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Gainers and losers of the implementation of the new Common Agricultural Policy in Wallonia

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Abstract

The new Common Agricultural Policy (CAP) defined in 2013 is implemented since 2015. It offers several options to the Member States/Regions. This paper describes the choices which have been made in Wallonia and their consequences on direct payments. It appears that 42% of the farmers will lose between 2014 and 2019, while 44% will gain and a quasi-status quo is observed for the remaining 14%. Finally, the new situation is politically acceptable and gives more support to small farms, young farmers and cattle breeders, though the global envelope for direct payments will decline in Wallonia.

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1. Introduction

In 2013, a new Common Agricultural Policy was defined after several years of negotiations between the EU Commission, the Member States, the EU Parliament and the Council of Ministers. The EU Regulation No. 1307/2013 deals with the structure of the direct payments, giving the Member States and their regions several choices according to their own 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. 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

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presented below.

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

The new structure of direct payments in Wallonia is presented in Figure 1.

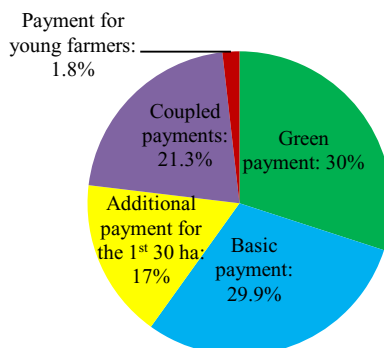


Fig. 1. New architecture of direct payments in Wallonia (%) (2015-2020).

As it is compulsory for each Member State/Region, the “green payment” represents 30% of the total envelope for direct payments. 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.

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.

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

As Belgium is one of the Member States where the payment per hectare was 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 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 %	-

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. Impact of the new Common Agricultural Policy on the direct payments received by farmers

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 be significant losers while 44% will be significant gainers. This result is 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 where cereals and sugar beets are produced will lose the most, while the regions suitable for cattle breeding 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 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

Though the situation is improved compared to the previous one, it is still clear that the financial support to farmers is still 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. Effectively, in 2019, 50% of the direct payments will be granted to

20% of the farmers, against 18% in 2014. The Gini index (<http://data.worldbank.org/indicator/SI.POV.GINI>), as a measure of inequality, varies between 0, which reflects complete equality and 1, which indicates complete inequality (if one farmer gets all the direct payments, all others have none, 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.

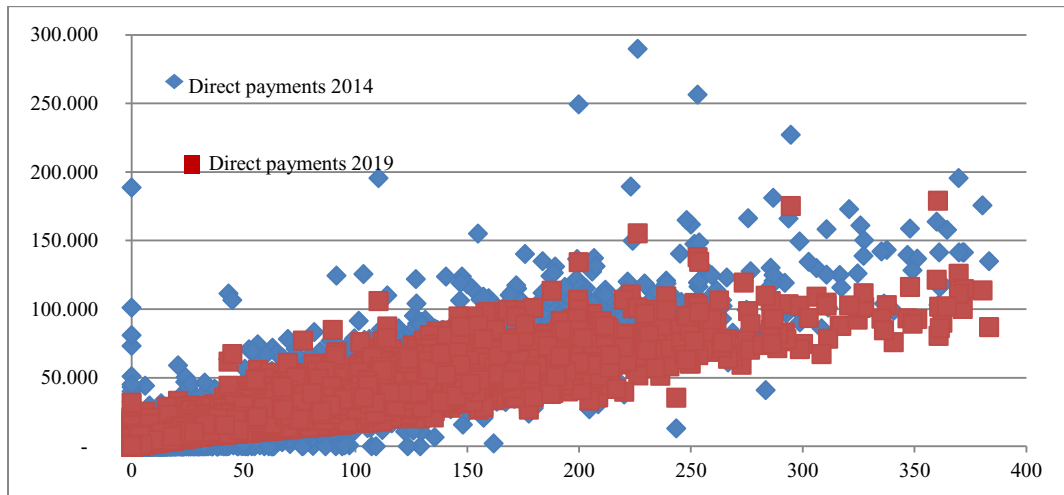


Fig. 2. Financial support from the first pillar of the CAP according to the area of the farms in Wallonia.

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. Though the Walloon Region will get less financial support from the CAP budget, 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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