

Report on the distribution of direct aids to agricultural producers (financial year 2010)

November 2011



European Commission
Agriculture and
Rural Development

The Commission regularly publishes the breakdown of direct payments by Member State and size of payment. Figures are now available for the financial year 2010. To help readers benefit from that information, it is useful to insert it in the context of the development of the Common Agricultural Policy (CAP).

1. DEVELOPMENT OF THE DIRECT PAYMENT SYSTEM

In the first decades of the CAP, public support to agricultural producers was mainly provided via guaranteed prices, border protection and market intervention. Over the late 70s and 80s, it led to excessive public stocks, an increase in expenditure and international friction with our main trading partners. A radical reform of the CAP was then adopted in 1992 with a shift in policy achieved by the gradual reduction of the EU support prices for the main agricultural products (such as grains and beef) and the compensation of farmers for the consequent revenue loss in the form of direct payments. With this instrument, producers received a direct support based on their historical levels of production (areas, yields, number of animals). This change in the support of the agricultural sector was deepened in the Agenda 2000 reform, through the introduction of additional price cuts and the increase in direct payments. The Agenda 2000 reform was introduced progressively

during the period 2000-2002. In 2002, the support regime for sheep and goats was also adjusted.

A further far-reaching reform was decided in 2003 and 2004, with progressive implementation as from 2005. Several sectors were reformed (milk, rice, cereals, durum wheat, dried fodder and nuts) and some fundamental changes were introduced concerning direct payments. In particular, direct payments are now largely decoupled from production, even if the possibility exists to keep part of the direct payments linked to specific production. With the view of strengthening the rural development policy, a mechanism of compulsory "modulation" has been introduced. It consists in a reduction of direct payments (by 7% in 2009 application year) with the transfer of the corresponding funds to Rural Development. Most of these changes started taking effect from 2005 onwards.

With the reform implementation in 2005-2007, parallel market and policy developments indicated a rapidly changing environment facing EU agriculture. These developments, together with the experience gained from implementation, indicated the need for CAP adjustments which could not be foreseen when the 2003 reform had been carried out. The aims of the 2008 Health Check were therefore to: (1) assess the experience from the implementation of the Single Payment Scheme and introduce adjustments that further simplify and increase the effectiveness of the policy; (2) introduce adjustments to the CAP in order to allow it to respond to market opportunities and face new challenges related to energy/climate change policy objectives.

In most of the new Member States (exceptions being Malta and Slovenia), direct payments have been phased in through the transitional system of the Single Area Payment Scheme (SAPS - which broadly corresponds to a flat rate area-based payment) with the possibility of a complementary national direct payment. The level of EU direct payments in the new Member States will progressively increase from 25% of EU-15 level in 2004 (25% of EU-15 level in 2007 for Bulgaria and Romania) to 100% in 2014 budget year at the latest (2017 for Bulgaria and Romania). Modulation for EU-10 only applies when the level of direct payments in EU-10 is at least equal to the level of EU-15 taking into account the modulation reductions applied in EU-15.

On the basis of the Multiannual Financial Framework (MFF) for 2014-2020, on October 2011 the Commission presented a set of regulations laying down the legislative framework for the CAP in the period 2014-2020.

The reform proposals are based on the Communication on the CAP towards 2020 that outlined broad policy options in order to respond to the future challenges for agriculture and rural areas and to meet the objectives set for the CAP: (1) viable food production, (2) sustainable management of natural resources and climate action, and (3) balanced territorial development.

The direct payments proposal seeks to better target support to certain actions, areas or beneficiaries as well as to pave the way for convergence of the level of support within and across Member States and to enhance the overall environmental performance of the CAP through the greening of direct payments by means of certain agricultural practices beneficial for the climate and the environment that all farmers will have to follow.

2. METHODOLOGY

The figures published in this report refer to the period of full implementation of the 2003 CAP reform.

Different options of implementing the Single Payment Scheme (SPS) are offered to Member States. The main difference is whether they base the SPS on what direct payments individual farmers received in the historical reference period, thus producing different levels of SPS for each farmer, or whether all payments are averaged out over a state or region. With the latter (regional) model, some farmers may benefit of direct payments they were not entitled to in the previous period, increasing the number of beneficiaries of direct payments (but in general at a low level of support). A hybrid model has been implemented in some Member States combining historical references and regionalisation.

To receive direct payments, beneficiaries must be in possession of payment entitlements. These payment entitlements were allocated to the farmers during the first year of application of the scheme and may be transferred (by sale or lease) to other farmers in the following years.

It should be stressed that direct payments reported in this note only cover the support provided from the EU budget and therefore do not cover the Complementary National Direct Payments allowed in the new Member States.

It is advised to carefully consider limitations and comments as described in Annex 1.3 when consulting and interpreting the tables on the distribution of direct payments.

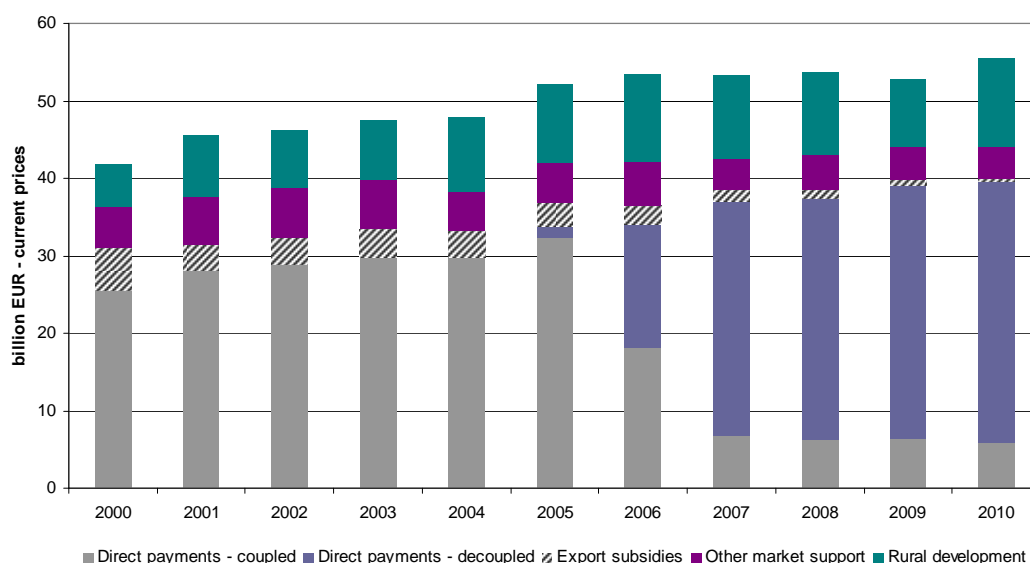
3. IMPORTANCE OF DIRECT PAYMENTS WITHIN THE CAP

Before the implementation of Agenda 2000 (for instance in financial year 2000, reflecting payments for the year 1999) direct payments reached 25.5 billion euros, representing 63 % of the CAP expenditure under the Guarantee section of the European Agricultural Guarantee and Guidance Fund (EAGGF), 70% excluding rural development expenses. In 2010, after the implementation of Agenda 2000 and of the 2003 CAP reform, they reached 39.7 billion euros. It corresponds to 90% of the European Agricultural Guarantee Fund (EAGF, which has replaced, as from 2007, the Guarantee section of the EAGGF), covering market measures and direct aids,

that does not cover any more some expenditures for the rural development policy (a new specific fund, European Agricultural Fund for Rural Development (EAFRD), has been implemented from 2007 financial year)¹.

Expenditure for direct payments increased by 560 million euros between 2009 and 2010 (+1.4% compared to 2009); this augmentation is due to the increase of payments in the EU-12 (+19% between 2009 and 2010), owing to the scheduled increments of such payments from 60 to 70% (from 35 to 40% for Bulgaria and Romania) of the full amount from 2009 to 2010.

Graph 1 CAP expenditure in billion EUR (current prices), 2000-2010

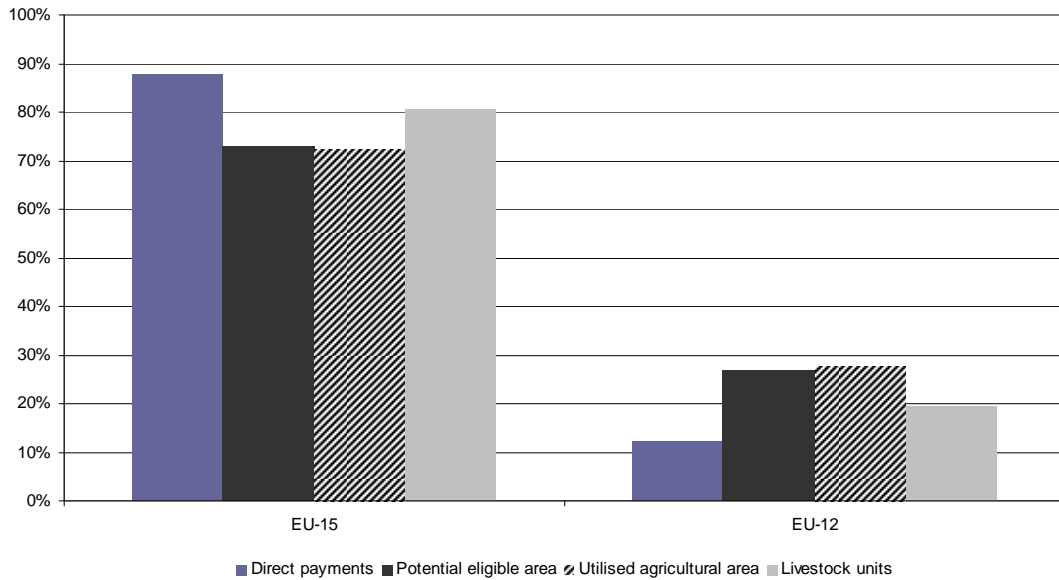


4. DISTRIBUTION OF DIRECT PAYMENTS BETWEEN MEMBER STATES

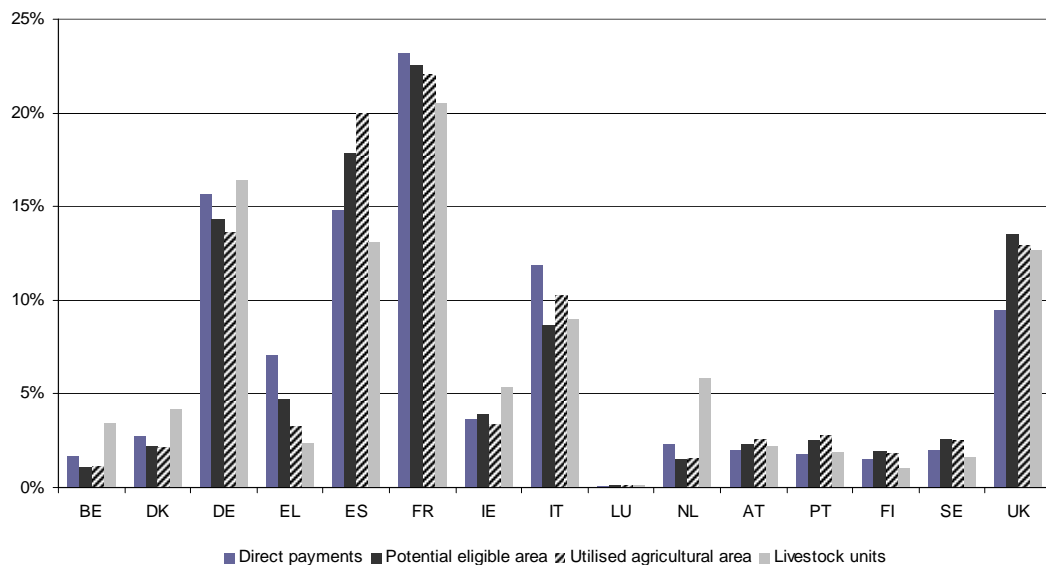
As the direct payments were based in the EU-15 on the historical levels of production, the distribution of direct payments between Member States broadly reflects the distribution of agricultural area and livestock units² between Member States. However, when compared to the previous years, the

distribution of direct payments between the EU-15 and the EU-12 shows a slight change in favour of the new Member States: the share of direct payments of the EU-12 increased from 9 to 12% of the EU-27 total from the financial year 2008 to the financial year 2010 (Graph 2a).

Graph 2a Distributions of direct payments (2010 Financial Year), potential eligible area (2009 IACS statistics as communicated by the Member States), utilised agricultural area and livestock units (2007 Farm Structure Survey) in the EU-27 between EU-15 and EU-12 (EU-27=100%)



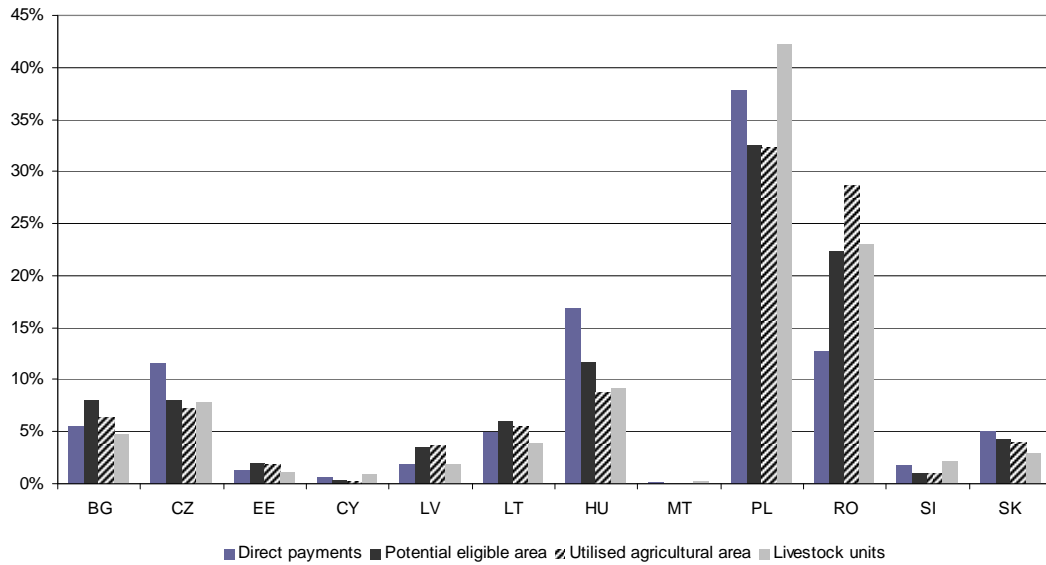
Graph 2b Distributions of direct payments (2010 Financial Year), potential eligible area (2009 IACS statistics as communicated by the Member States), utilised agricultural area and livestock units (2007 Farm Structure Survey) between the EU-15 (EU-15=100%)



In any case, for the 2010 financial year, it is still difficult to compare the 27 Member States as for the Member States having acceded in 2004, direct payments were only at 70% of the full amount and for Bulgaria and Romania

they were only at 40%, as already mentioned before. For this reason it is more appropriate to analyse separately the EU-15 and the EU-12 (Graphs 2b and 2c).

Graph 2c Distributions of direct payments (2010 Financial Year), potential eligible area (2009 IACS statistics as communicated by the Member States), utilised agricultural area and livestock units (2007 Farm Structure Survey) between the EU-12 (EU-12=100%)



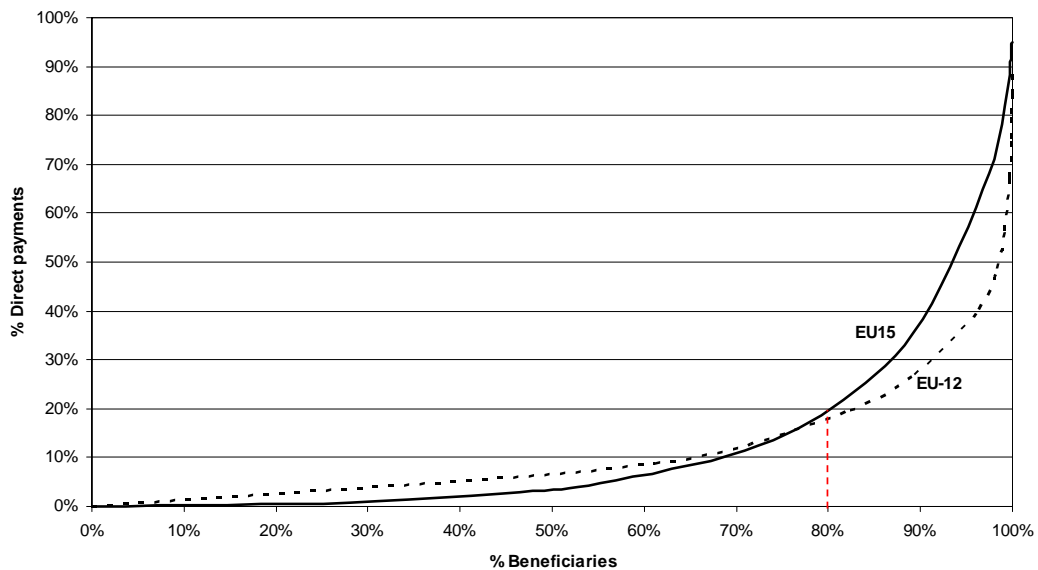
5. DISTRIBUTION OF DIRECT PAYMENTS BETWEEN BENEFICIARIES

Distribution of direct payments between beneficiaries in 2010

Direct payments are not equally distributed in the European Union: 80% of beneficiaries received around 20% of the direct payments

in 2010 (20.3% in the EU-15 and 18.4% in the EU-12). However, the distribution of direct payments across producers varies among Member States (see Graphs 8 to 35 at the end of the document).

Graph 3 Distribution of direct payments between beneficiaries in the EU-15 and in the EU-12, 2010 Financial Year



Actually, with the restructuring of the farming sector the trend should have shown less small beneficiaries (due to abandonment and/or increase in size) and an increase of the average level of support received. On the contrary, due to the increase in the number of beneficiaries with a low average amount of direct payments after the EU-12 accession - and above all after the accession of Bulgaria

and Romania - EU-27 average amount per beneficiary was 5000 euros in 2010. Figures do not correspond to changes in structural trends of the farm sector but reflects the impact of the EU enlargement.

Moreover, 96% of beneficiaries in EU-12 (more than 3 million) received no more than 5000 euros in 2010.

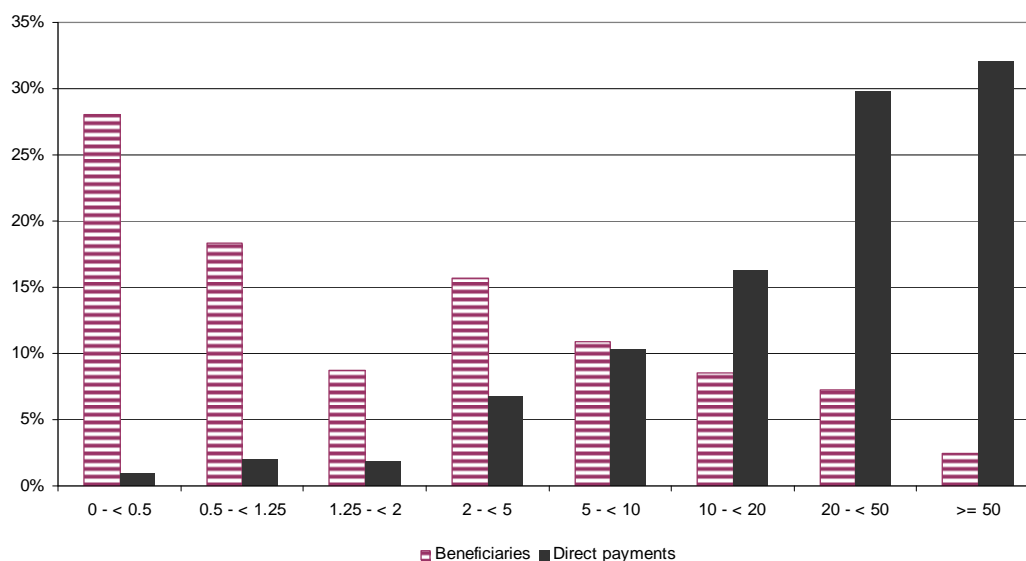
Table 1: Number of beneficiaries and average amount 2010

		2010		
		EU-12	EU-15	EU-27
number of beneficiaries (.000)		3 143	4 649	7 793
average amount (€beneficiary)		1 552	7 487	5 093
receiving 5 000 euros or less	% beneficiaries	96%	71%	81%
	% direct payments	40%	12%	15%

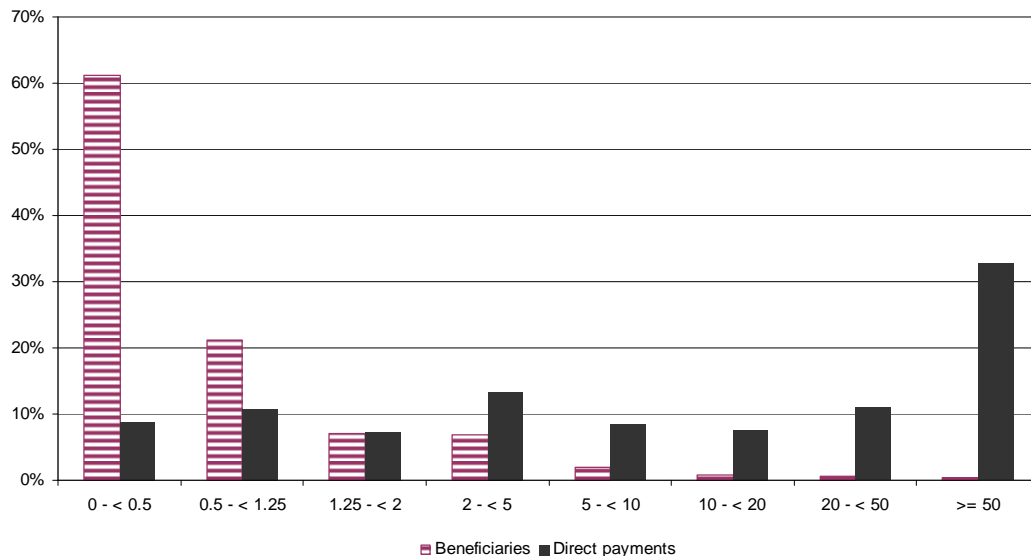
In the EU-15 it is estimated that 80% of beneficiaries received a percentage of direct payments varying approximately between 14% (Portugal) and 55% (Luxemburg). In the EU-12 it is estimated that 80% of beneficiaries received a percentage of direct payments varying approximately between 4% (Slovakia) and 37% (Slovenia). As the support is mainly based on area and livestock, even on an historical basis, the distribution of direct payments between beneficiaries also mainly

reflects the differences in farm size³, as it can be seen when comparing Graphs 4a,b and 5a,b. Differences in farm structures often lead to differences in the distribution of direct payments across Member States. Whereas no big changes occurred to EU-15 compared to the previous years, the accession of two new Member States lead to an increase in the number of holdings and in the “potential” gross value added for the small farms category in the EU-12 (Graph 5b).

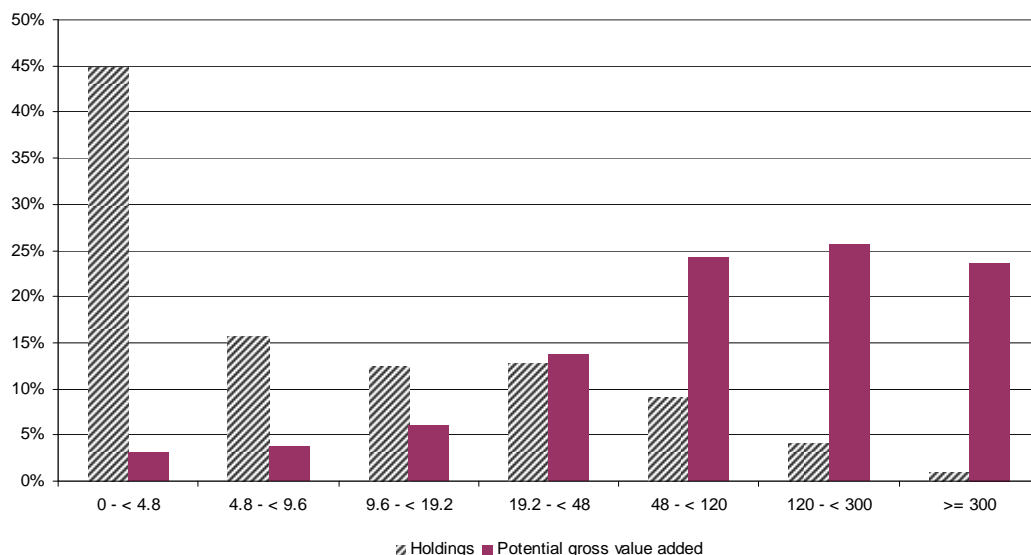
Graph 4a Distribution of beneficiaries and of direct payments in the EU-15 by amount of direct payments received (thousand EUR), 2010 Financial Year



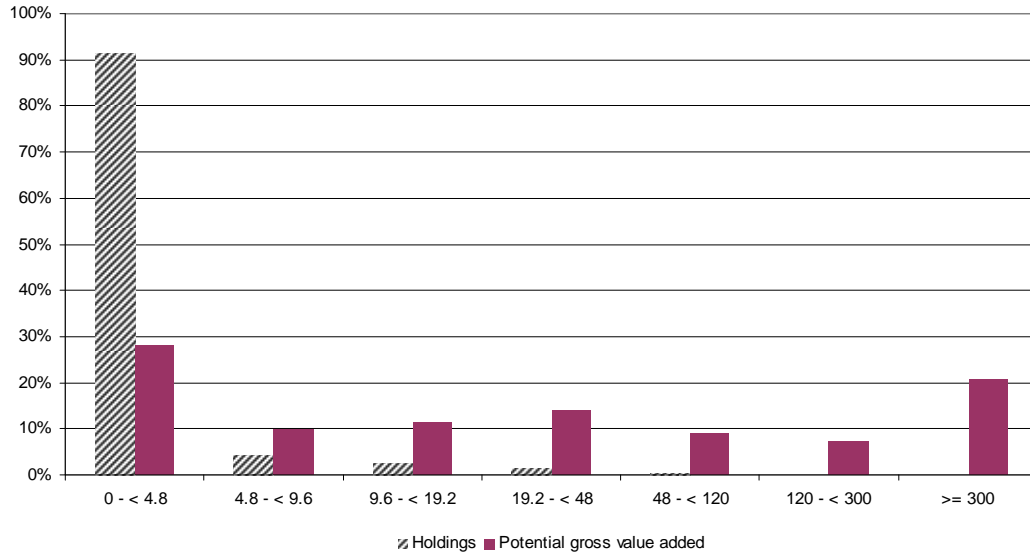
Graph 4b Distribution of beneficiaries and of direct payments in the EU-12 by amount of direct payments received (thousand EUR), 2010 Financial Year



Graph 5a Distribution of holdings and of "potential" gross value added in the EU-15 by category of "potential" gross value added (thousand EUR), 2007 Farm Structure Survey



Graph 5b Distribution of holdings and of “potential” gross value added in the EU-12 by category of “potential” gross value added (thousand EUR), 2007 Farm Structure Survey



Distribution of direct payments between small and large farms has regularly been questioned, not least from the point of view of social cohesion. It should be reminded that the major part of the direct payments was established as a compensation for revenue losses of several support price reductions. A large farm producing more than a small farm encountered a more severe revenue loss and had therefore to be more compensated than a small farm. However, the direct payments have lost their compensatory character over time and have increasingly become a support ensuring a certain farm income stability and, in combination with cross-compliance, promoting sustainable farming activity.

This is why the Commission has expressed on many occasions its concern with the way direct payments are distributed across agricultural producers and Member States. Already in the previous reforms the Commission proposed mechanisms to

decrease or to limit the amount of direct payments to the largest beneficiaries with a view to improving the distribution of direct support. With the Health Check reform it has been decided to increase the compulsory modulation that transfers a percentage of the payments to Rural Development and to introduce an additional progressive modulation which will affect only beneficiaries receiving larger amount (above the threshold of 300.000 euros), according to the idea that they should contribute more to meet the new challenges confronting the agricultural sector.

Development of the distribution of direct payments between beneficiaries between 2000 and 2010 Financial Years

For the old Member States⁽⁴⁾, when comparing the distribution in 2000 and in 2010, it appears that the share of beneficiaries receiving a small amount of direct payments is decreasing.

Graph 6a Distribution of beneficiaries in the EU-14 (EU-15 without Greece), by amount of direct payments received (thousand EUR), 2000 and 2010 Financial Years

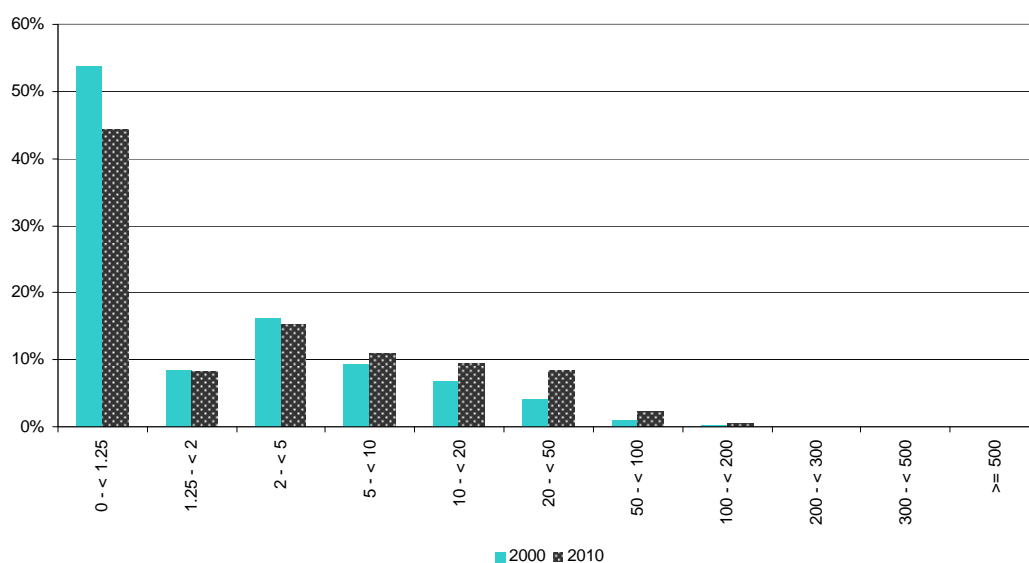
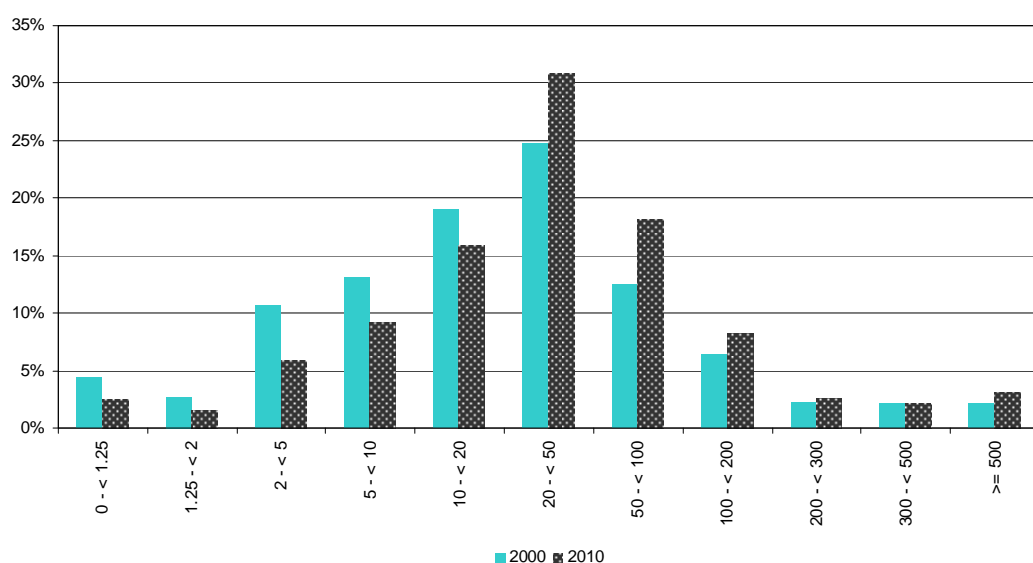


Table 2: Average amount per beneficiary, 2000 and 2010

		2000	2010		
		EU-14	EU-14	EU-15	EU-27
average amount (€beneficiary)		8 073	8 496	7 487	5 093
receiving 5 000 euros or less	% beneficiaries	79%	68%	71%	81%
	% direct payments	18%	10%	12%	15%

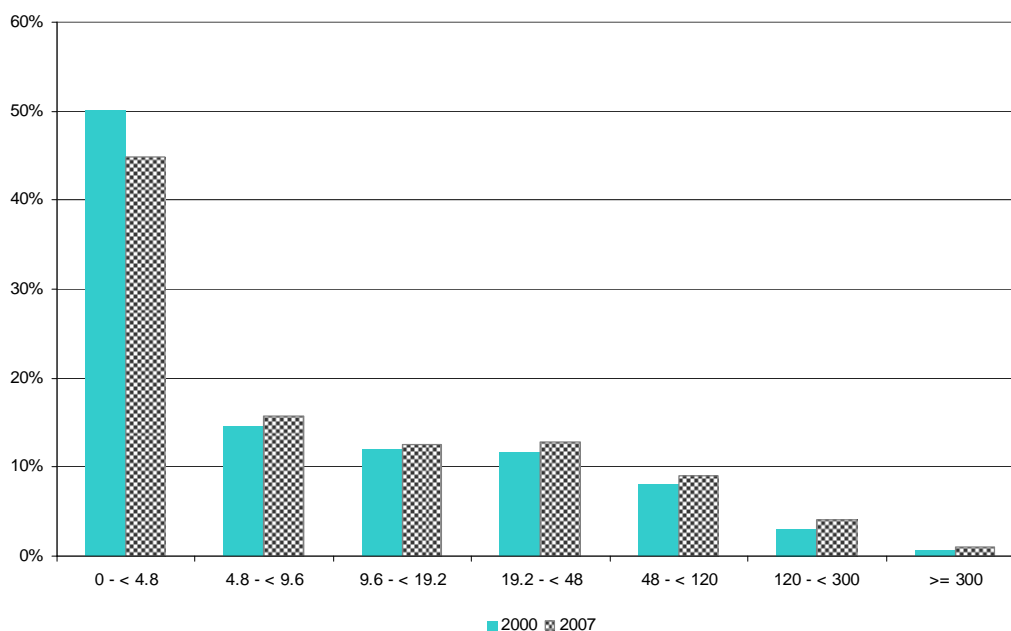
Graph 6b Distribution of direct payments in the EU-14 (without Greece) by amount of direct payments received (thousand EUR), 2000 and 2010 Financial Years



There are several reasons for this change. First of all, there are less small farms following ongoing structural adjustments (abandonment of activity and/or increase in size) as shown in Graph 7. Moreover, the implementation of

the different CAP reforms has led to an increase in the level of direct payments received by each beneficiary (with some beneficiaries changing class of direct payments).

Graph 7 Distribution of holdings in the EU-15 by category of “potential” gross value added (thousand EUR), 2000 and 2007 Farm Structure Surveys



6. EXPECTED FUTURE DEVELOPMENTS OF THE DISTRIBUTION OF DIRECT PAYMENTS

Due to the fact that the current levels of direct payments in all EU Member States are based on historic production and support references, they are not uniform within the EU but differ according to the productivity differences between Member States that existed during the historic reference period. As a result, the average value of direct payments per hectare differs between Member States and between farmers (depending on the direct payment model applied in a Member State).

The Commission's legal proposals on the CAP after 2013 foresee that direct income support should be more equitably distributed between Member States and farmers, by reducing the link to historical references.

To ensure a more equal distribution of direct support between Member States, while taking

account of the differences that still exist in wage levels and input costs, Member States with direct payments below the level of 90 % of the EU average should progressively close one third of the gap between their current level and this level by claim year 2017. This convergence should be financed proportionally by all Member States with direct payments above the average. This initial redistribution does not preclude a move towards further alignment of direct payment levels at a later stage.

In addition, the distribution of direct payments between farmers in a Member State will change due to two elements of the proposal.

First, all Member States will move towards a direct payments system based on

entitlements (similar to the current regional model of the Single Payment Scheme) having a uniform unit value at regional or national level. Regions will be defined by Member States on the basis of objective criteria such as agronomic potential or environmental criteria. A transition period is foreseen to avoid disruptive consequences for farmers in particular in Member States applying currently the historical model. Member States currently applying the SPS will have the possibility to take historic factors into account when calculating the value of entitlements in the first year of application of the new scheme (2014). Convergence towards the uniform value of all entitlements in a region/Member State will then take place in linear steps over the transition period. By 2019, all payment

entitlements activated in 2019 in a Member State or in a region should have a uniform unit value.

Second, part of the direct payment envelopes will be dedicated to support specific farmers who are more in need of income support, namely young farmers, small farmers, farmers located in areas with specific natural constraints and farmers having types of production for which coupled support is of great importance for economic, social and/or environmental reasons. Member States will have a certain margin of discretion in the implementation of those schemes but they will in any case affect the distribution of direct payments among farmers.

¹ Council Regulation (EC) N°1290/2005 of 21 June 2005 (OJ L 209, 11.8.2005, p. 1).

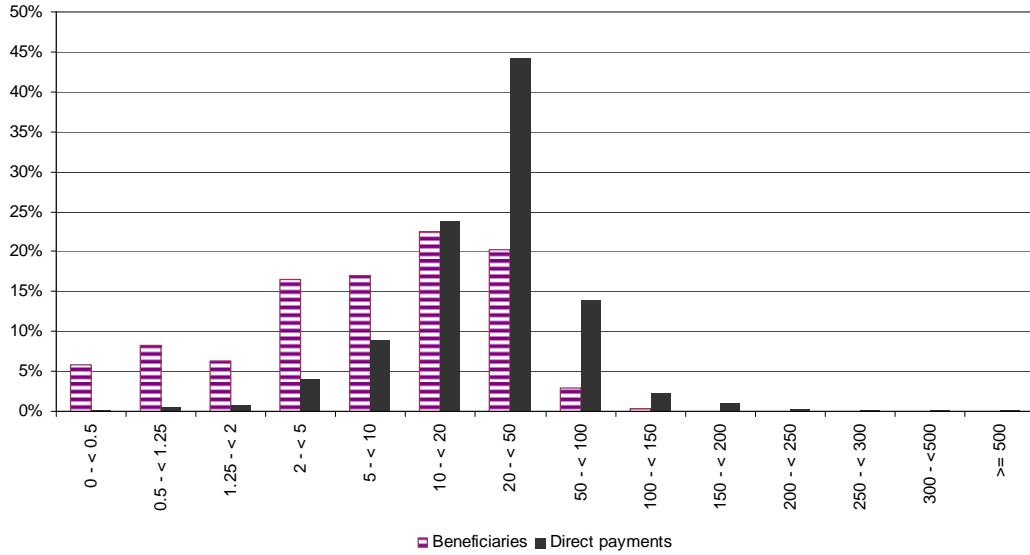
² Livestock is measured in Livestock Units, i.e. a standard measurement unit that allows the aggregation of the various categories of livestock in order to enable them to be compared (Regulation (EC) No. 1166/2008

³ It is convenient to measure the size in “potential” gross value added (also named economic size units) that allows to combine different kinds of production (arable crops, horticulture, permanent crops, milk, beef, pigs & poultry, etc).

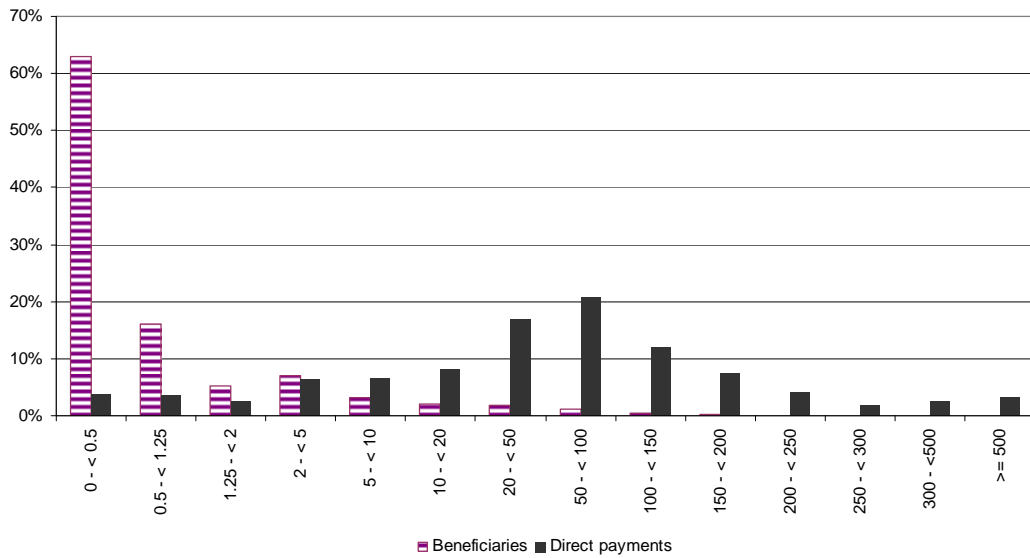
⁴ The comparison is made for the EU-15 without Greece (EU-14), as the distribution of beneficiaries was not available for this Member State in 2000.

ANNEX: DISTRIBUTION OF BENEFICIARIES AND OF DIRECT PAYMENTS BY MEMBER STATE

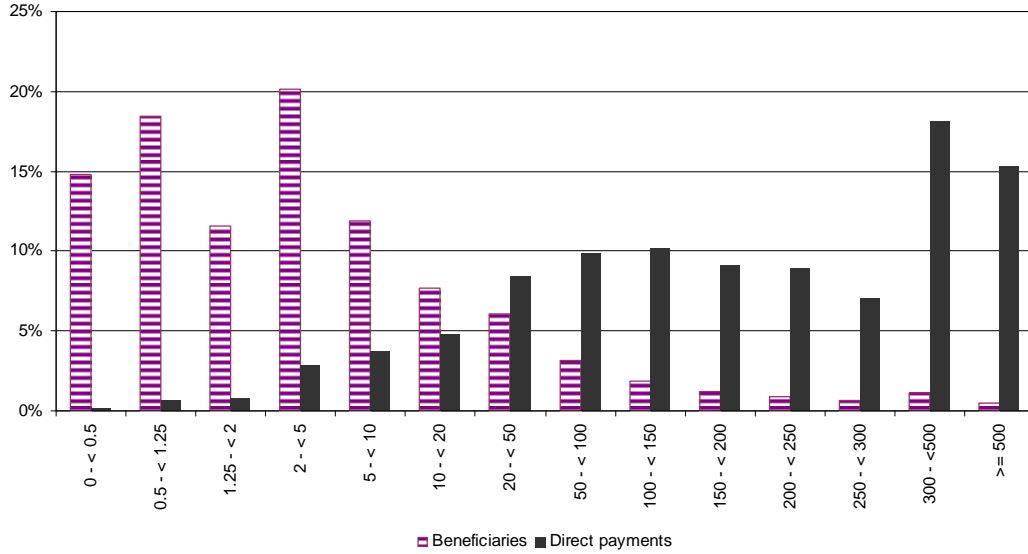
Graph 8 Distribution of beneficiaries and of direct payments in Belgium by amount of direct payments received (thousand EUR), 2010 Financial Year



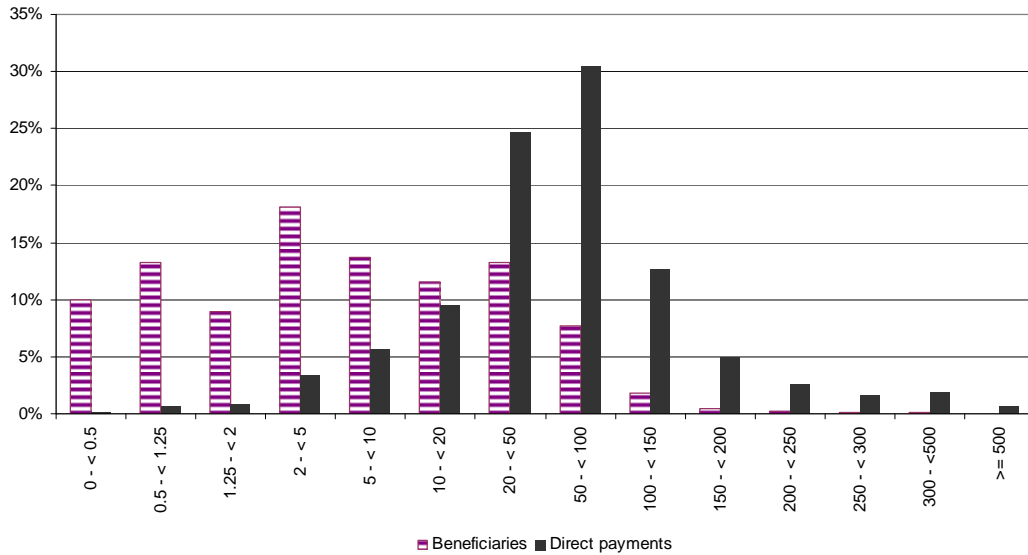
Graph 9 Distribution of beneficiaries and of direct payments in Bulgaria by amount of direct payments received (thousand EUR), 2010 Financial Year



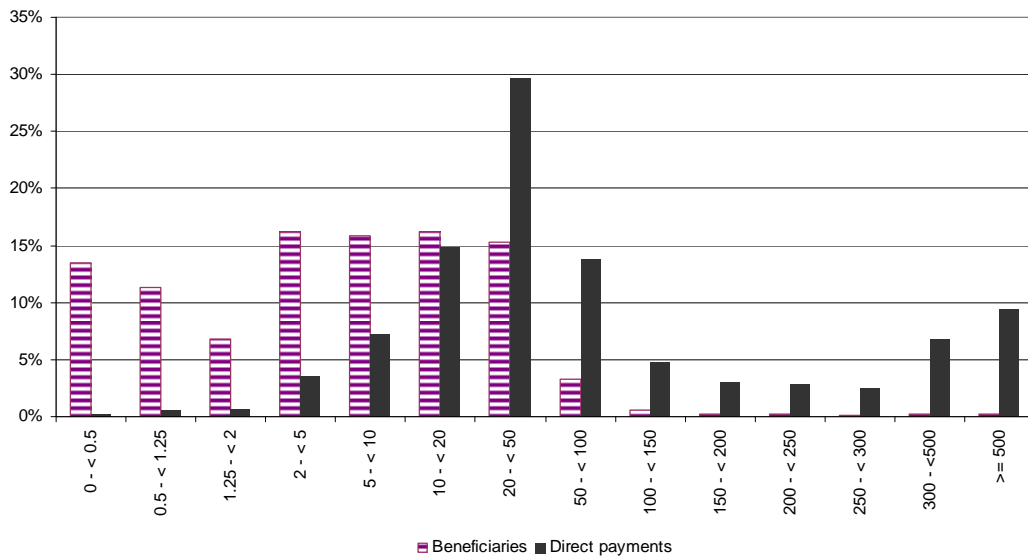
Graph 10 Distribution of beneficiaries and of direct payments in the Czech Republic by amount of direct payments received (thousand EUR), 2010 Financial Year



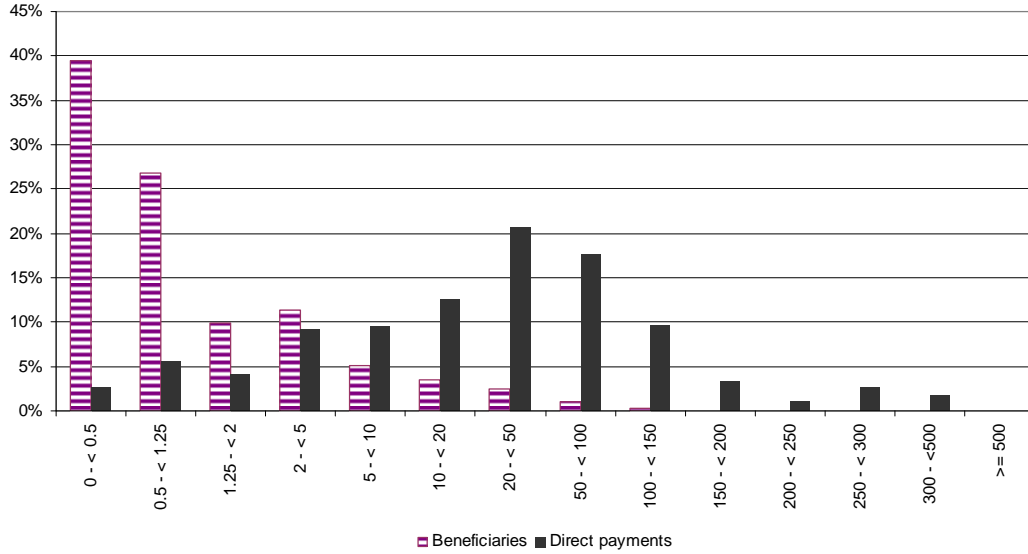
Graph 11 Distribution of beneficiaries and of direct payments in Denmark by amount of direct payments received (thousand EUR), 2010 Financial Year



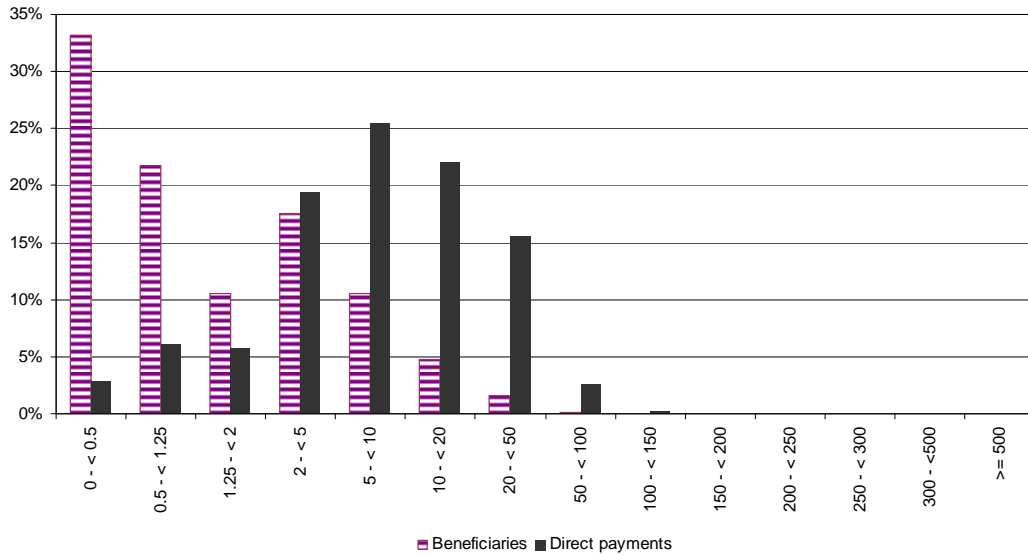
Graph 12 Distribution of beneficiaries and of direct payments in Germany by amount of direct payments received (thousand EUR), 2010 Financial Year



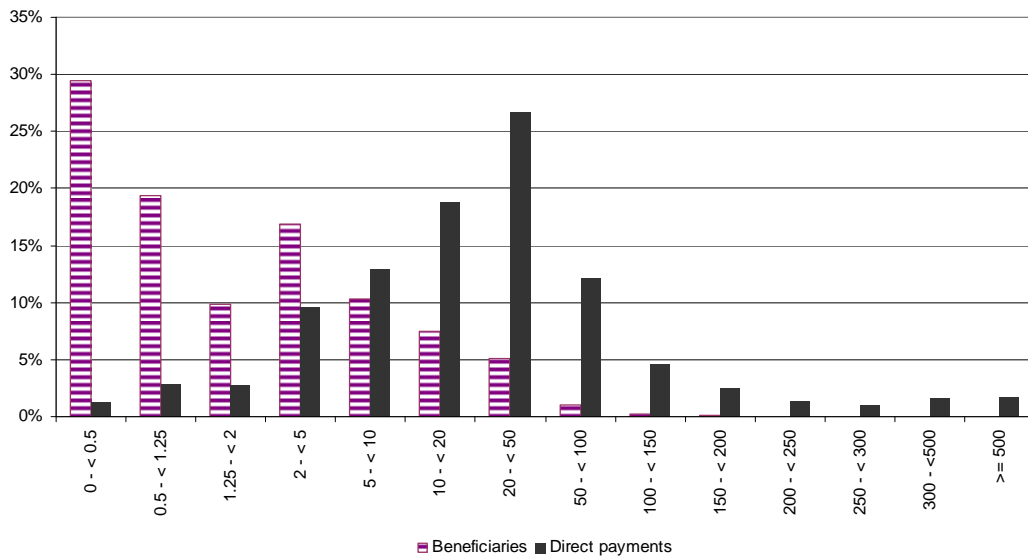
Graph 13 Distribution of beneficiaries and of direct payments in Estonia by amount of direct payments received (thousand EUR), 2010 Financial Year



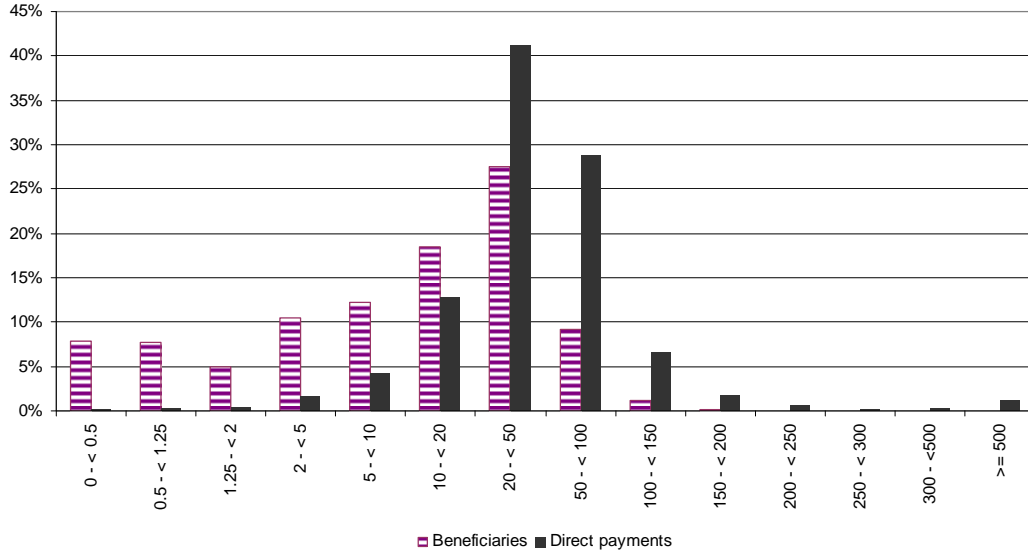
Graph 14 Distribution of beneficiaries and of direct payments in Greece by amount of direct payments received (thousand EUR), 2010 Financial Year



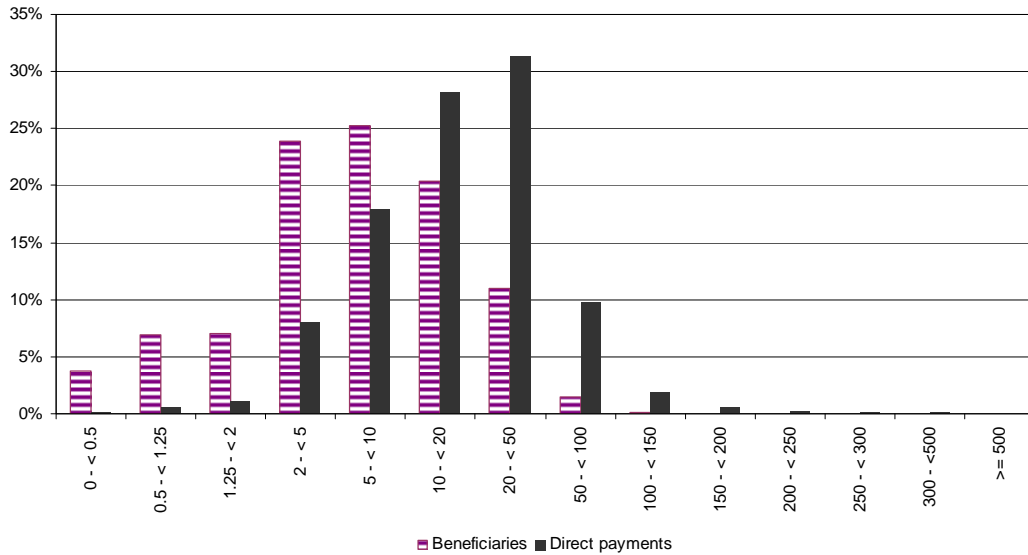
Graph 15 Distribution of beneficiaries and of direct payments in Spain by amount of direct payments received (thousand EUR), 2010 Financial Year



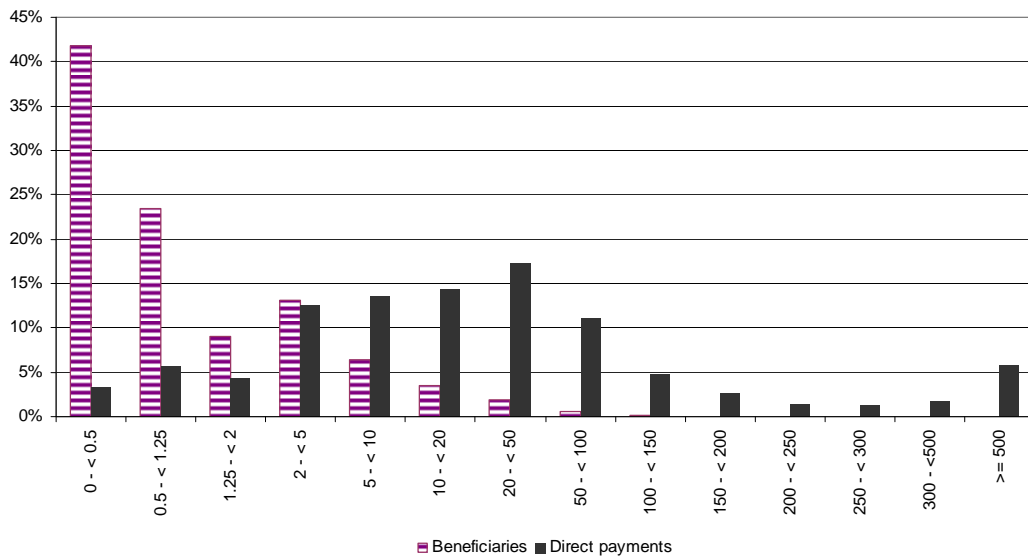
Graph 16 Distribution of beneficiaries and of direct payments in France by amount of direct payments received (thousand EUR), 2010 Financial Year



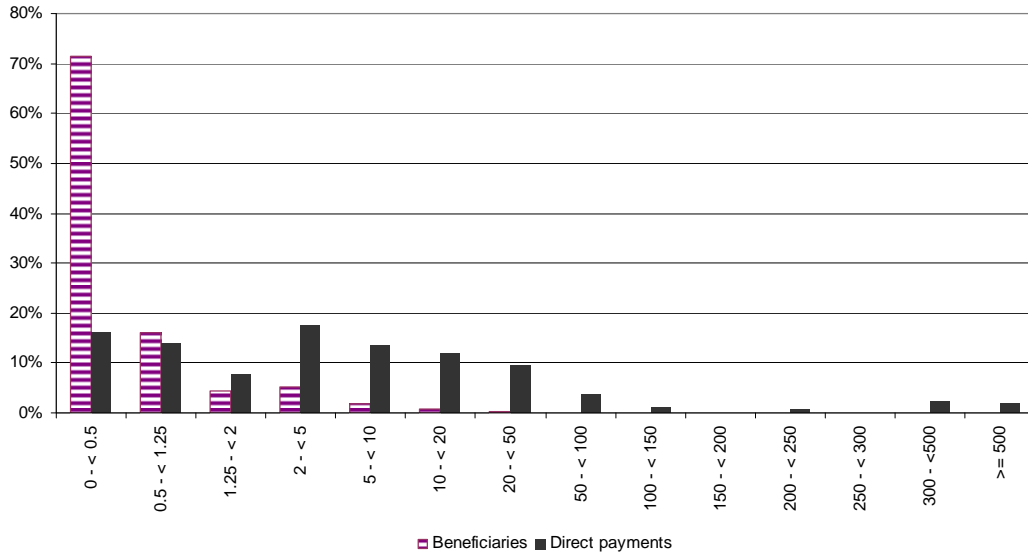
Graph 17 Distribution of beneficiaries and of direct payments in Ireland by amount of direct payments received (thousand EUR), 2010 Financial Year



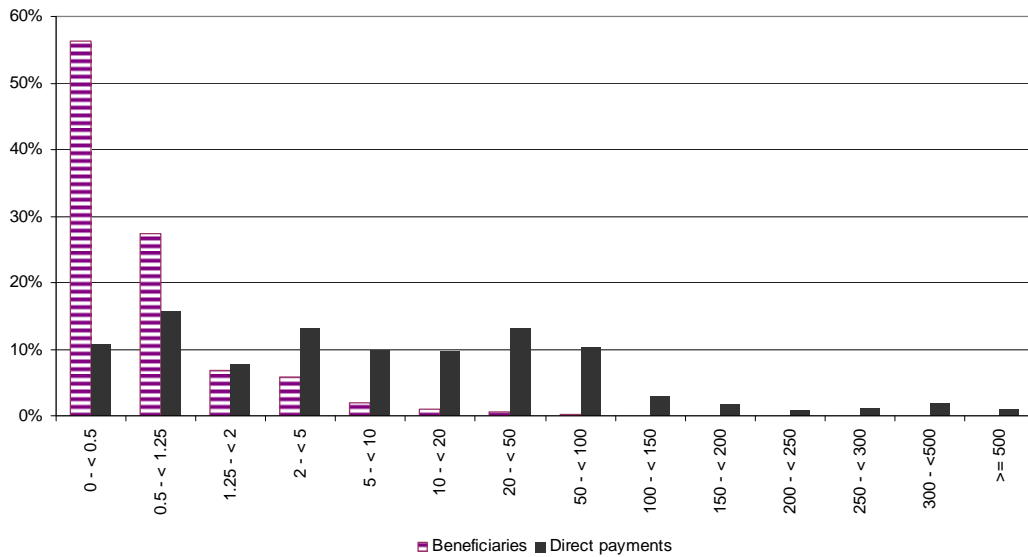
Graph 18 Distribution of beneficiaries and of direct payments in Italy by amount of direct payments received (thousand EUR), 2010 Financial Year



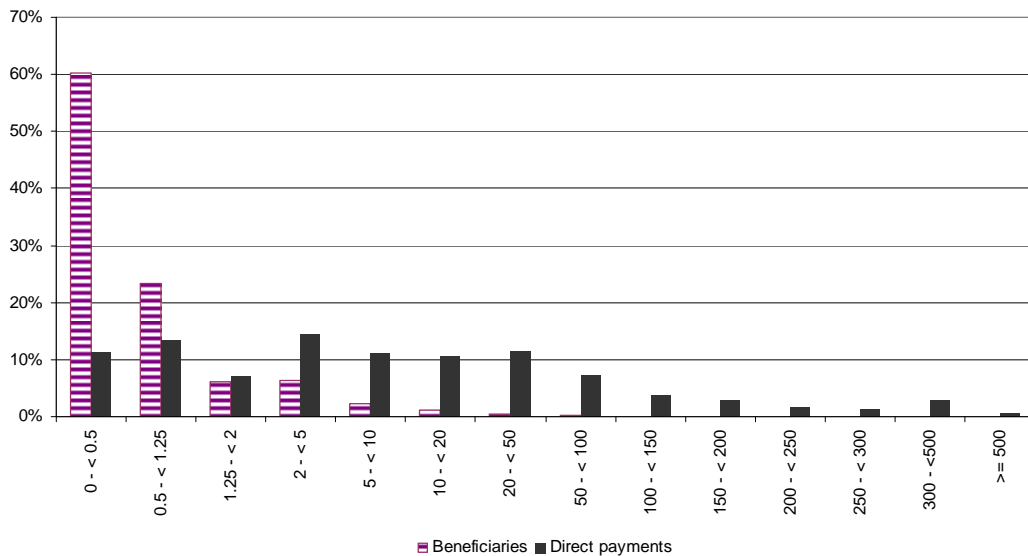
Graph 19 Distribution of beneficiaries and of direct payments in Cyprus by amount of direct payments received (thousand EUR), 2010 Financial Year



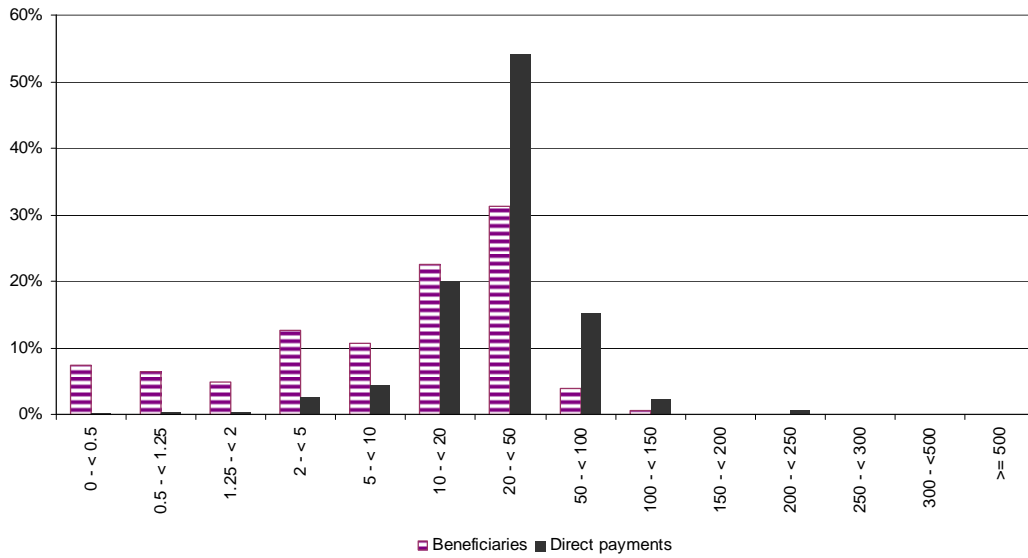
Graph 20 Distribution of beneficiaries and of direct payments in Latvia by amount of direct payments received (thousand EUR), 2010 Financial Year



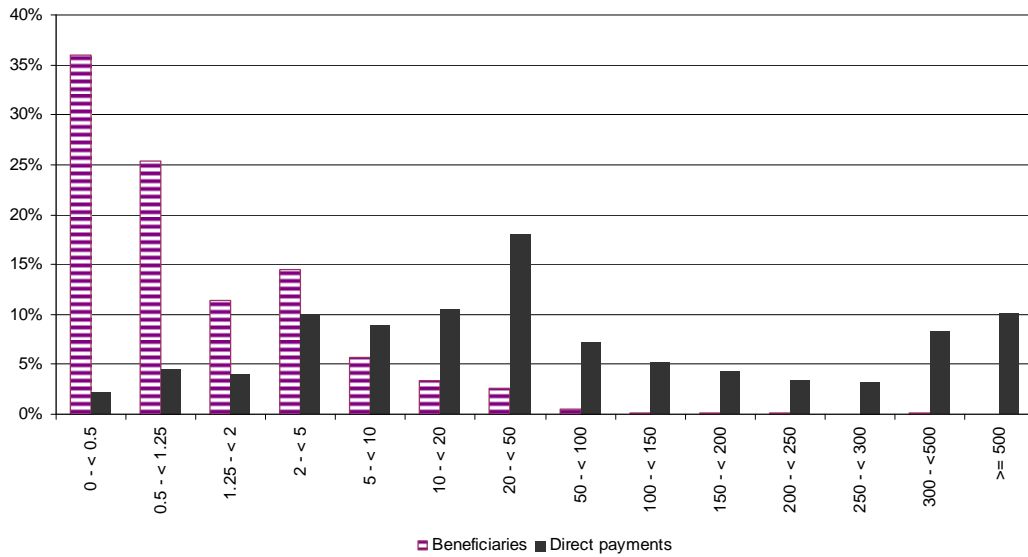
Graph 21 Distribution of beneficiaries and of direct payments in Lithuania by amount of direct payments received (thousand EUR), 2010 Financial Year



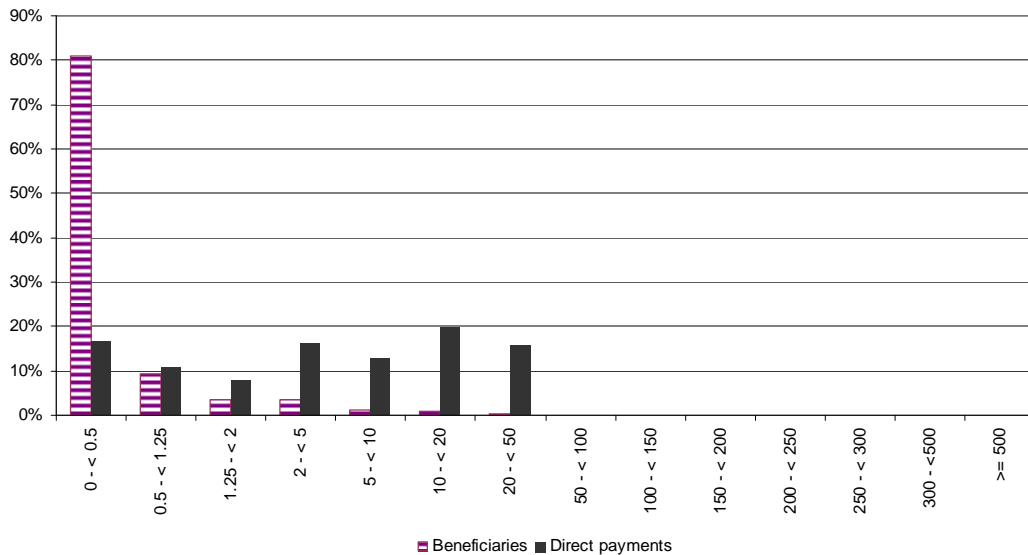
Graph 22 Distribution of beneficiaries and of direct payments in Luxemburg by amount of direct payments received (thousand EUR), 2010 Financial Year



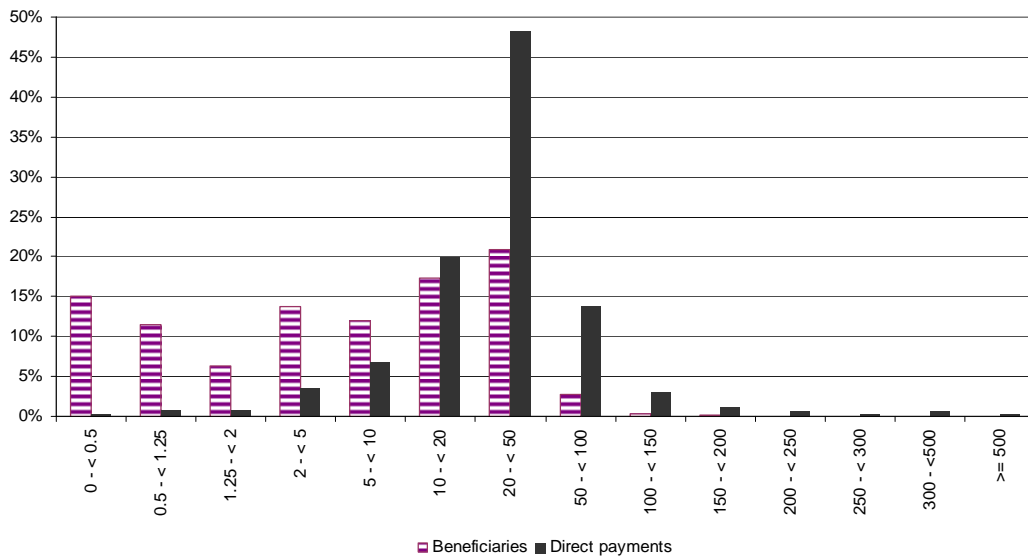
Graph 23 Distribution of beneficiaries and of direct payments in Hungary by amount of direct payments received (thousand EUR), 2010 Financial Year



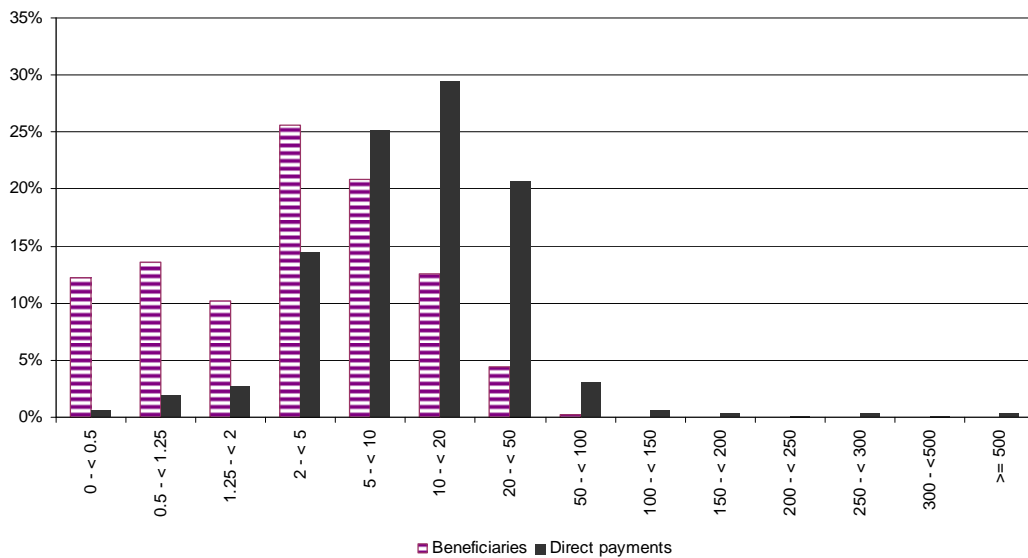
Graph 24 Distribution of beneficiaries and of direct payments in Malta by amount of direct payments received (thousand EUR), 2010 Financial Year



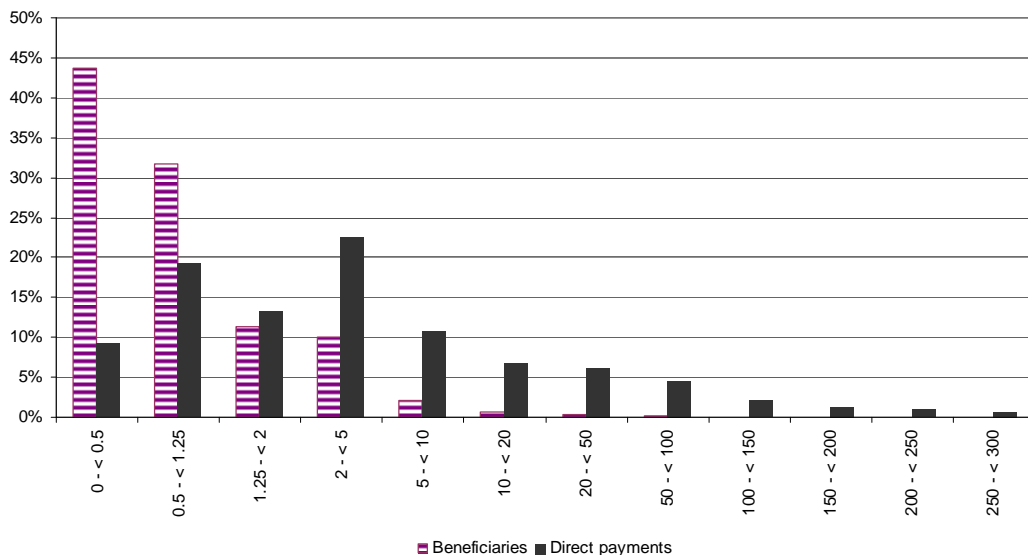
Graph 25 Distribution of beneficiaries and of direct payments in The Netherlands by amount of direct payments received (thousand EUR), 2010 Financial Year



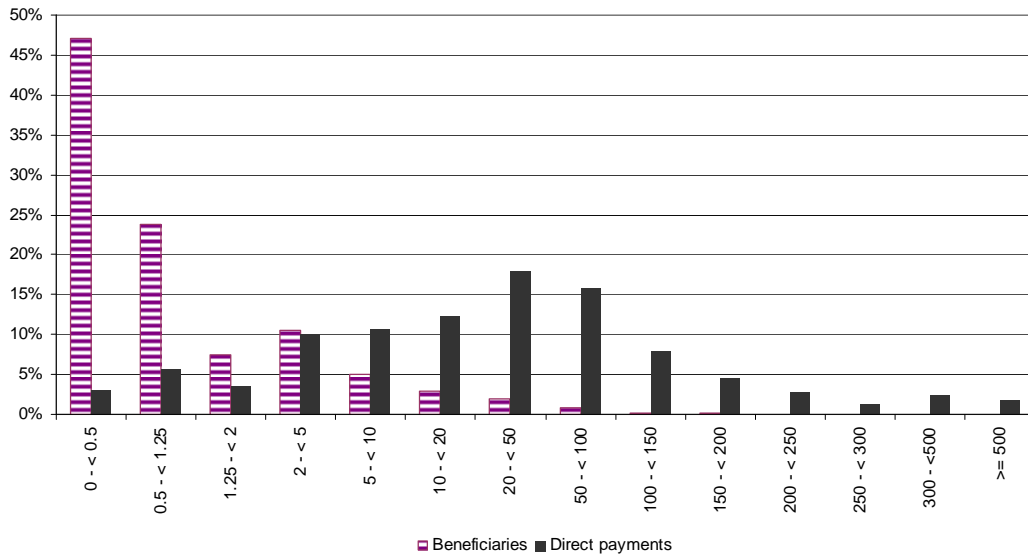
Graph 26 Distribution of beneficiaries and of direct payments in Austria by amount of direct payments received (thousand EUR), 2010 Financial Year



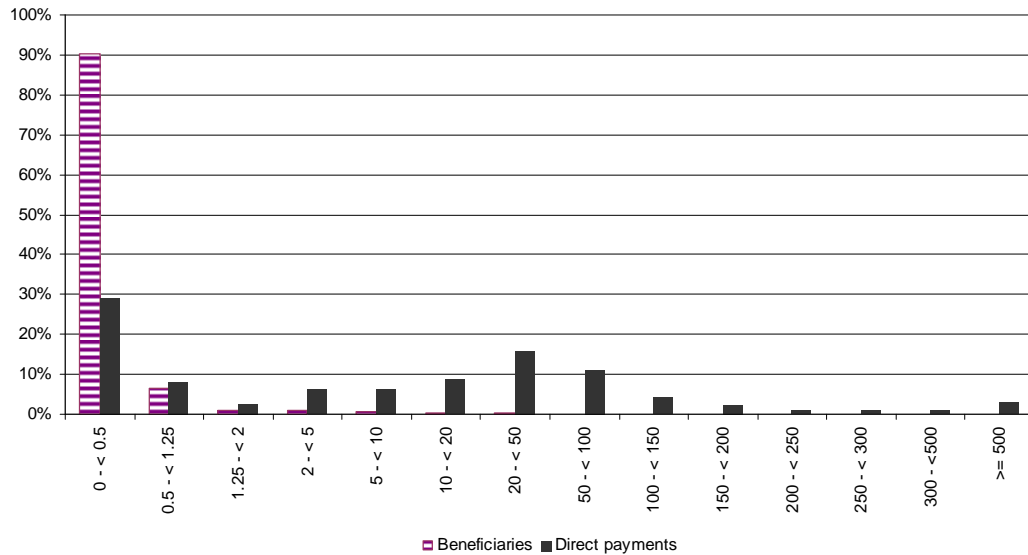
Graph 27 Distribution of beneficiaries and of direct payments in Poland by amount of direct payments received (thousand EUR), 2010 Financial Year



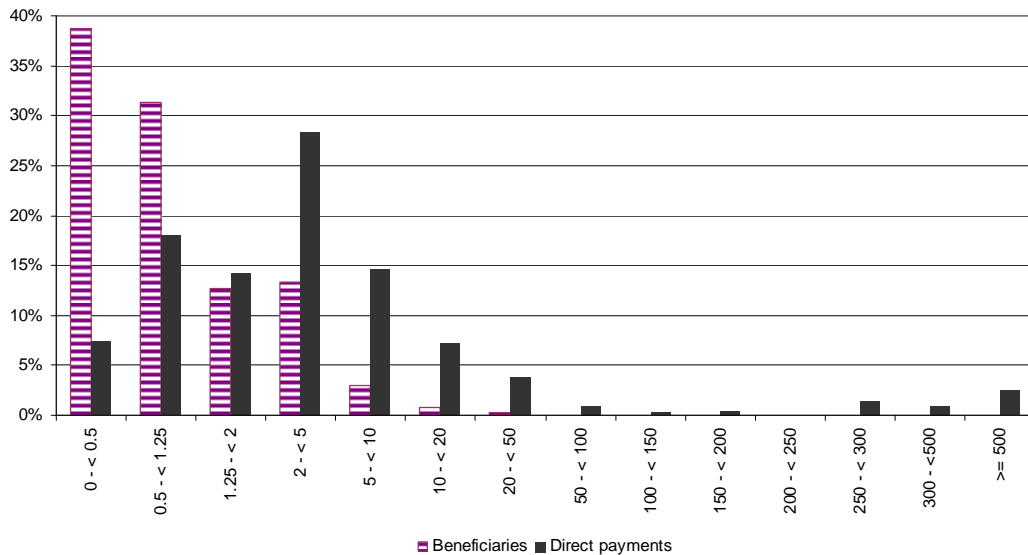
Graph 28 Distribution of beneficiaries and of direct payments in Portugal by amount of direct payments received (thousand EUR), 2010 Financial Year



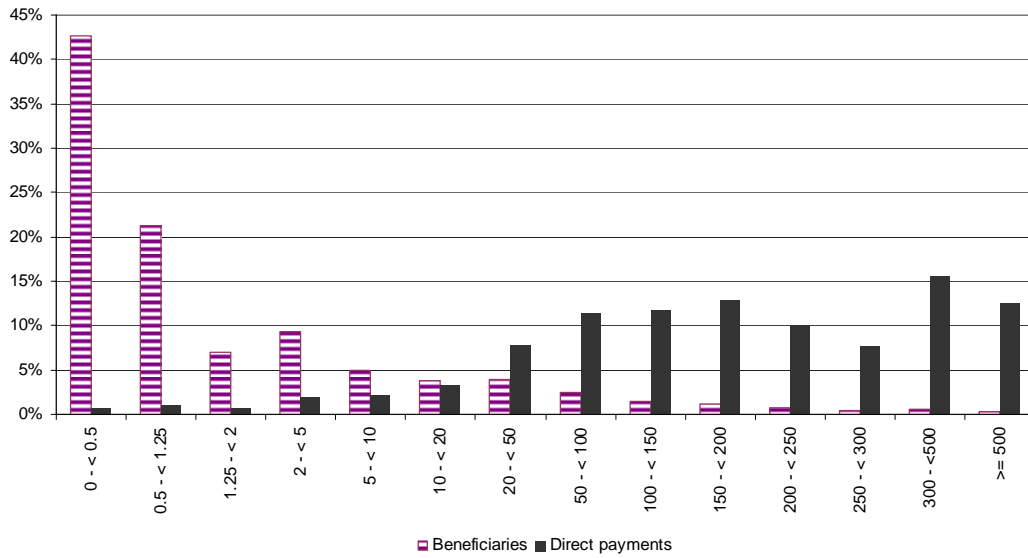
Graph 29 Distribution of beneficiaries and of direct payments in Romania by amount of direct payments received (thousand EUR), 2010 Financial Year



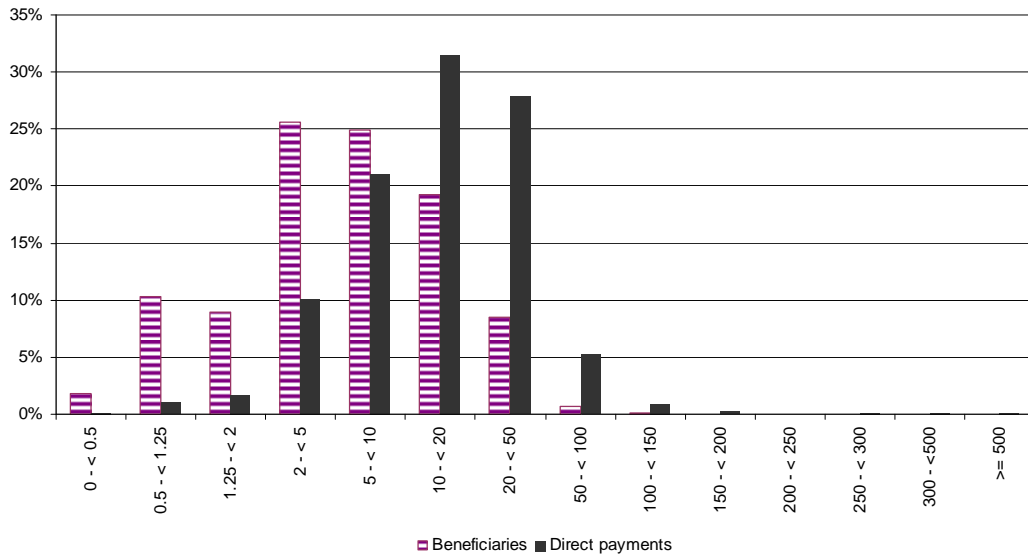
Graph 30 Distribution of beneficiaries and of direct payments in Slovenia by amount of direct payments received (thousand EUR), 2010 Financial Year



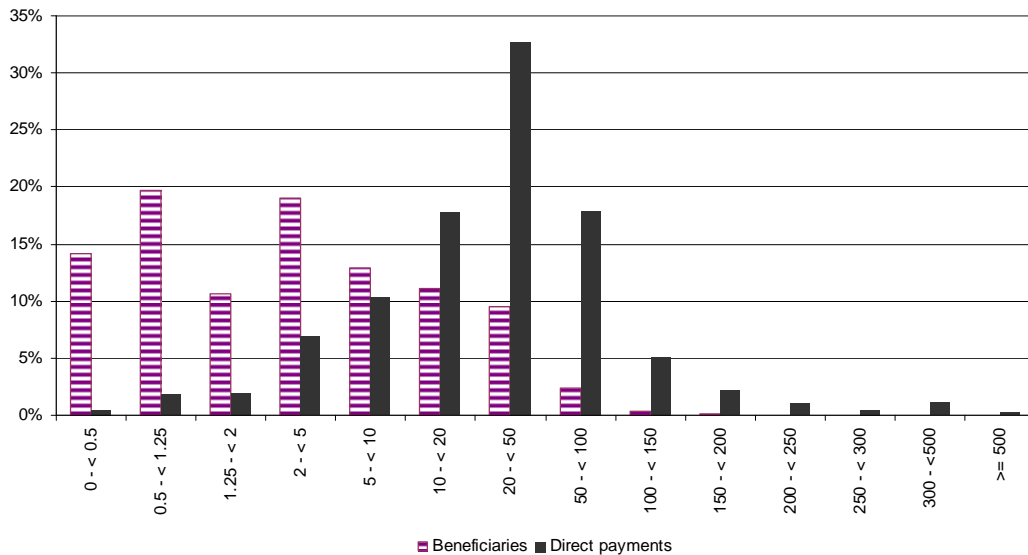
Graph 31 Distribution of beneficiaries and of direct payments in Slovakia by amount of direct payments received (thousand EUR), 2010 Financial Year



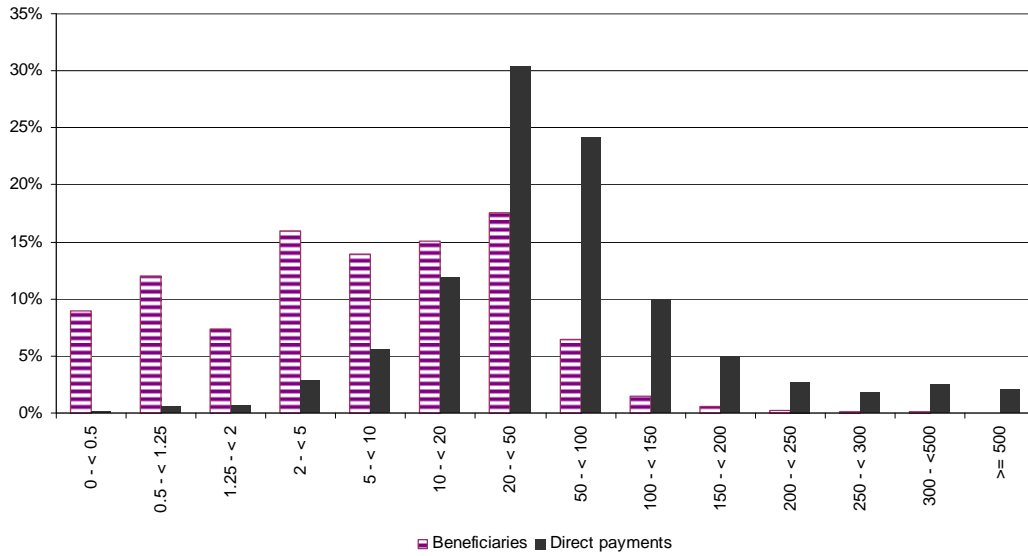
Graph 32 Distribution of beneficiaries and of direct payments in Finland by amount of direct payments received (thousand EUR), 2010 Financial Year



Graph 33 Distribution of beneficiaries and of direct payments in Sweden by amount of direct payments received (thousand EUR), 2010 Financial Year



Graph 34 Distribution of beneficiaries and of direct payments in United Kingdom by amount of direct payments received (thousand EUR), 2010 Financial Year



Graph 35 Distribution of beneficiaries and of direct payments in EU-27 by amount of direct payments received (thousand EUR), 2010 Financial Year

