

# **REFORMA SZP 2003 . : PRVNÍ VÝSLEDKY Z PĚTI ZEMÍ**

## **THE 2003 CAP REFORM : FIRST RESULTS IN FIVE COUNTRIES**

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### **Abstrakt:**

V nedávné studii, která byla uskutečněna v pěti z původních 15 zemí před rozšířením, je ukázáno, že SZP se více diferencuje a adaptuje na národní podmínky. Současně, konkurence se stává silnější jak v EU tak i vně EU, zatímco přímé platby farmářům nahrazují existující příplatky v rozdílných tržních prostředích. Jsou tyto změny všude stejné?

### **Klíčová slova:**

Zemědělská politika, regionalizace

### **Abstract:**

A very recent study, carried out in 5 of the 15 countries of the EU before enlargement, shows how the CAP is more and more differentiated and adapted to the national situations. Simultaneously, competition will progress intra and extra EU, while direct payment to farmers are substituting existing premia under different common market organisations. An important turning after and before some others?

### **Key words :**

Agricultural policy, regionalization

## **INTRODUCTION**

The French Ministry of Agriculture wishes to know in a clarify way the conditions of application of the reform in the big countries of the Union having made choices different from those of France in decoupling, of date of application, modalities of calculation of the rights for direct payment (regionalization) and the support for the specific systems of production based on article 69. He wishes he can appreciate the consequences of these choices on the concrete modalities of management of the reform and on the evolution of the productions and the farms of the concerned countries, to be able to lead any useful comparison with the French situation.

## **METHODOLOGY**

The used method of work was largely determined by force by calendar of the study (very short period of 3 months). The study occurs besides in full phase of implementation of the reform in most of the European countries what gives not enough security to observe correctly the effects of the reform, even in countries having implemented it from 2005 (Germany, Italy, United Kingdom). Actually, if the bibliographical results allow to identify evaluations ex ante effects of the reform (essentially by modelling), no study of its observed effects is still available. In front of this situation, the method of work combines two approaches:

- A bibliographical approach from the administrative documents and the available research works,
- the direct inquiry in four member states chosen as their exemplary value to complete the documentary treatment and statistique by elements of appreciation of the socio-political conditions of application of the new reform, afin also to identify, from the experience of the actors involved on concrete actions, the effects - positive or fatal - expected from the reform as well as the possible difficulties met in its application.

## CONTEXT

The reform of 2003 has an ambivalent character. It joins in the continuance of the movement initiated in 1992 and pursued in 1999 by the agreements of Berlin, marked by a decline of the prices, and the institution of more or less uncoupled direct helps, because henceforth disconnected from the produced volumes. As for the previous reforms it was justified by the Commission and by the Council of Agricultural Ministers, by the necessity of answering better the concerns of the European citizens in quality food security of products and conservation of the environment, by the necessity of stabilizing the agricultural expenses for the period hinge where the Union widens in 10 and soon 12 or 13 new member states, by the necessity finally to strengthen the European position to the WTO, in the cycle of current negotiation (Cycle of Doha).

These multiple objectives crystallize around an economic thorough logic, that of the decoupling, which aims at eliminating any help connected somehow to the production, considered for having distortion effects on markets, for the benefit of aids totally independent from the productive activity. In this direction, the reform of 2003 constitutes an important rupture in the attribution of the supports by introducing several new principles. From 2007 at the latest, assistances in field crops, beef, veal, mutton and lamb and the dairy assistances (installation between 2004 and 2006) as some other assistances entirely or will be partly replaced by a single payment by farm.

The implementation of the new mode of uncoupled payment is founded on a device of rights to payment on the surface. The right is not thus related any more on the activity, but to the detention of a surface to justify its payment (surface known as eligible). In the spirit of the reform, the detention of a surface corresponds to a broad choice of possible use, including the possibility of a simple maintenance, without any act of production. It is in the sense that the payment is definitively uncoupled from the production, in measurement or it is linked neither to the type of production, nor even with the existence of an agricultural production. But the creation of these new rights raises a new question, that of their transfer and their sales, and then a whole series of provisions concerning the constitution and operation of the "reserves" of rights, the creation and the framing of the commercial transactions of the rights, with, in this field still, of important margins of national adaptation possible. Lastly, the reform subjects the attribution of the assistances (uncoupled or not) to new conditions, from now on imperative, been dependent on the respect of 19 directives and regulations as regards environment, of identification of the animals, public health and food safety, health and animal wellbeing and in addition to the respect of good husbandries and environmental which are defined by each State.

These different innovations constitute as many elements from rupture which can modify in a significant way the behavior of the agricultural producers and landowners, with economic macro repercussions which can be important, and which simulations of the economists can anticipate only in a very dubious way, taking into account the multiple assumptions necessary to the construction of the models. The many adaptability of the methods of implementation of the reform by country and area still reinforce uncertainties on the effects to await reform, and this more especially as the socio-economic characteristics of agricultures vary in an important way from one country to another, and, within each country, from one area to another.

However the confrontation of agricultures of EU 15 on agricultural markets unified by an organization common on a European scale (CMO by product) did not erase, during successive enlargements, the great diversity of the economic and socio-structural situations that the large agricultural countries of the Union inherited the history. Also, at the beginning of the implementation of the reform decided in Luxembourg in 2003, important socio-structural disparities remain. This reform, with the installation of decoupling, is accompanied by a shrinking of the mechanisms of organization of the markets, which had up to now made it possible to discipline competition between European countries. Vis-a-vis with the risks of a competition will intra and extra Community increased, it is understood easily that the various

countries felt the need for an adaptation of the reform to the socio-economic conditions of their agriculture. Beyond the divergences of interests, the consensus was thus carried out to authorize a strong national subsidiarity in the choice of the methods of setting implementation of the new CAP, which illustrates the surveys carried out with the actors, and the synthesis of the observations which follows.

## **First results**

### **1.Regionalization**

The first mode of "regionalization" provided for by the regulation consists of a total decoupling with the abandonment of the historical references to the profit of a unit amount per hectare per area. This amount can itself be subdivided according to the use of surfaces in the area, for example an amount SCOP, an amount meadows, special premiums amounts (durum wheat), it is the choice of Germany since 2005, with the will to reach a single amount in 2013, giving the term of "combi-model": at the beginning with regional right, mixing rights (uniform amounts per hectare, different on the arable lands and the meadows) and rights on historical reference; and at the end only one single regional right per hectare without considering the nature of surfaces.

In the official text, the area term indicates, according to the cases, the Member States or the areas within the Member State.

Germany, as an area of the EU, chose its "combi-model", that it applies to its areas (Länder) with unit amounts by Land. The internal negotiations then make it possible to modify the regional ceilings and, thus to bring closer the unit amounts between different Lander.

The United Kingdom, as an area of the EU; returned the choice open to chapter 5 of the payment towards its 4 areas. Scotland, Wales and Ireland chose partial recoupling, while England chose total decoupling and an original application of article 59 (section1), bearing regionalization of the single mode of payment. Indeed, inside England, three great types of grounds were defined according to their level of fertility and productive facility (ground-climate in particular): - zone of plains, fertile, easy to work, - zone of altitude higher, wetter, made moors mainly, - intermediate zone, with generally of the slopes, between the two preceding zones.

These zones are not superimposed in general on the geographical or administrative areas existing, and their definition required a heavy specific work. The historical references will die out gradually and will be gradually replaced by unit amounts per hectare and zone (planned over ten years)

The second mode of "regionalization" provided for by the regulation (section 2) consists of a partial or total recoupling, according to productions', together with article 69 optional. Article 69 is open whatever the choice of the Section (1 or 2).

Italy has in fact chosen in chapter 5 only article 69 ; thus a total decoupling, with historical references, without regional ceilings and with redistribution (article 69) within certain sectors of production.

Spain chose Section 2, including article 69.

France chose Section 2, but without article 69.

Finally a "regionalization" with varied orientations. According to choices' selected, regionalization can thus mean :

- a uniform help for all, according to the area,
- a help with the hectare, according to the agronomic potential, by area "natural" (with a specific zoning),
- assistances specific to the hectare for certain productions (recouplage partial...),
- historical references, more or less taking into account the regional situations and the productions...
- assistances specific to the productions related to specific objectives (art.69).

The whole without forgetting measurements of the 2nd pillar (MAE, ICHN...) which can to a certain extent to be redundant with those indicated in chapter 5 of title III of the payment.

## **2. Redistributive effects of the reform**

The reform 2003 of the CAP introduces three potential sources of transfers of assistances:

- the modification of the OCM and the levels of support of the products constitutes a first source of transfers. If the large majority of the supports of the various productions were taken back, the reform introduced modifications of the level of support of certain productions. It is the case of the supplement durum wheat in non-traditional zone which disappears since 2006. It is the case of the dairy direct assistances gradually set up between 2004 and 2006 of an amount of 35,5 €/ton (in 2006) supposed more or less to compensate for the fall in the price of milk (-25% of fall of the intervention price for butter over 4 years and -15% for the dried milk in 3 years). Lastly, since 2006, the reform of the OCM sweetens introduced new uncoupled aids. These modifications corresponding to the suppression or the introduction of new supports do not generate immediate transfers in measurement or they decrease or increase the total envelope of the assistances to be distributed, without touching with the other assistances. They modify however the relative share of assistances assigned to each sector. They can also lead indirectly to new transfers, by the means of the clause of financial discipline, which foresees a decrease on the whole of the assistances if the financing of new helps leads to a going beyond of the budgetary ceiling stopped for the financing of the first pillar of the new CAP.

- the decoupling of the assistances can constitute one second source of transfer, because in particular of the shifts between reference period and application period of of the new CAP. By solidifying for each farm the unit value of the assistances per hectare according to the mean level of assistance perceived between 2000 and 2002, decoupling potentially generates transfers of assistances between producers. The producers having modified their rotation with the profit of more extensive productions (herbaged productions in particular) after the reference period, will see their level of assistance per hectare increasing at the time of the application of decoupling to the detriment of those which will have adopted rotation more intensive over the same period. The redistribution is done then indirectly by the means of article 41 of the payment which a linear percentage of reduction of the assistances when the total of the requests exceeds the national ceiling allocated with the Member State. However, the redistributive effects of decoupling remain of limited width and their intensity decreases proportionally on the level of recoupage applied in the countries which retained this option.

The regionalization of the calculation of the DPU is incontestably the mechanism which introduces the most redistributive effects, compared to the taking into account of the individual historical references. The equalization of the amount per hectare of the DPU of the farmers belonging to the same zone leads to transfers resulting from two principal mechanisms:

- *the structural effect* : in a sector given regionalization generates redistributive effects of the intensive farms from the point of view of land use (output or loading raised per hectare) with the profit of the more extensive farms,

- *the sectoral effect* : the differentiation of the initial levels of support according to the productions and systems' of production, generates in the case of regionalization, the transfers between farms according to various orientations' of production. It is the case in Germany, with a transfer to the profit of the extensive systems of breeding. It is, in a way even more significant, the case of the fruit and vegetables, which did not profit from any help before the reform, and obtain a new help with the hectare with regionalization (what resulted in putting a ceiling to surfaces opening right to this new help, to limit the perverse effects induced by these new transfers, therefore to introduce new quotas)

In reality, these various redistributive effects combine in a complex play of interactions, making difficult the decomposition of the various effects.

## **CONCLUSION :**

Less than two years after the beginning of the implementation of the new reform, it would be bold to draw the final conclusions, the more so as the future still remains very dubious. The majority of our interlocutors, in particular in Germany, are quite conscious that the maintenance of direct assistance to the hectare is essential with the maintenance of the agricultural activity. However, if one pushes until the end logic, of the direct assistances of about 330 € /ha as in England or Germany for a modest maintenance of the territory, that represents an exorbitant cost which does not have any economic justification. Moreover, since the assistances are uncoupled from any productive activity, and justify themselves by the supply of specific amenities, immediately puts the question of the rebalancing of the DPU between the countries and the areas : it is indeed difficult to claim that the environmental or landscape amenities produced by the farmers of the Champagne-Ardenne deserve better remuneration than those produced by the farmers of Tuscany, the Peloponnese or Andalusia. The certainty of today thus prepares the handing-over in question of tomorrow. Also prepare it can be, in an unstable and conflict world, the food crises to come. But it is clear that this type of interrogation in the short or the long term escape from the concerns from the moment, primarily is dictated by the reasoning in the very short term.

Compared to all these questions, that the reforms in progress are not able to apprehend, remains a probable exit, which shows through implicitly in the payment of 2003 and the practices observed : that of the renationalization, even that of the regionalization of the policies of support for the activity of production. The common agricultural policy would evolve then to a Common Policy of the Environment and Regional planning, (second pillar) while the economic policies and commercial management of the markets and risks would turn over in the bosom of the States or the areas.

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