Roussillon	3.6	133	25	5.7	207	39
Limousin	11.2	135	31	24.6	296	68
Lorraine	32.6	237	65	43.2	313	86
Midi-Pyrénées	12.6	192	44	20.3	309	70
Nord-Pas-de-Calais	21.0	358	75	26.2	447	93
Pays de la Loire	16.8	244	61	24.2	351	88
Picardy	37.6	356	75	46.8	443	94
Poitou-Charentes	19.4	234	63	27.2	328	88
Provence-Alpes-Côte d'Azur (PACA)	3.9	151	30	5.6	219	43
Rhône-Alpes	8.4	158	42	11.6	219	58
France	**16.5**	**234**	**57**	**23.1**	**327**	**80**

Source: Author's own compilation based on [5, p. 163].

Introducing reforms on the basis of R1 scenario leads to the following changes in the production volumes in EU-15 in 2015, as compared to the scenario according to which no changes are introduced to CAP (R0):

- cereals: wheat (-1.3%), barley (-1.2%), maize (-1.3%);
- oilseeds: rape (+2.6%), sunflower (+1.9%), soya (+0.5%);
- sugar beet (except for biofuels) (-9.2%);
- meat: beef (-2.7%), pork (-0.3%), poultry (-0.5%), mutton and goat meat (-2.3%);
- milk and dairy products: milk from a holding (+0.5%), butter (-4.2%), skimmed milk powder (-10.8%), not skimmed milk powder (+19.2%), cheese from cow's milk (+1.9%).

Within R1 scenario the prices of milk from a holding (by 14.8%) and butter (-28.6%) drop significantly, whereas under R2 scenario their changes are

on the verge of statistical error as compared to the scenario of not introducing any reforms. Moreover, in R1 scenario the butter export decreases by 43.7% and the export of skimmed milk powder increases (by 37.1%). R2 scenario neutralizes these changes (fluctuations of up to 2% compared to the absence of reforms) [9, p. 48-51].

The newest, not yet published, model developed by Alexandre Gohin from INRA [7], includes four scenarios of the impact of CAP review carried out under health check on agriculture in EU-15 (however, there are no such analyses at the national level):

1) full decoupling scenario (D1) is based on the following assumptions: abolition of export refunds, including also those for processed products; abolition of subsidies to selling off dairy products in the EU, abolition of all direct payments coupled to production and transferring these resources to the decoupled support system, abolition of supply control measures (set aside, milk and sugar quotas);
2) scenario of keeping only the common market organisation for beef and milk (D2);
3) scenario of keeping only the common market organisation for beef (D3);
4) scenario of keeping only the common market organisation for milk (D4).

The Tables 6, 7 and 8 present the effects of the health check according to individual scenarios as compared to the scenario of not introducing new reforms until 2015 (D0).

Credibility of the simulation below depends on the predictability of exchange rates and production costs. In general, the influence of health check is limited, except for the sugar industry. Different reform scenarios leads to extensive farming (lower yields and fewer animals per hectare) and drop in employment in agriculture. The agricultural incomes also decrease, except for the scenario, which keeps the common market organisation for milk. The selection of the reform scenario will depend on the hierarchy of objectives of the proposed changes. If the traditional criterion of benefits for the whole economy were set as the objective, it would be justified to keep only the beef market regulation and to introduce decoupled support in all other sectors. If the major objective of CAP were maximization of agricultural incomes, then the milk market organisation should remain and the other subsidies should be decoupled. However, if the maximization of employment in European agriculture were the priority, the milk and beef market organisations should be kept. Finally, full decoupling would be justified if the major objectives were to limit intensive farming and to make the CAP more acceptable to the WTO trading partners [7, p. 17].

France is for increasing the 10% ceiling of reallocation of the national envelopes of direct payments under Article 69. Moreover, according to French experts, 2.5% ceiling for instruments disturbing the international trade is too restrictive [1].

Table 6

Impact of CAP review on the crop markets in EU-15 agriculture (% change as compared to the situation of no health check)

Index	Wheat	Maize	Rape and sunflower			Sugar
			seed	oil	oil cake	
Production (thousand tons)						
D0	98,816	34,479	14,691	7,491	9,094	13,862
Dl	-0.7	-1.4	2.4	2.0	1.9	-14.8
D2	0.0	-1.0	3.2	2.6	2.5	-14.8
D3	-0.2	-1.0	2.8	2.3	2.2	-14.8
D4	-0.5	-1.6	3.0	2.3	2.3	-14.8
Import (thousand tons)						
D0	991	2,509	2,699	1,118	498	1,724
Dl	-1.7	0	0	-10.7	-33.5	0
D2	-2.1	0	0	-12.8	-50.2	0
D3	-2.0	0	0	-12.0	-38.7	0
D4	-2.0	0	0	-11.6	-45.8	0
Demand (thousand tons)						
D0	91,552	37,104	18,729	8,336	10,204	13,114
Dl	-1.8	-1.3	2.0	-0.3	0.2	0.5
D2	-1.6	-0.9	2.6	0.1	0.1	0.6
D3	-1.6	-0.9	2.2	-0.3	0.3	0.5
D4	-1.8	-1.5	2.4	0.1	0.1	0.6
Export (thousand tons)						
D0	7,829	196	140	342	0	2,120
Dl	12.5	0.5	1.2	6.6	0	-100
D2	18.2	1.0	1.4	6.1	0	-100
D3	16.2	0.8	1.4	7.7	0	-100
D4	15.1	0.7	1.3	4.6	0	-100
EU price (EUR/ton)						
D0	121	146	300	735	90	404
Dl	-1.0	-1.1	-1.0	-0.9	-0.7	-20.1
D2	-1.4	-1.7	-1.0	-0.8	-1.2	-20.5
D3	-1.2	-1.4	-1.1	-1.0	-0.4	-20.3
D4	-1.2	-1.5	-1.0	-0.7	-1.7	-20.3
Global price (USD/ton)						
D0	146	118	360	882	107	285
Dl	-1.0	0	-1.0	-0.9	-0.7	11.4
D2	-1.4	0	-1.0	-0.8	-1.2	11.4
D3	-1.2	0	-1.1	-1.0	-0.4	11.4
D4	-1.2	0	-1.0	-0.7	-1.7	11.4

Source: Author's own compilation based on [7, p. 22].

Table 7

Impact of CAP review on the animal markets in EU-15
(% change as compared to the situation of no health check)

Index	Milk	Butter	SMP*	NSMP**	Beef	Pork
Production (thousand tons)						
D0	116	1,738	1034	771	6,532	19,447
Dl	1.0	-2.5	-7.6	21.3	-2.2	-0.4
D2	0.0	0.0	0.2	0.2	0.0	0.0
D3	-0.1	-5.1	-12.2	17.1	-0.2,	-0.1
D4	0.0	-0.3	-0.7	0.0	-2.2	-0.2
Import (thousand tons)						
D0	-	0	0	0	462,	13
Dl		0	0	0	18.7,	0.6
D2		0	0	0	0.1	0.0
D3		0	0	0	1.1	0.0
D4		0	0	0	19.6	0.7
Demand (thousand tons)						
D0	116	1,538	920	382	6,859	18,621
Dl	1.0	1.1	-15.0	0.1	-0.5	-0.2
D2	0.0	-0.1	-1.0	-0.1	0.0	0.0
D3	-0.1	0.9	-15.0	0.0	-0.1	-0.1
D4	0.0	0.0	-1.9	0.0	-0.4	0.0
Export (thousand tons)						
D0		201	138	394	48	791
Dl		-30.0	43.3	41.5	-5.1	-4.8
D2		0.9	6.4	0.5	0.0	-0.3
D3		-51.0	8.4	33.5	-0.4	-0.8
D4		-2.5	7.2	0.1	-5.2	-4.7
EU price (EUR/ton)						
D0	239	2,462	1,973	2,035	2,843	2,747
D1	-16.7	-29.7	-1.5	-2.9	5.0	0.8
D2	-0.1	0.0	-0.2	0.0	-0.5	0.0
D3	-13.8	-27.4	-0.3	-2.3	-0.2	0.1
D4	0.0	0.0	-0.2	0.0	5.3	0.8
Global price (USD/ton)						
D0	-	1,978	2,367	2,442	3,955	3,296
D1		4.9	-1.5	-2.9	2.4	0.8
D2		-0.1	-0.2	0.0	0.0	0.0
D3		8.4	-0.3	-2.3	0.1	0.1
D4		0.4	-0.2	0.0	2.5	0.8

* SMP – skimmed milk powder.
** NSMP – not skimmed milk powder.

Source: Author's own compilation based on [7, p. 23].

Table 8

Impact of CAP review on the production techniques in EU-15 agriculture (% change as compared to the situation of no health check)

Index	D0	D1	D2	D3	D4
Area (thousand hectare)					
Wheat	14,626	3.0	3.0	2.7	3.4
Maize	3,855	1.8	1.5	1.4	1.8
Oilseeds	5,570	9.2	9.4	8.8	10.0
Cereals, oilseeds, protein + set aside	38,261	-4.0	-4.1	-4.3	-3.7
Sugar beet	1,795	-1.6	-2.3	-2.4	-1.3
Meadows	47,694	-0.3	1.0	1.1	-0.7
Grazing land	16,462	12.5	11.5	12.3	11.7
Cattle stocks (thousand units)					
Dairy cows	16,470	1.0	0.0	-0.1	0.0
Suckler cows	12,521	-6.0	0.0	-0.3	-4.7
Cattle total	72,603	-2.0	0.0	-0.2	-2.1
Labour (thousand units)					
In agriculture	3,218	-0.8	0.0	-0.2	-0.8
In processing	960	-0.8	-0.6	-0.5	-1.1
Other inputs (thousand tons)					
Organic nitrogen	9,987	-1.4	-0.1	-0.3	-1.3
Mineral nitrogen	9,462	0.4	0.0	0.2	0.1
Pesticides (index)	100	-0.6	-0.6	-0.6	-0.7
Yields (q/ha)					
Wheat	68	-3.6	-2.9	-2.8	-3.8
Maize	90	-3.1	-2.4	-2.4	-3.3
Sugar beet	59	-11.7	-11.0	-11.0	-11.9
Oilseeds	26	-6.8	-6.2	-6.0	-7.0
Cattle per 1 ha of grazing land	1.13	-4.9	-3.5	-4.0	-4.5

Source: Author's own compilation based on [7, p. 24].

The problem of capping of direct payments

As a result of the debate on unequal distribution of direct payments, the European Commission proposed to introduce a maximum limit of payments per a holding, which could include a free amount based on the intensity of engaged workforce. The experience gained during the previous negotiations (especially in 2003) points, however, to the fact that such solutions lead to a dead end, taking into account the strong opposition of a number of Member States to the sole principle of introducing ceilings, as well as the difficulties in establishing such a ceiling at the level of the entire EU. Moreover, it would be quite easy to circumvent such a ceiling. Therefore, this solution is too superficial and rather ineffective.

In the opinion of many French experts, it would be more possible for the member states to introduce under CAP after 2013 the system of direct payment reductions, which would be based on the progressive scale according to the size of holdings and would include the free amount depending on the labour inten-

sity [6]. At the current stage of the debate the details of the proposal have not been made public. However, in order to allow sufficient flexibility to respond to specific situations, the member states would have the option to establish different approaches (detailed criteria and thresholds).

Limiting payments on the basis of the size of employment in the holding is reasonable according to French experts. This, however, raises a problem of setting the maximum number of workers, which would determine the amount free from direct payment reduction. It would be established proportionally to the size of the holding, but it would be also necessary to consider the production profile of the holding, and perhaps some additional criteria, e.g. natural conditions.

The agricultural organisations and trade unions are for the following solutions:

- the gradual reduction of the highest payments in order to legitimize the system (CGAAER);
- introducing the ceilings for aid on condition that the saved resources remain in the given Member State (FNO);
- not introducing the ceilings for support (COPA);
- reorienting of the support in line with the selected criteria, such as: grazing land area, sensitive types of production, workforce, environmental standards (APCA);
- calculating of the ceilings on the basis of the engaged workforce (FGA);
- caution in establishing the minimum required area, in order not to hurt the producers of vegetables and beekeepers (FNAB);
- the necessity to reduce the highest subsidies, because the net income level is not correlated with the level of support.

The accounting approach to subsidies and publishing of the list of beneficiaries harm the image of farmers in the society (CR), the definition of "the real" farmers should not obscure the need to combine paid jobs with farming by rural residents (FGA) [2, p. 3-4].

The ceiling is not very important for France because it would be exceeded only by a small percentage of farmers (mainly enterprises). Hence, the agriculture faces no threat of splitting up agricultural holdings as a result of introducing the ceiling for direct payments.

From the French perspective it is also not important to introduce the minimal limit. The French experts believe that it would be justified if the minimal limit were established at the level of maintenance costs of the support distribution system. In economic terms, this type of ceiling is understandable. The administrative costs should not be higher than the amount of aid. In both political and social terms, this solution would be difficult to accept in the member states, which have fragmented agrarian structure, e.g. in Poland. The agricultural organisations united under COPA are against this solution.

However, introduction of such a limit is significant for French agricultural pensioners, who keep the right to farm their land to some degree, and thereby, they still receive payments. It concerns the area of 180 thousand hectares, which is 9% of utilised agricultural area in France. They, primarily, conduct livestock farming and wine production [14].

Final remarks

The President of the Republic of France presented the following strategic guidelines, which should be included in the Common Agricultural Policy (under French political system the role of the President is much more prominent than in Poland):

1) to ensure independence and food safety of the EU, also within the scope of reducing sanitary risk;
2) to contribute to the equilibrium of global food markets. EU that absorbs 95% of the export from the African, Caribbean and Pacific (ACP) countries without customs duties and quantitative restrictions on imports should mobilise its production potential, and thus contribute to better supplies of food in the world markets;
3) to maintain sustainability of rural areas. The reality of the European agriculture is diversity of production and know-how of farmers, as well as agricultural workers, which allows for the development of the "tissue" of small and medium-sized enterprises that provide many jobs. These different types of agriculture ought to be preserved and consolidated by a policy of active exchange of farmers' generations and adapting CAP so that they will be economically viable and environmentally sustainable;
4) to participate in the fight against climate change and environmental degradation. Rural policy should respond to the increase in the global food demand basing on the innovations and economical use of inputs but, at the same time, generating high quality jobs. Moreover, it should strengthen the position of agriculture as a producer of energy and biomaterials [13, p. 8].

From the viewpoint of France, the rural policy at the European level has an economic nature and that aspect should remain the most important one, as agriculture is, first of all, a production activity. Only by creating wealth through providing products and services, can agriculture contribute to the economic growth and the increase in the number of workplaces both in farms and in the whole agro-industrial complex.

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