

The CAP's influence on changing farm structures

- Has the CAP amplified or mitigated the concentration of farms overall?
- Effects of decoupled support

Alfons Balmann

Major trends

Boehlje (1999)

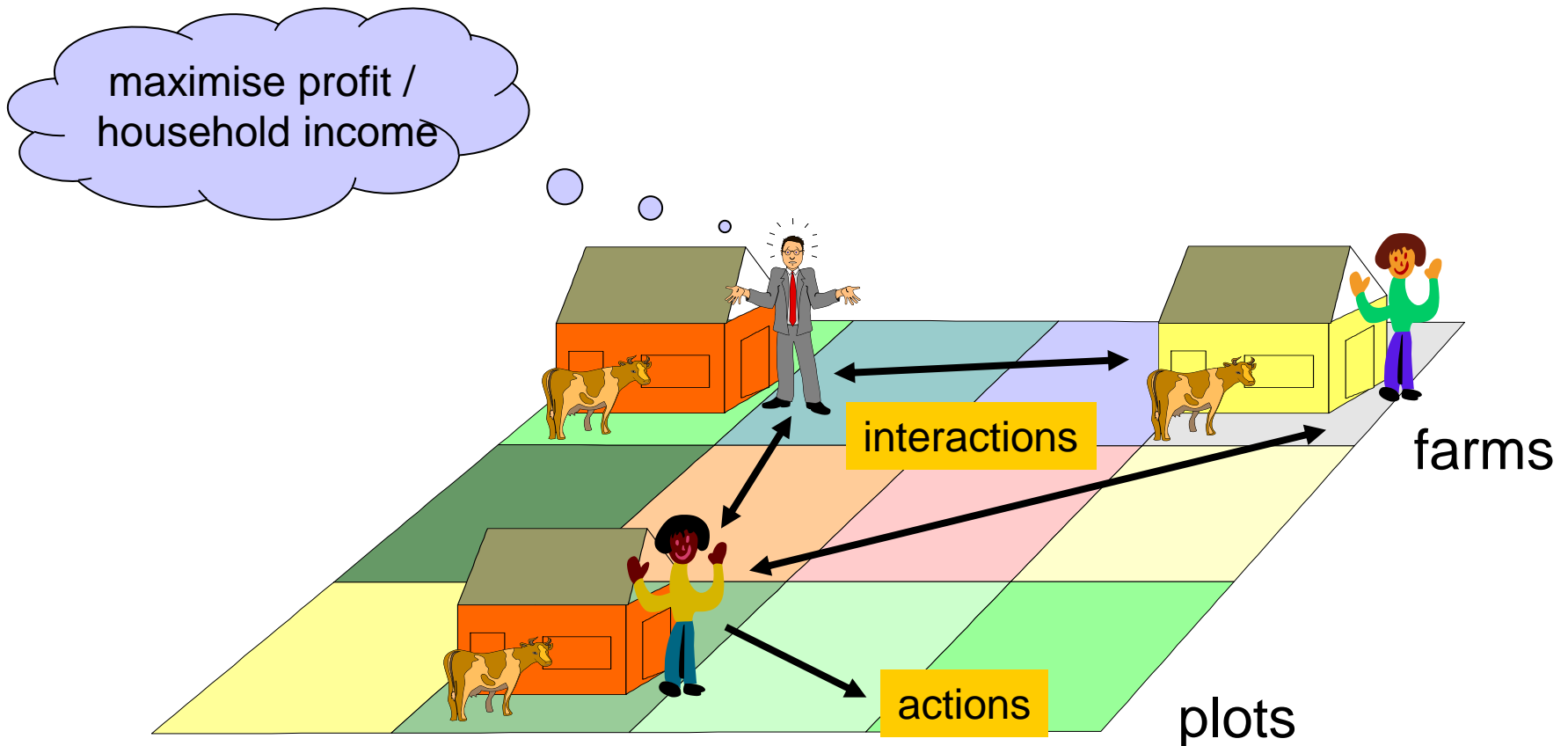
- New dimensions of structural change in agriculture
 - Supply or value chains
 - Biological manufacturing
- Industrialization of agriculture
 - “In essence, agricultural production is becoming more a science and less an art.” (Boehlje/Gray 2009)
 - Increasing capital and knowledge intensity
- Globalization and verticalization
 - Increasing relevance of private standards and contracting

Major trends

Further issues:

- New markets
 - bio-energy, fibers, ...
 - fast developing countries
 - New competitors
 - New technologies: bio-technology, ...
 - Policy changes: WTO, tightening budgets
-
- Can EU agriculture cope with opportunities and threads?
 - Did decoupling prepare the agricultural sector?

AgriPoliS: an agent-based model of structural change

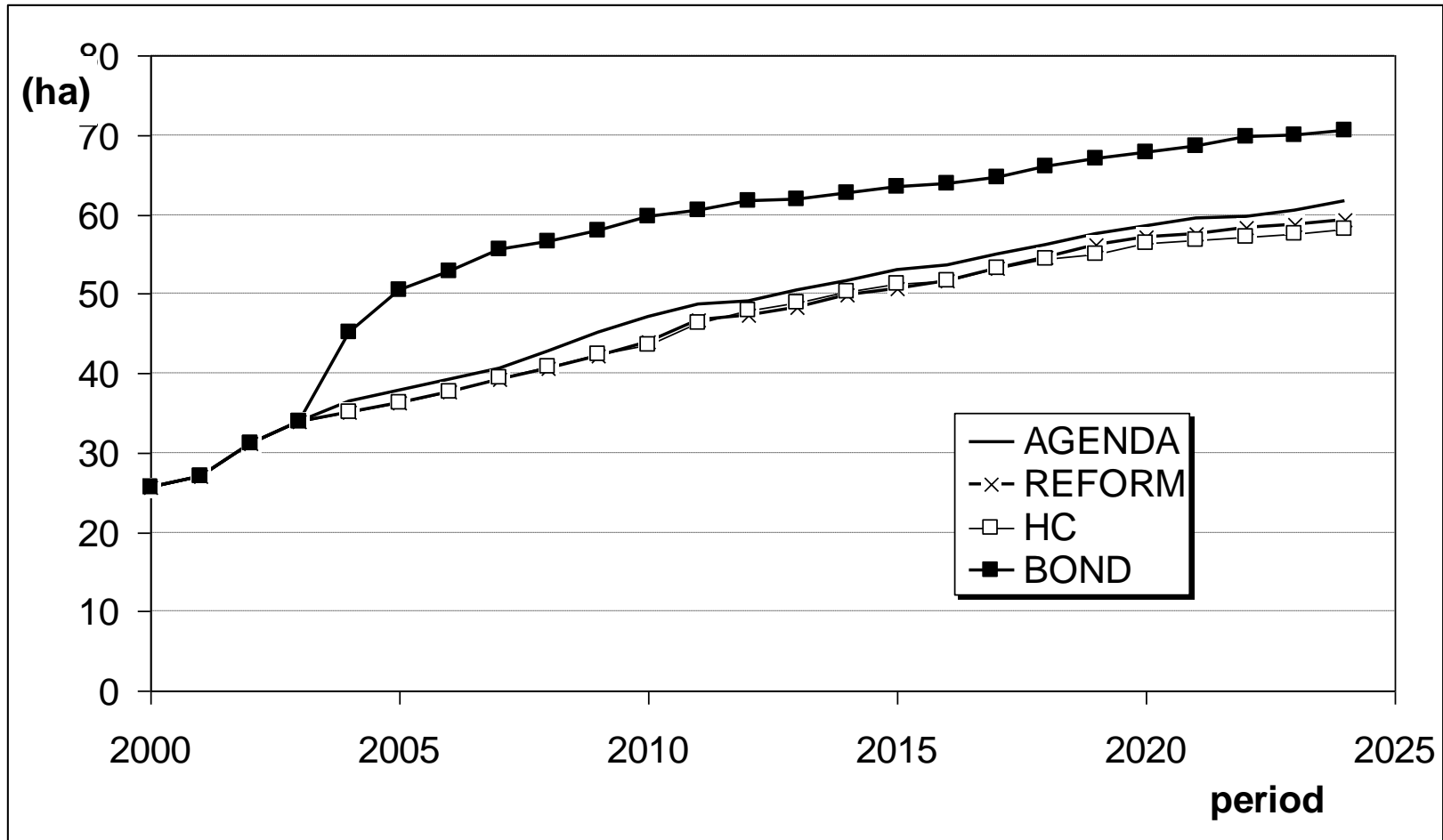


Simulation experiments for

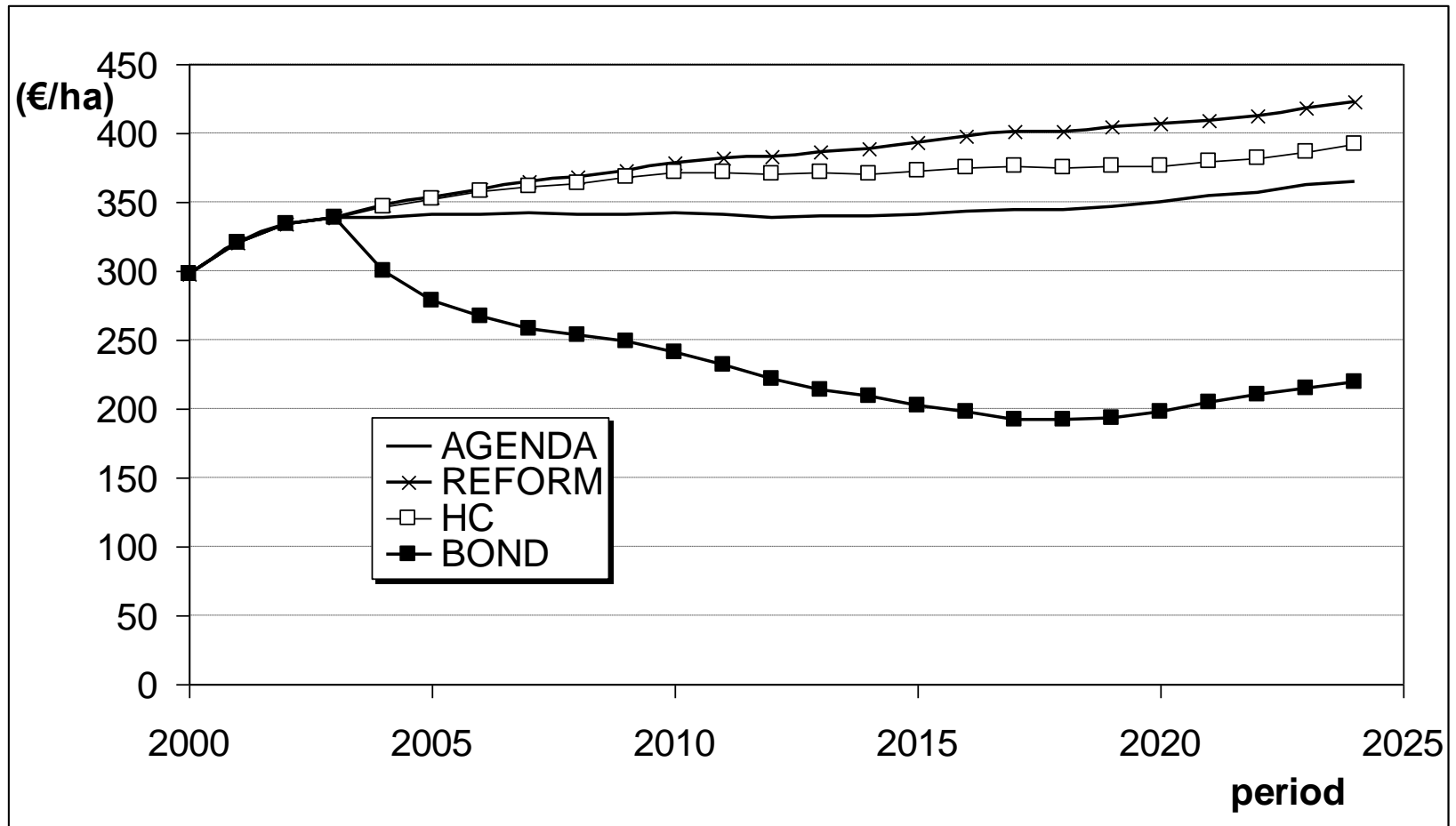
- a small-scale livestock region in South-west Germany (Hohenlohe)
- Similar results for other regions!

Abbreviation	Scenario description and conditions
AGENDA	- Continuation of Agenda 2000
REFORM	- Hybrid model according to Mid-term Review - Essentially land-based SFP - Assumption low: market value of entitlements
HC	- Health Check regulations
BOND	- Bond Scheme based on Single Farm Payments - Farms receive payments even if they quit farming

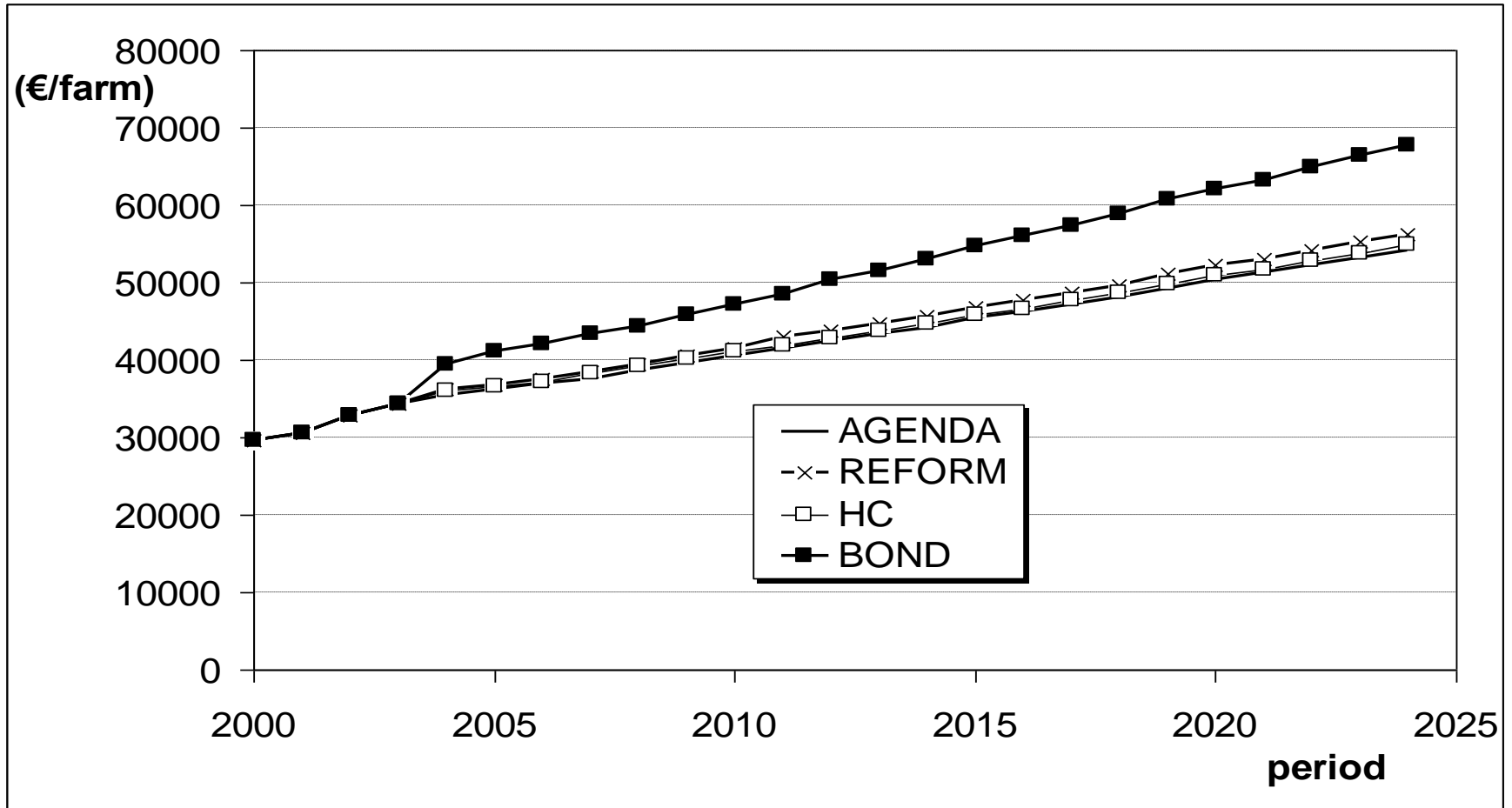
Hohenlohe – average farm size in ha



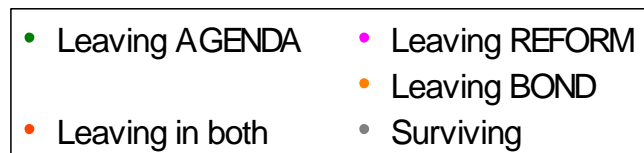
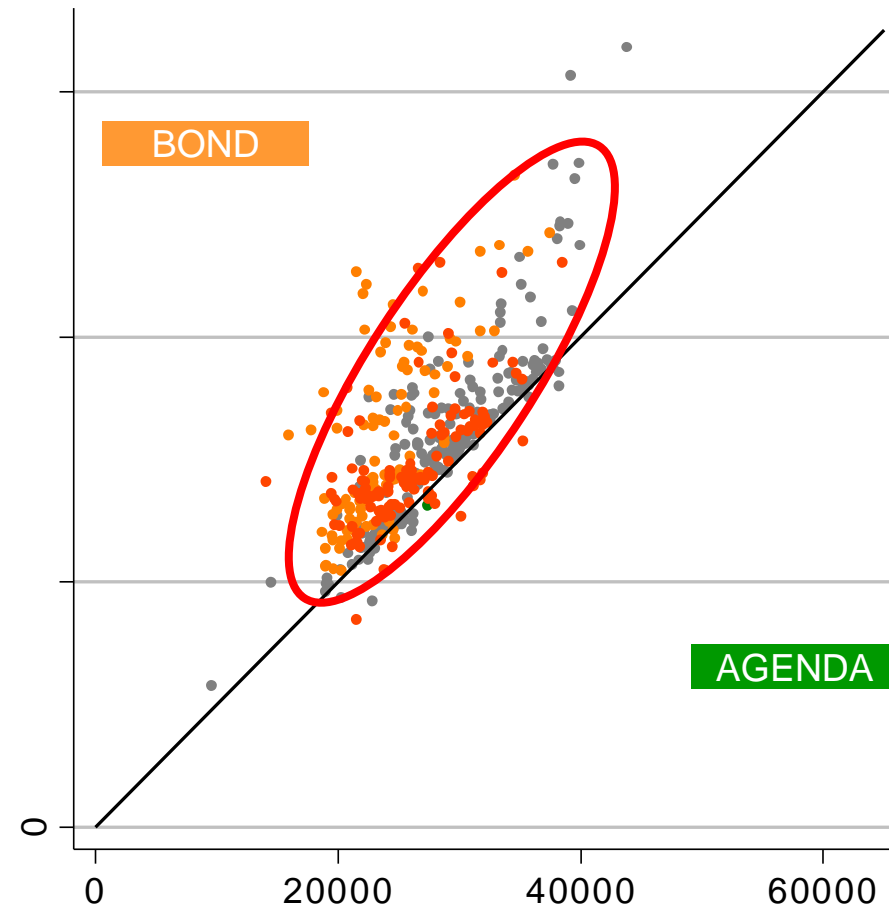
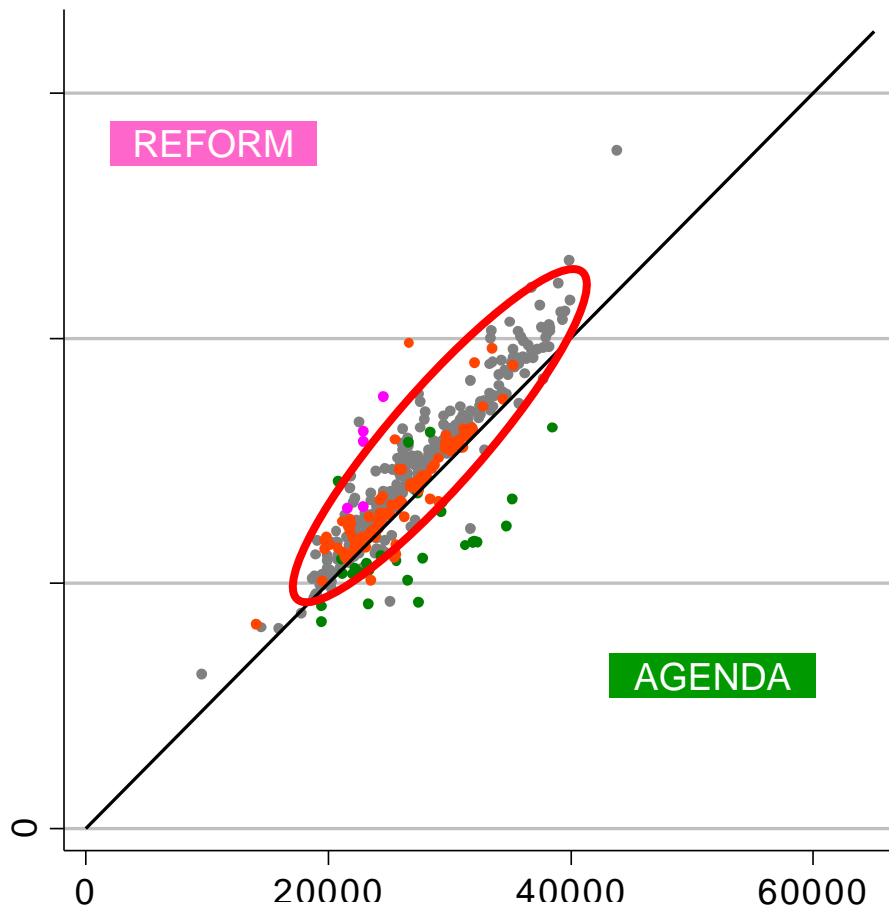
Hohenlohe – average rental price



Hohenlohe – farm-household income

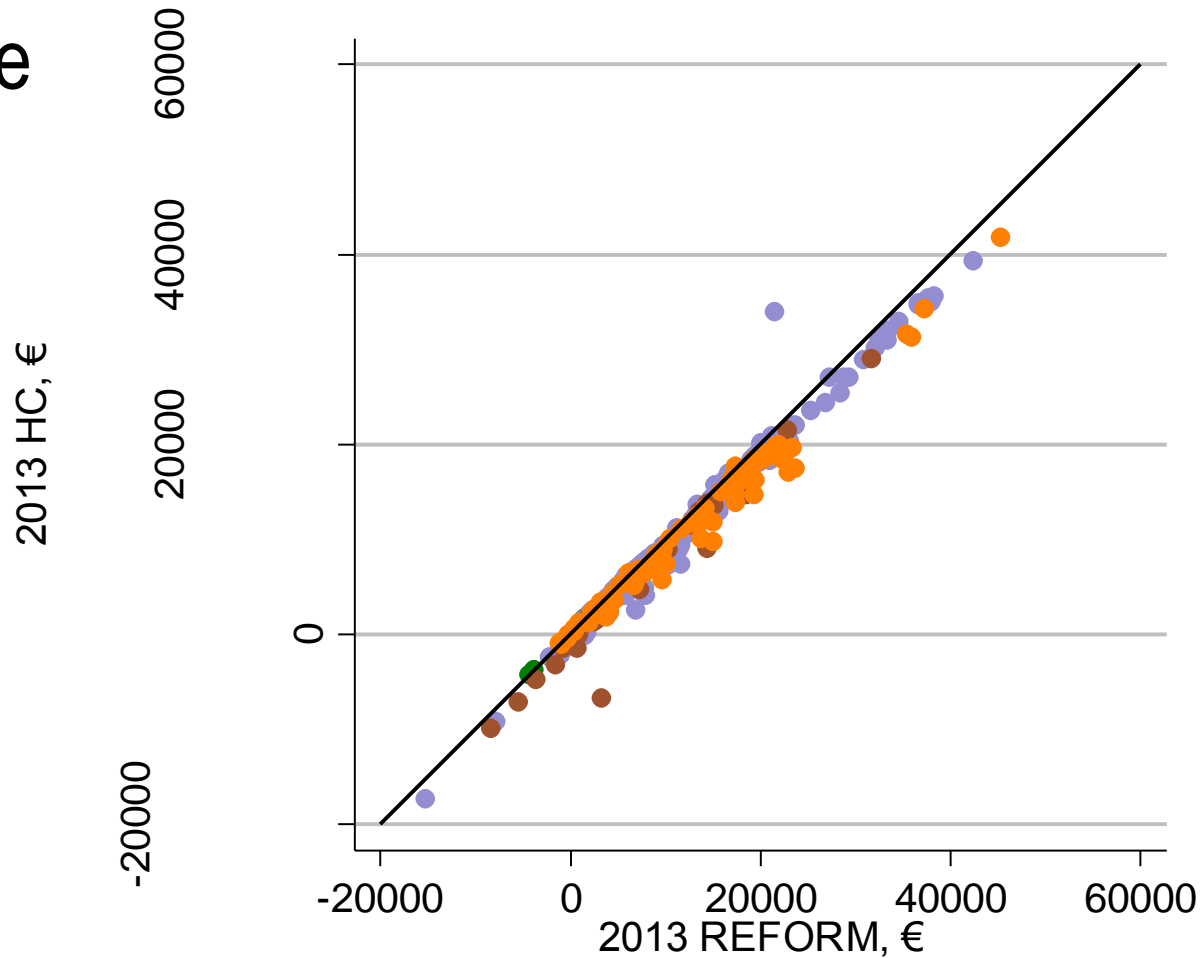


Household income per family work unit for leaving and surviving farms in Hohenlohe in 2013 for different policy scenarios (in €/FAWU)



AgriPoliS

Hohenlohe
- profits

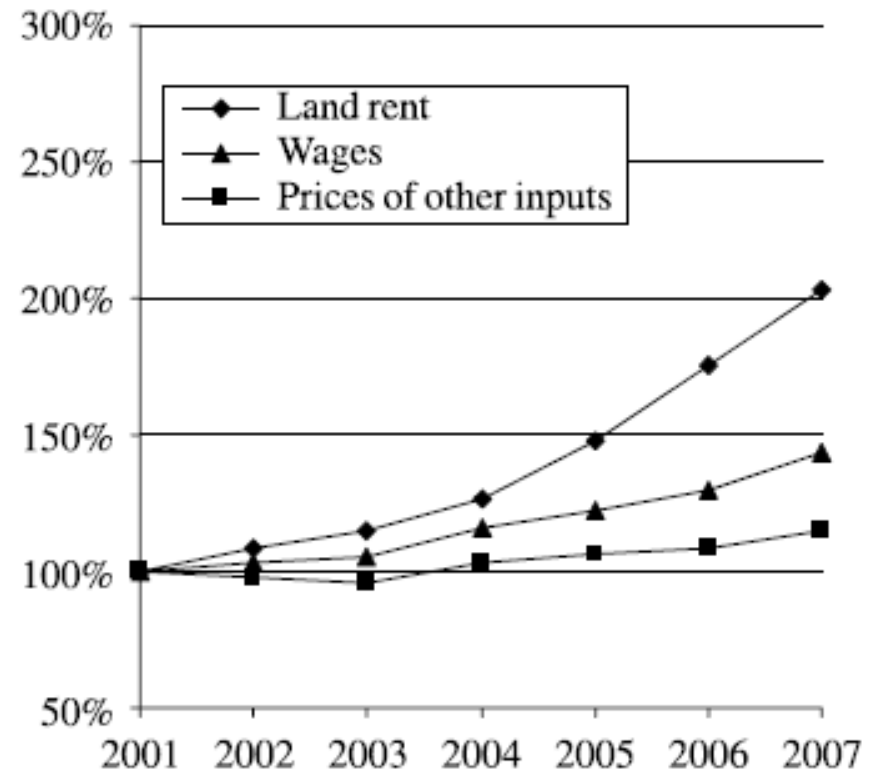
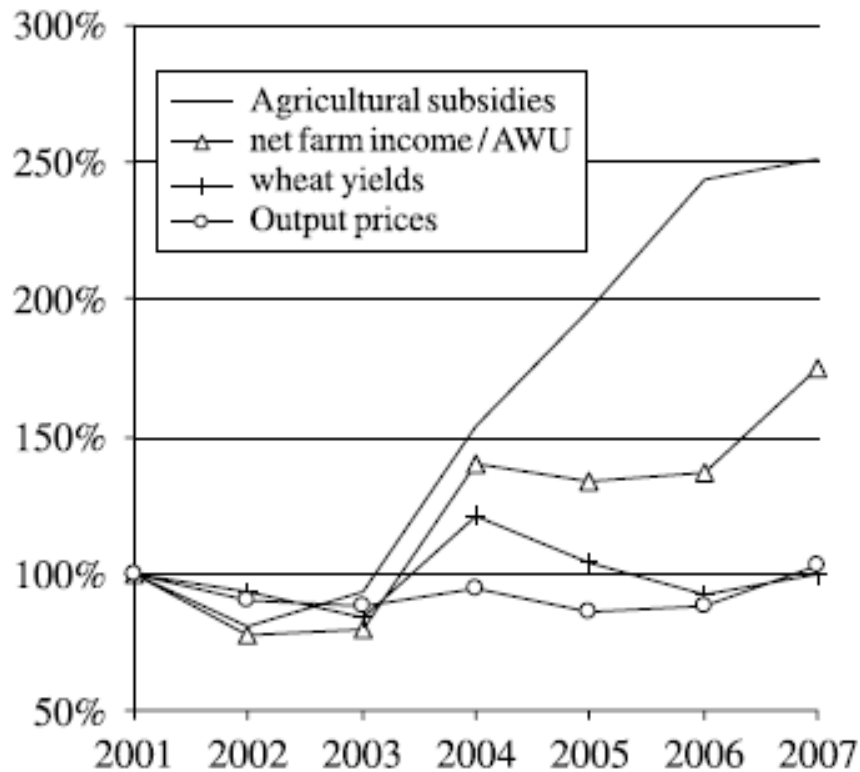


- | | |
|---------------------|---------------|
| ● Field crop | ● Pig/Poultry |
| ● Grazing Livestock | ● Mixed |

Who gets the benefits?

“Natural experiment”

EU Enlargement Effects on Czech Agriculture

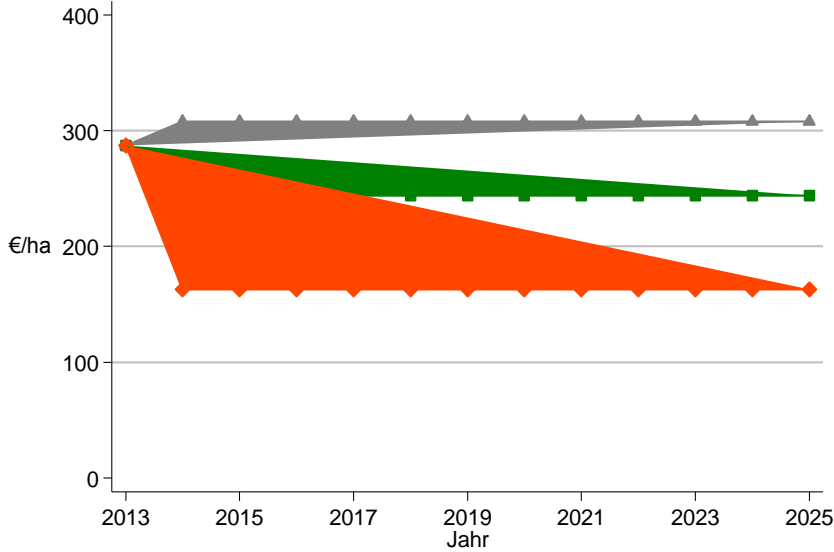


Szenarios CAP after 2013

<u>Name</u>	<u>Assumption</u>
HC	Regional premium after 2013 No modulation after 2013
244	Per ha direct payment of EU average
163	Per ha direct payment 2/3 rd of EU average
Capping100	Maximum direct payment of 100 000 € per farm
Labour 20	Maximum direct payment of 20 000 € per AWU
Model	AgriPoliS
Regions	Hohenlohe, Altmark (Eastern Germany)

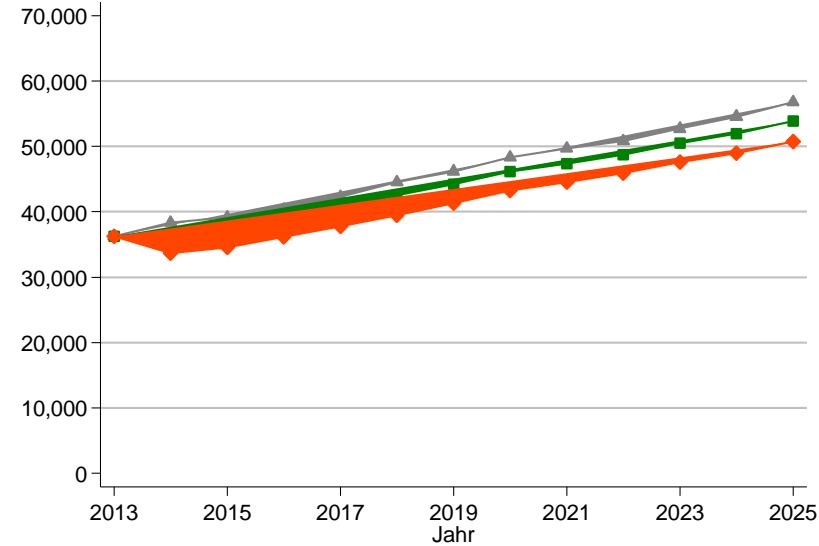
Direct payment per ha

Hohenlohe

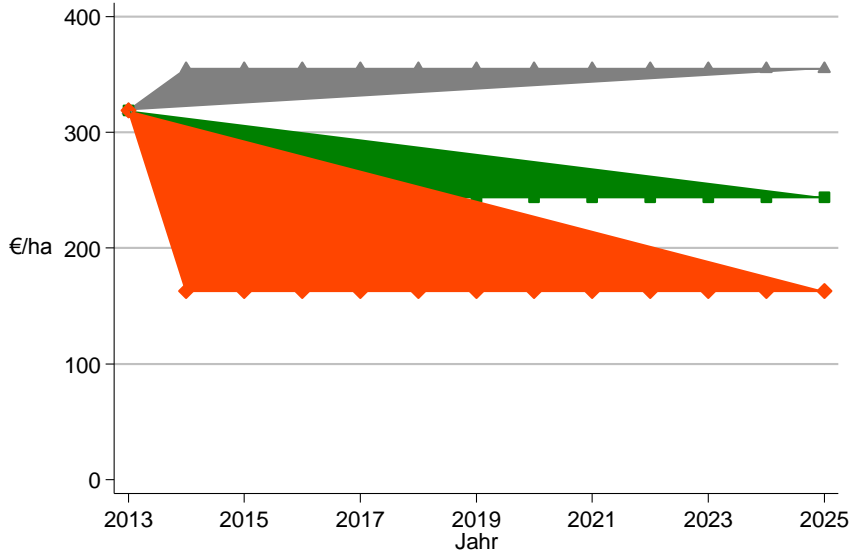


Profit per farm

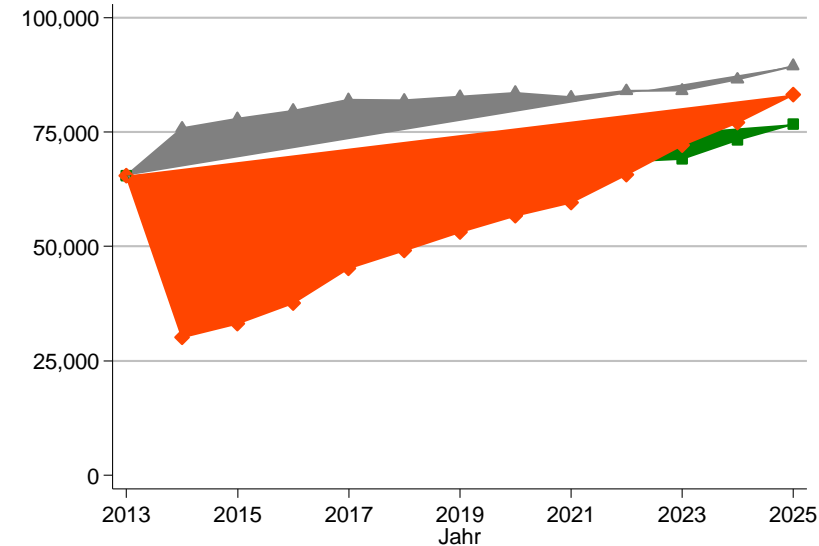
Hohenlohe



Altmark

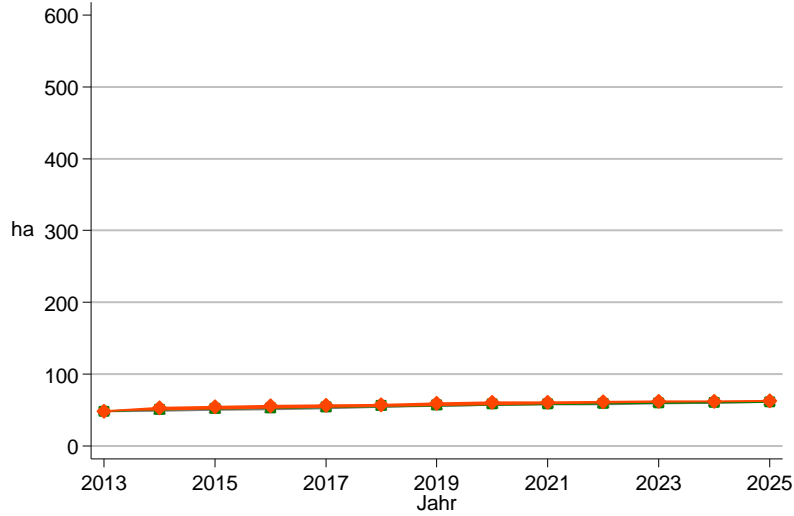


Altmark

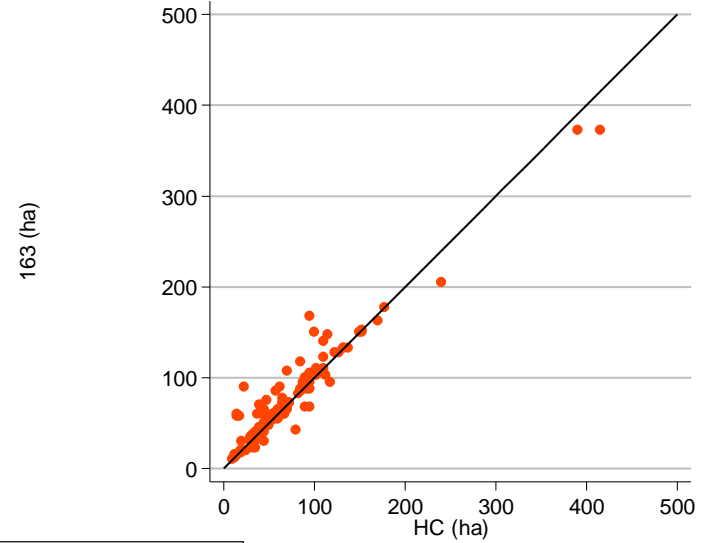


Average and individual farm size in ha

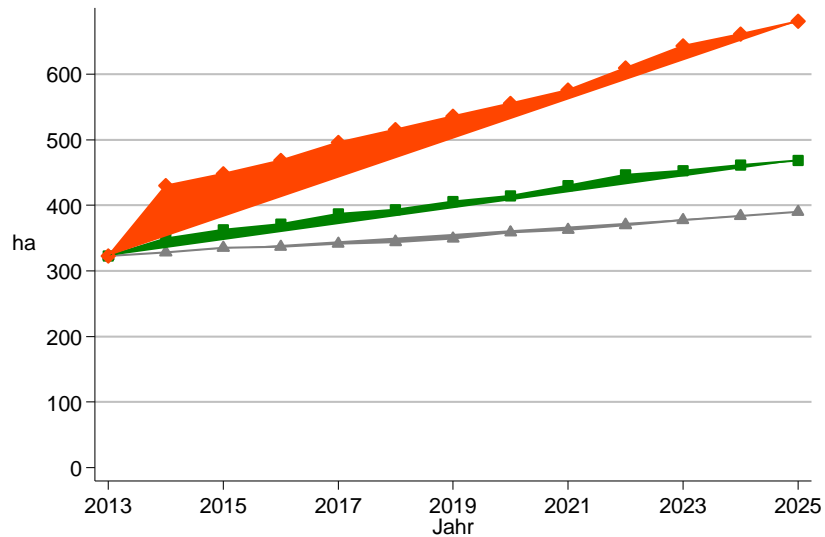
Hohenlohe



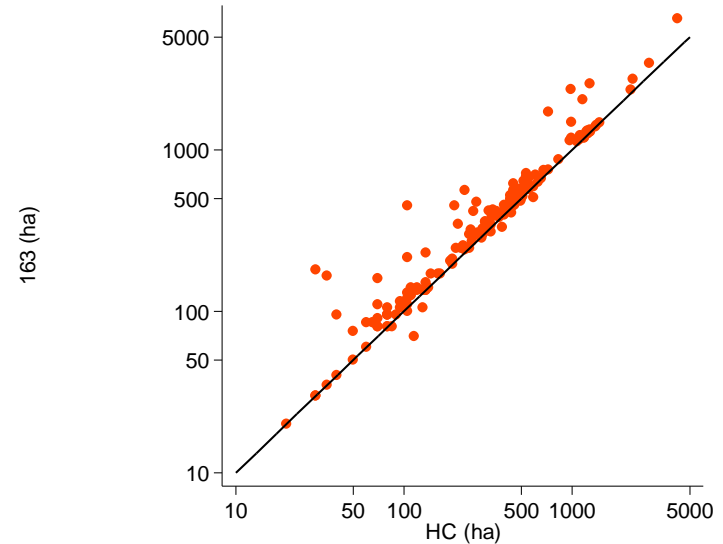
Hohenlohe 2020



Altmark



Altmark 2020



Some remarks on "fairness"

“20 % of the farms receive 80 % of subsidies!”



http://www.ricardam.com/ricardam_community/uploads/20100901120934_BeautyQueen.jpg



<http://www.gametheory.net/dictionary/People/VilfredoPareto.html>

Some remarks on "fairness"

“20 % of the farms receive 80 % of subsidies!”

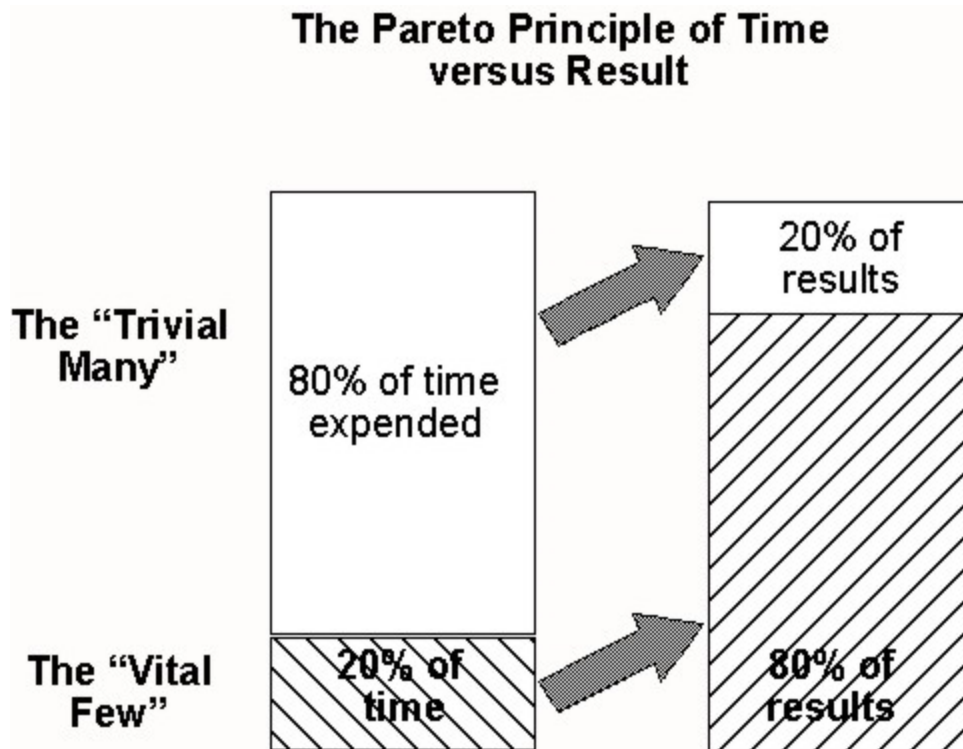
- “Pareto-principle”
 - 20 % richest own 80 % of the wealth almost everywhere and everytime
 - some kind of “natural law”



Some remarks on "fairness"

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➤ “Pareto-principle”



<http://www.gametheory.net/dictionary/People/VilfredoPareto.html>

Some remarks on "fairness"

“20 % of farms receive
80 % of subsidies!”

or should one argue:

“20 % of the farms provide
80 % of value!”



➤ Who/what wants policy to address?

- The farmers?
- The farming sector?

Conclusions

- Decoupling and Health Check
 - Only small structural effects!
 - A certain but small step forward towards competitiveness
- Huge challenges for the agri-business remain!
 - Agriculture is a difficult business
 - Enormous capital needs => venture capital
 - Vertical integration:
farms and processors part of global networks
 - Agriculture moving towards the knowledge-based bio-economy
 - Changing societal perception of agriculture