



German Agricultural Society
Frankfurt



Institute of Farm Economics
Federal Agricultural Research Centre
Braunschweig

Implementation of the CAP reform in various countries: variations and consequences

Beef Task Force, Dublin, August 24th, 2007
Daniel Brüggemann, Dr. Claus Deblitz

Slide number 1

Content

EU beef production

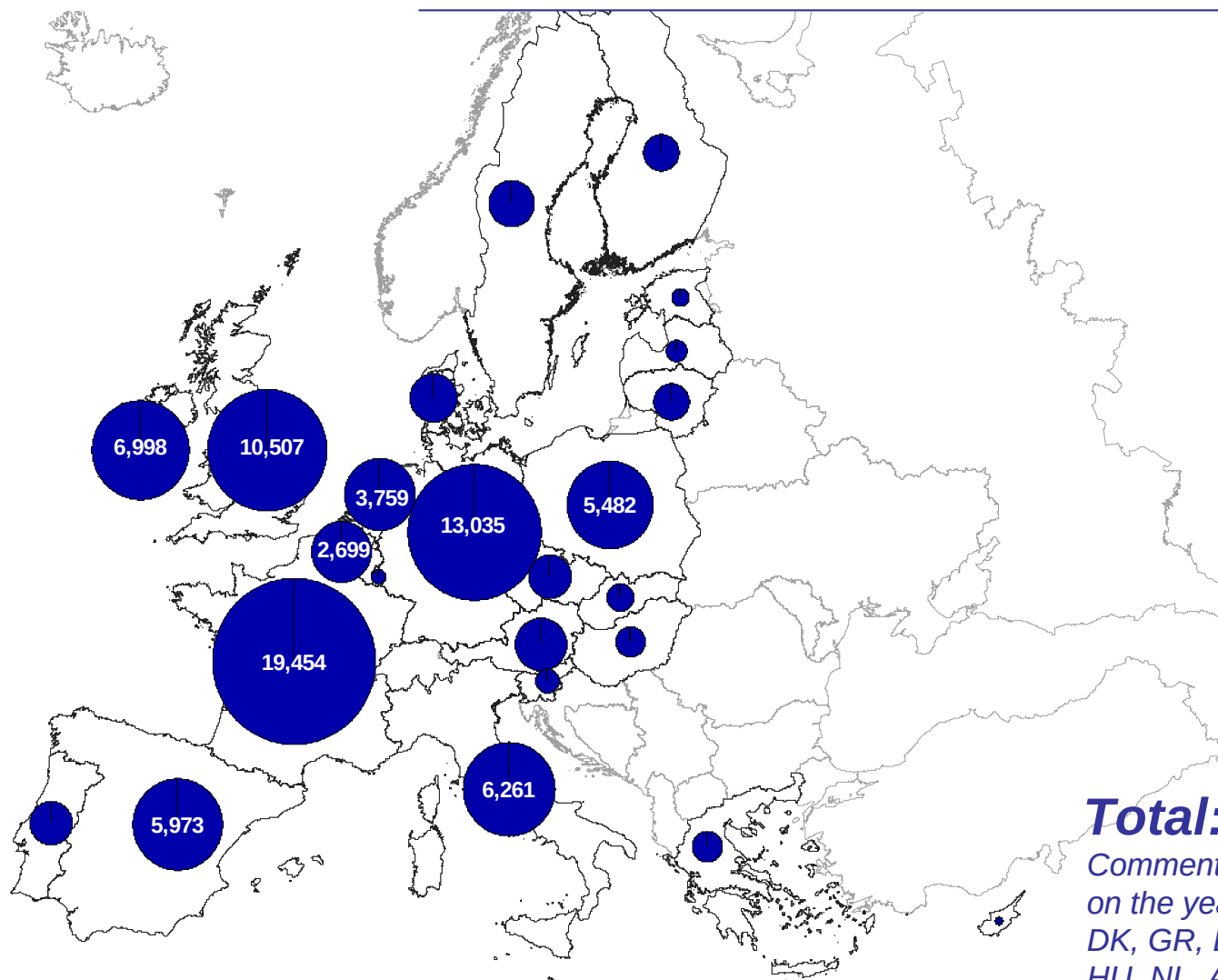
Common Agriculture Policy (CAP)

- Overview
- From a beef perspective
- On farm level
- The German case

Summary

EU Beef Production

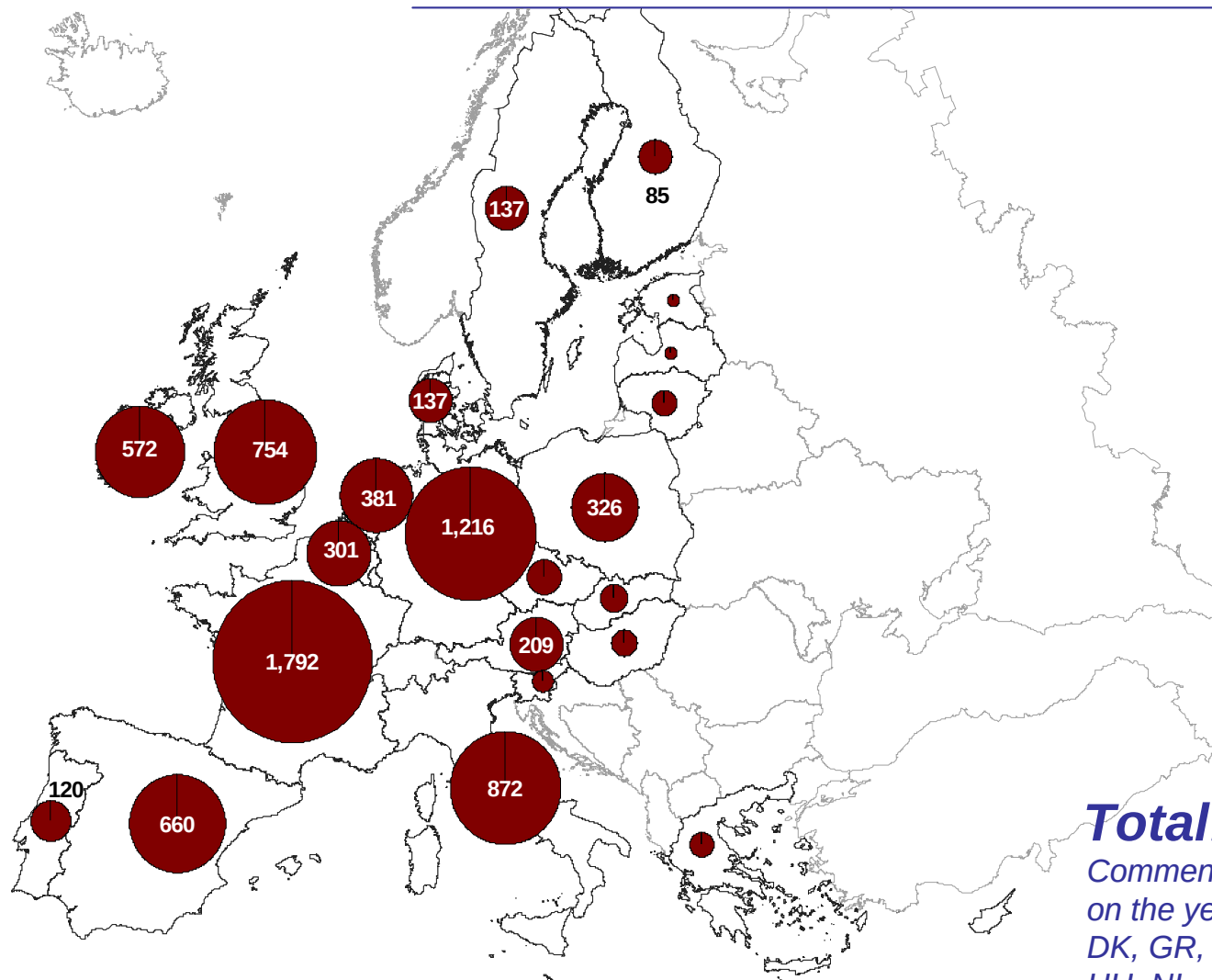
Total cattle Inventory EU-25 1,000 head in 2005



Total: 87,749

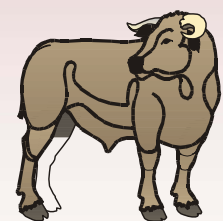
Comments: Data are based on the year 2003 for:
DK, GR, ES, FR, IE, IT, CY,
HU, NL, AT, PT, SK, FI, GB

Total beef production EU-25 1,000 tons in 2005

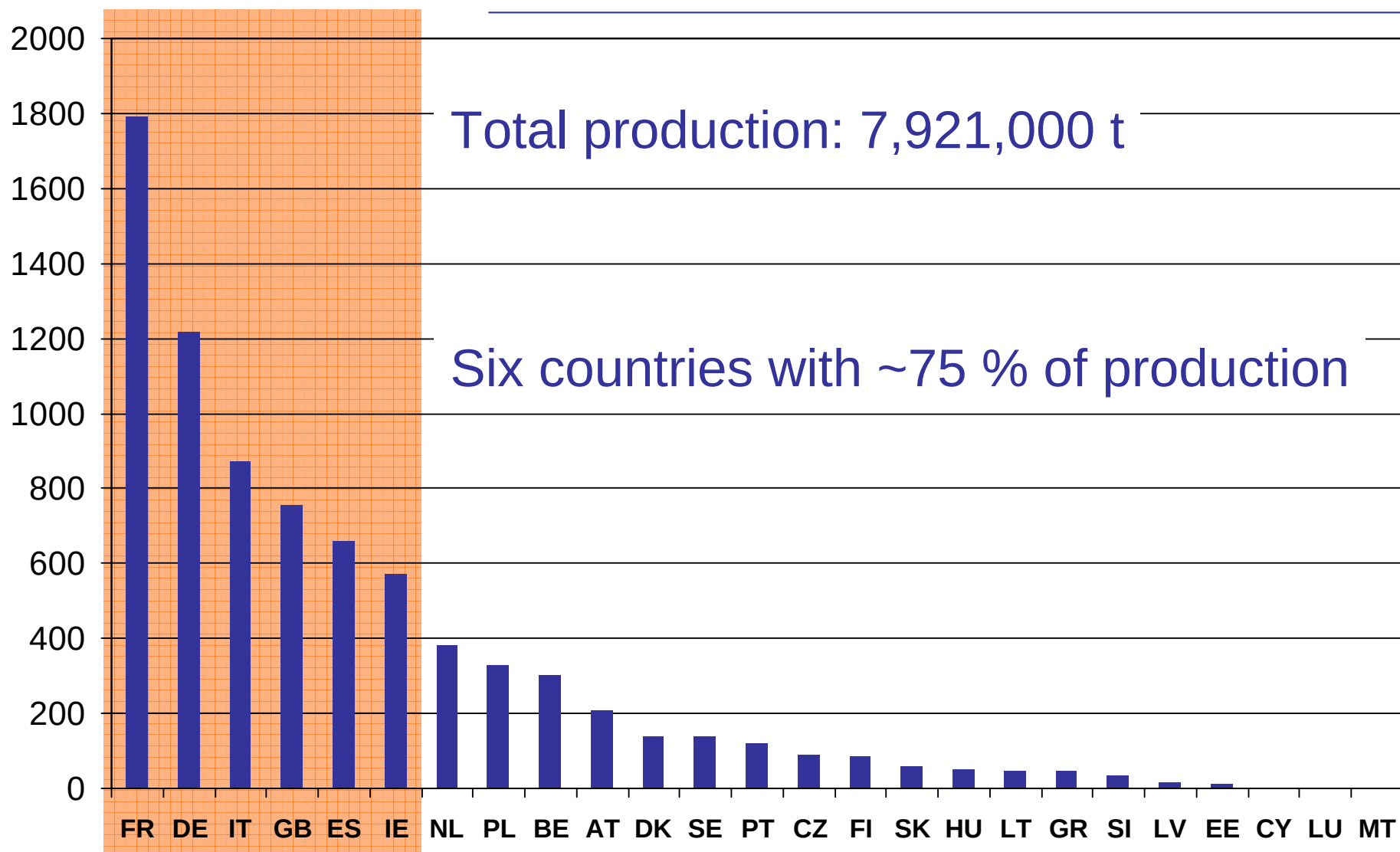


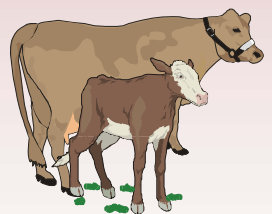
Total: 7,921

Comments: Data are based on the year 2003 for:
DK, GR, ES, FR, IE, IT, CY,
HU, NL, AT, PT, SK, FI, GB

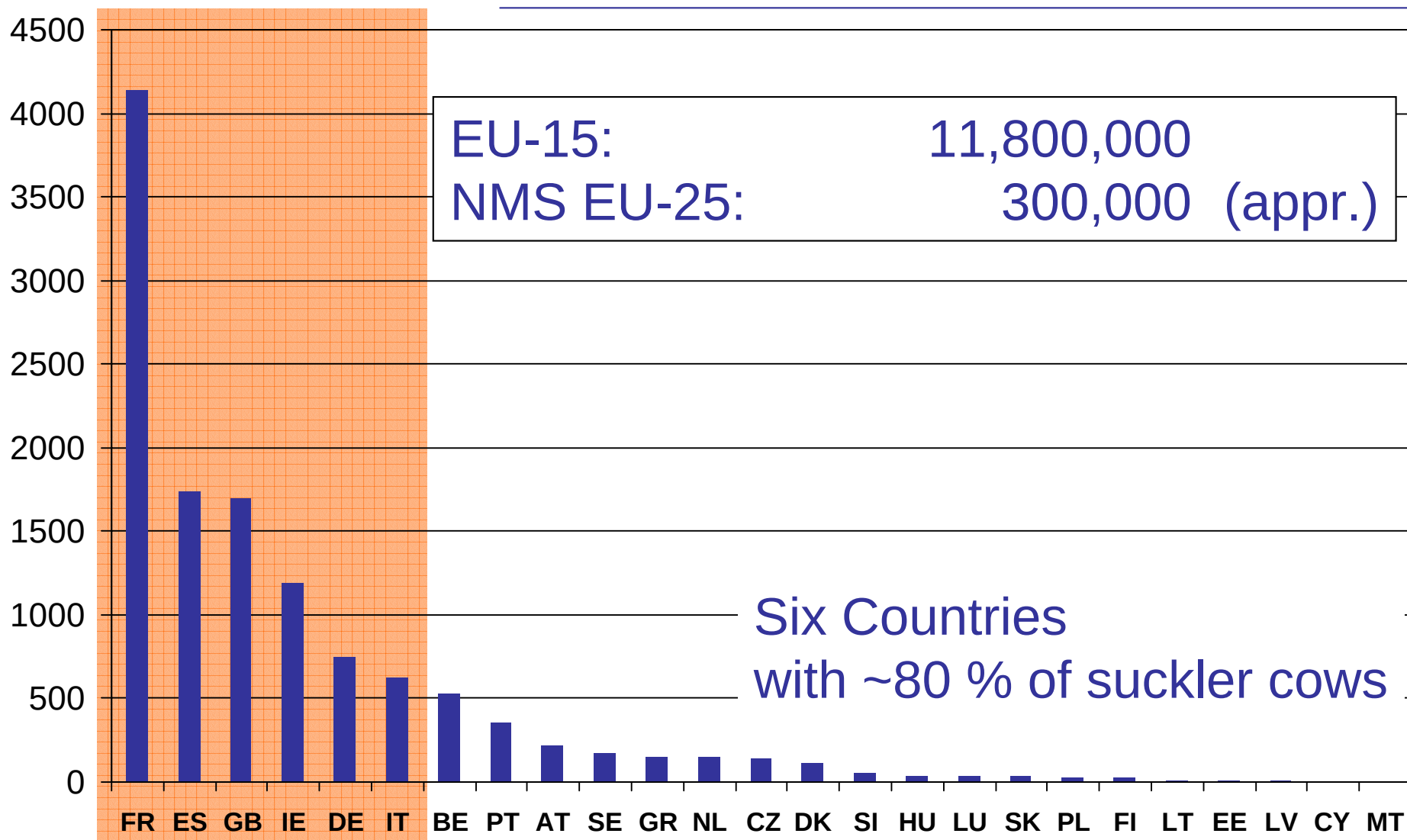


Beef production in the EU-25 1,000 tons in 2005

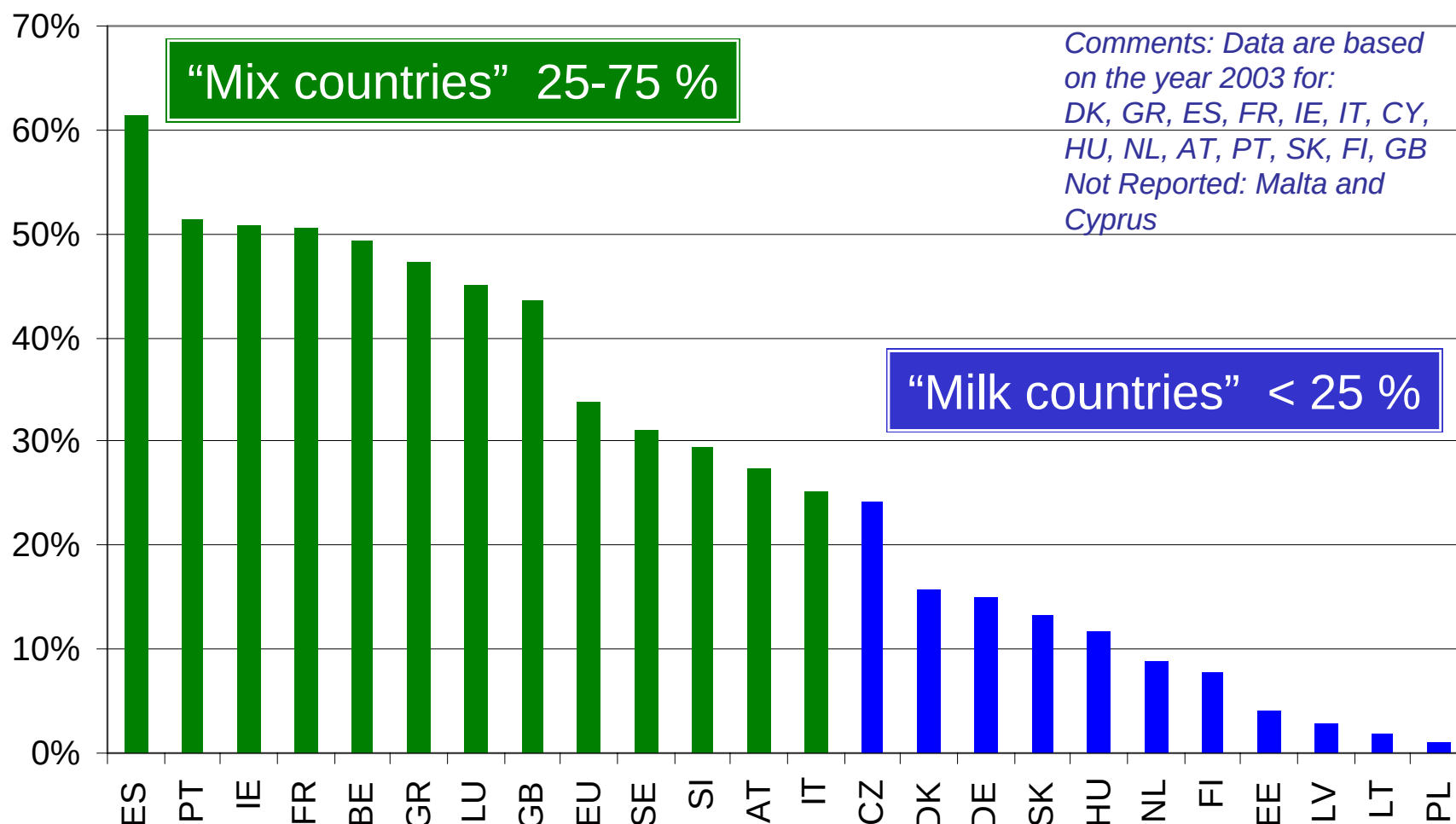




Suckler Cows in the EU-25 1,000 Head in 2005



Share of beef cows in total cows EU-25 Percent (%) in 2005



CAP Overview



The evolution of the CAP

1960: Protectionism price policy

1984: Milk-Quota

1987: Set aside (facultative)

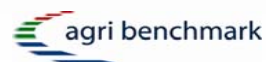
1992: McSharry Reform (Uruguay Round)

1999: Agenda 2000

2003: MTR – Luxembourg Agreement

2009: Health Check

2013: ???



MTR – Luxembourg agreement 2003

Decoupling of payments (Movement from Market – price support to income support)

Modulation (5%)

Rural Development (e.g. Environmental payments)

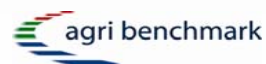
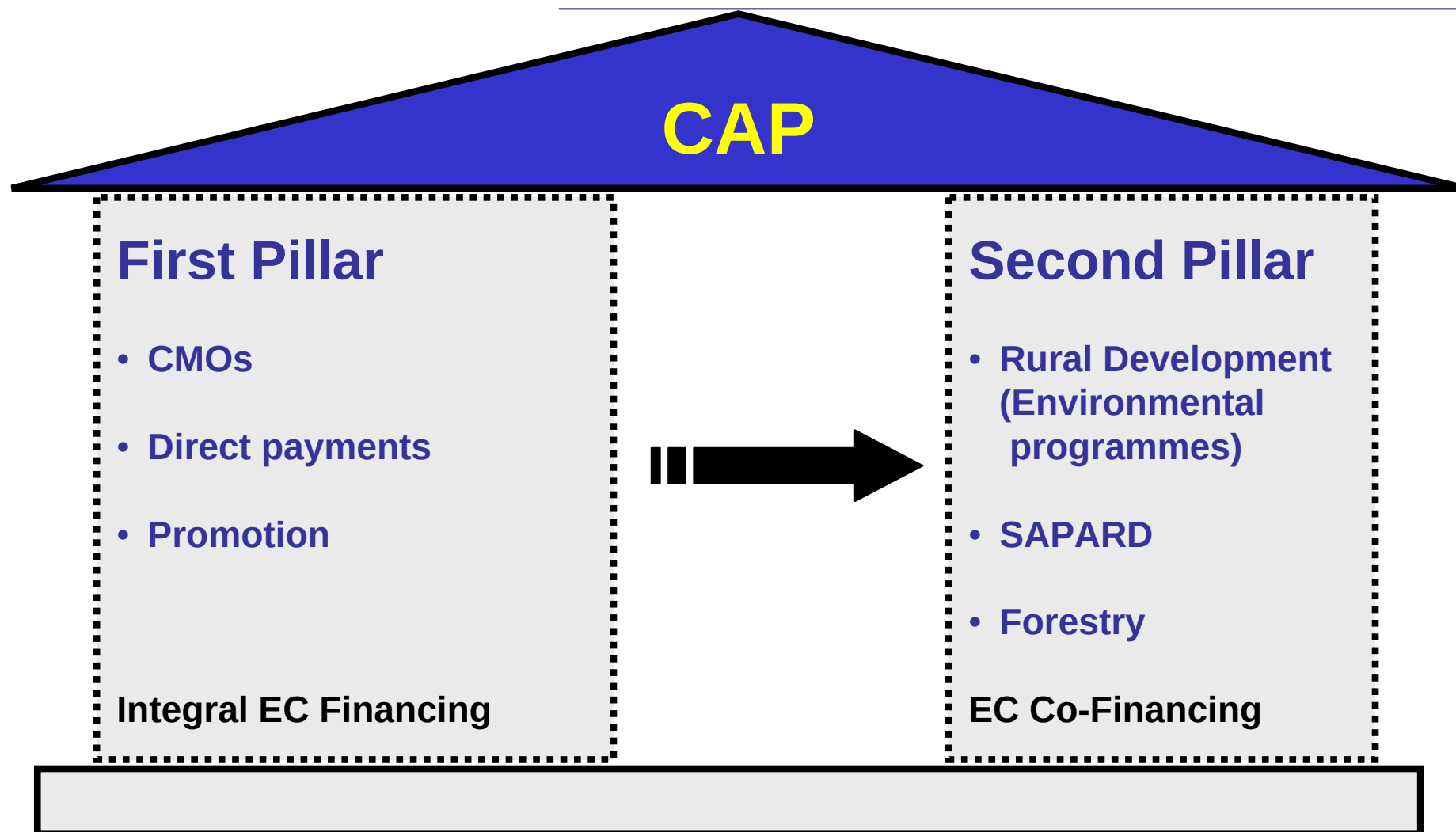
Cross Compliance

Financial discipline

Market reform



Obligatory Modulation



Decoupling Models

Historical model (SPS)

Regional model

Hybrid or combi model

- **Static**
- **Dynamic**

Partial coupling possible

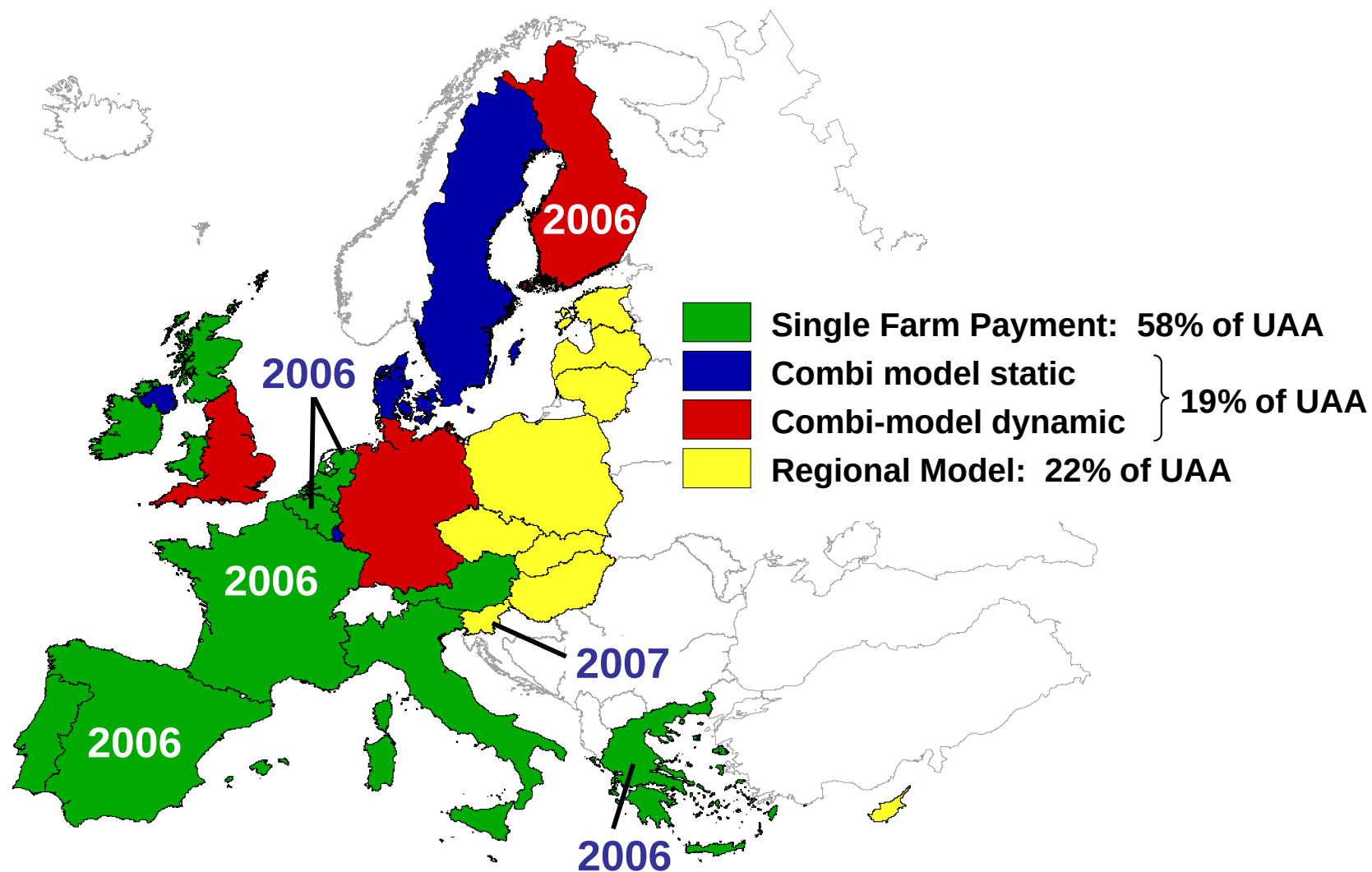


FAL

agri benchmark

Payment models in the EU-25

as by May 2007



CAP

Beef and cow-calf

Options for coupling beef premiums

– Percentages indicate the level of coupling

Payment

Slaughter premium
calves

Option I

up to
100 %

Option II

up to
100 %

Option III

up to
100 %

Suckler-cow
Premium

up to
100 %

0 %

0 %

Slaughter-premium
adult cattle

up to
40 %

up to
100 %

0 %

Special premium
for male cattle

0 %

0 %

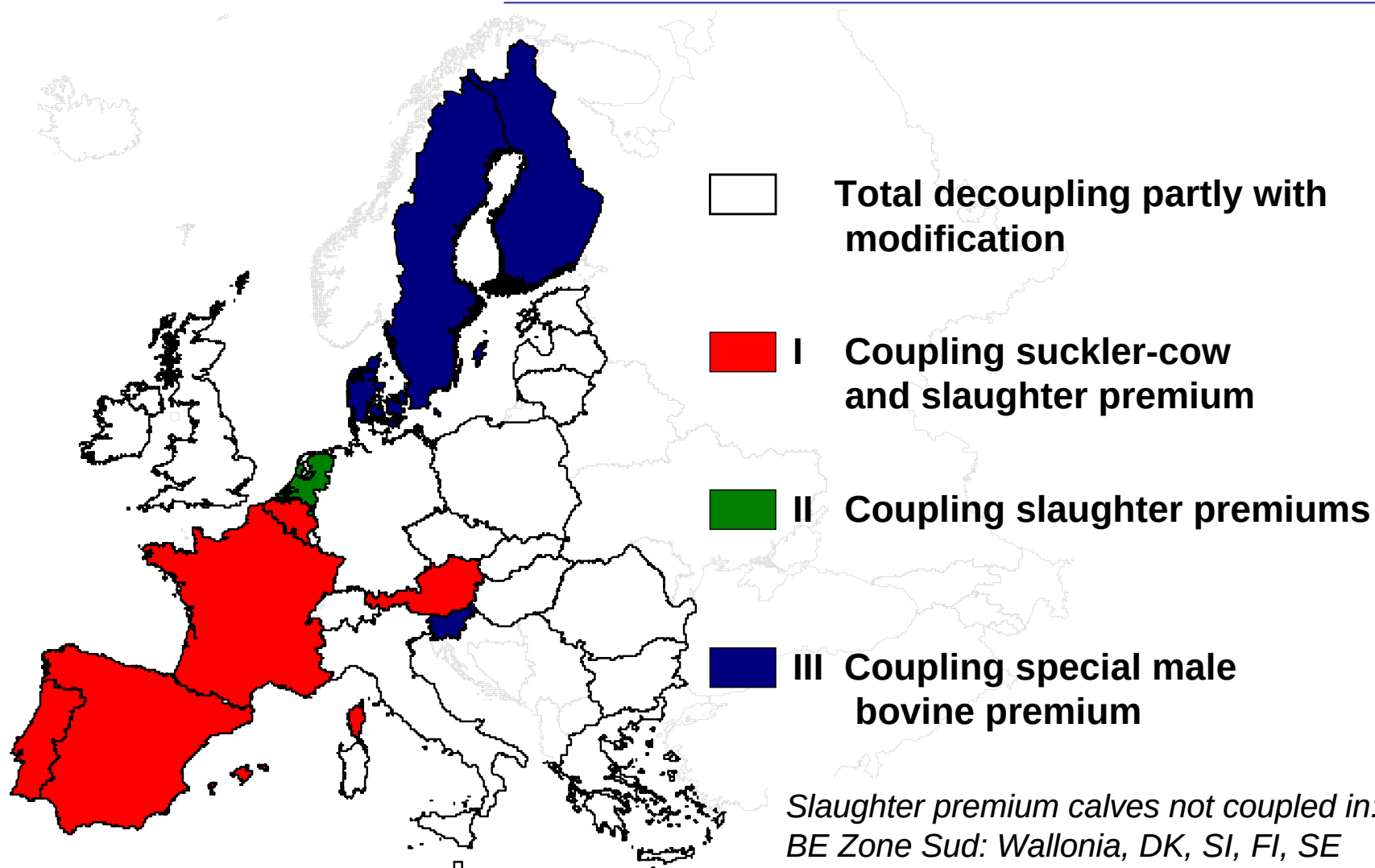
up to
75 %



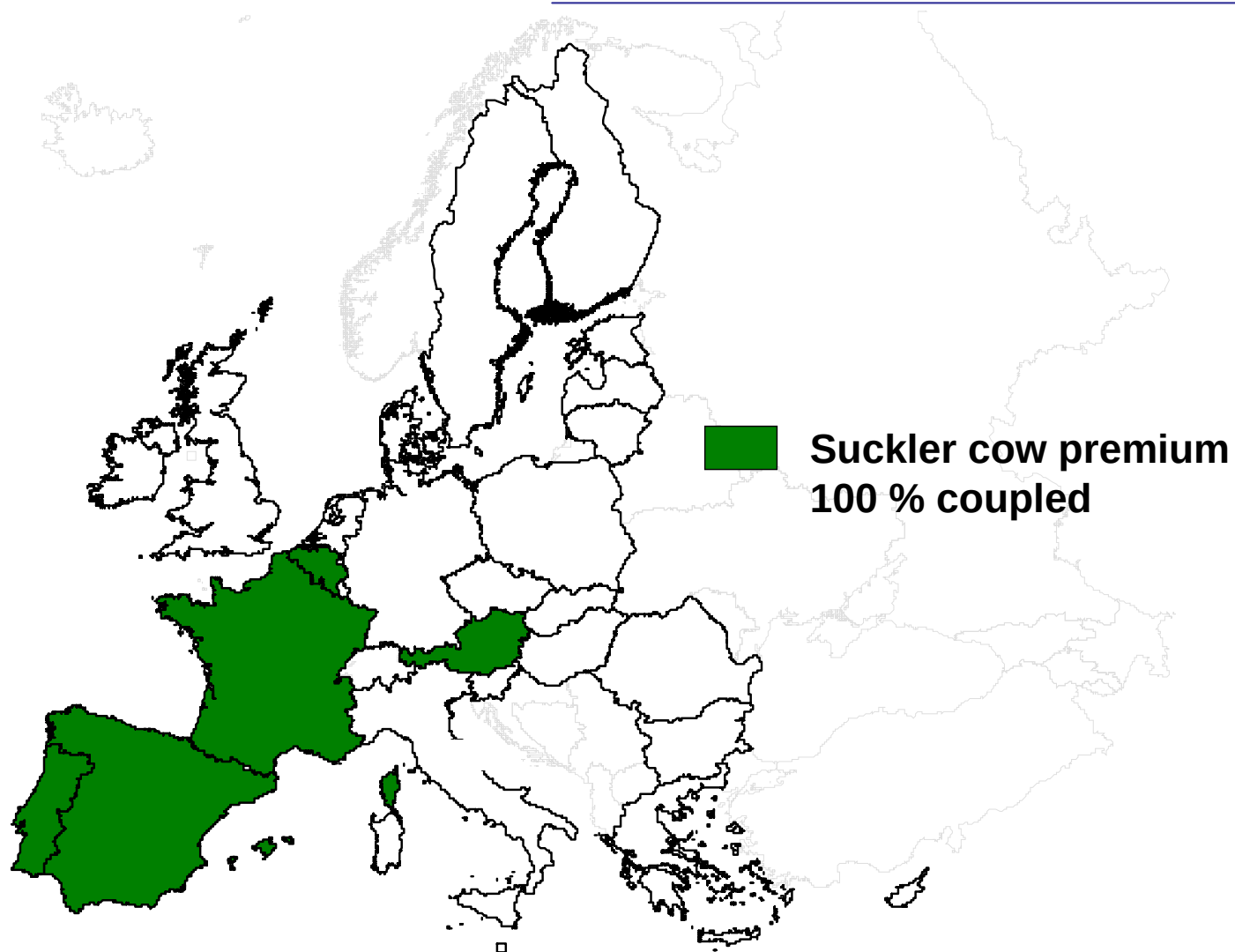
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Options for coupling beef premiums by country



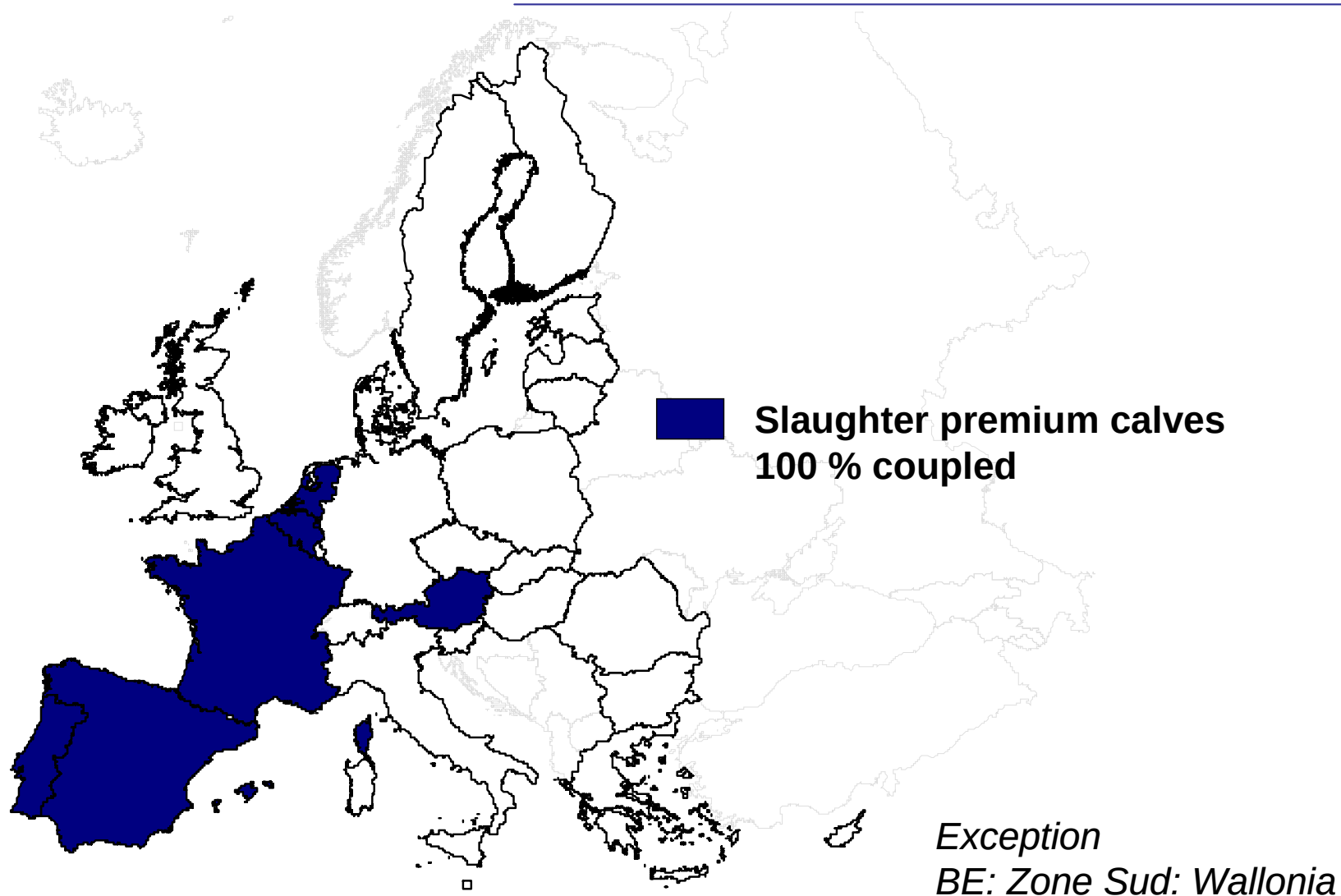
Coupled suckler cow premiums by country



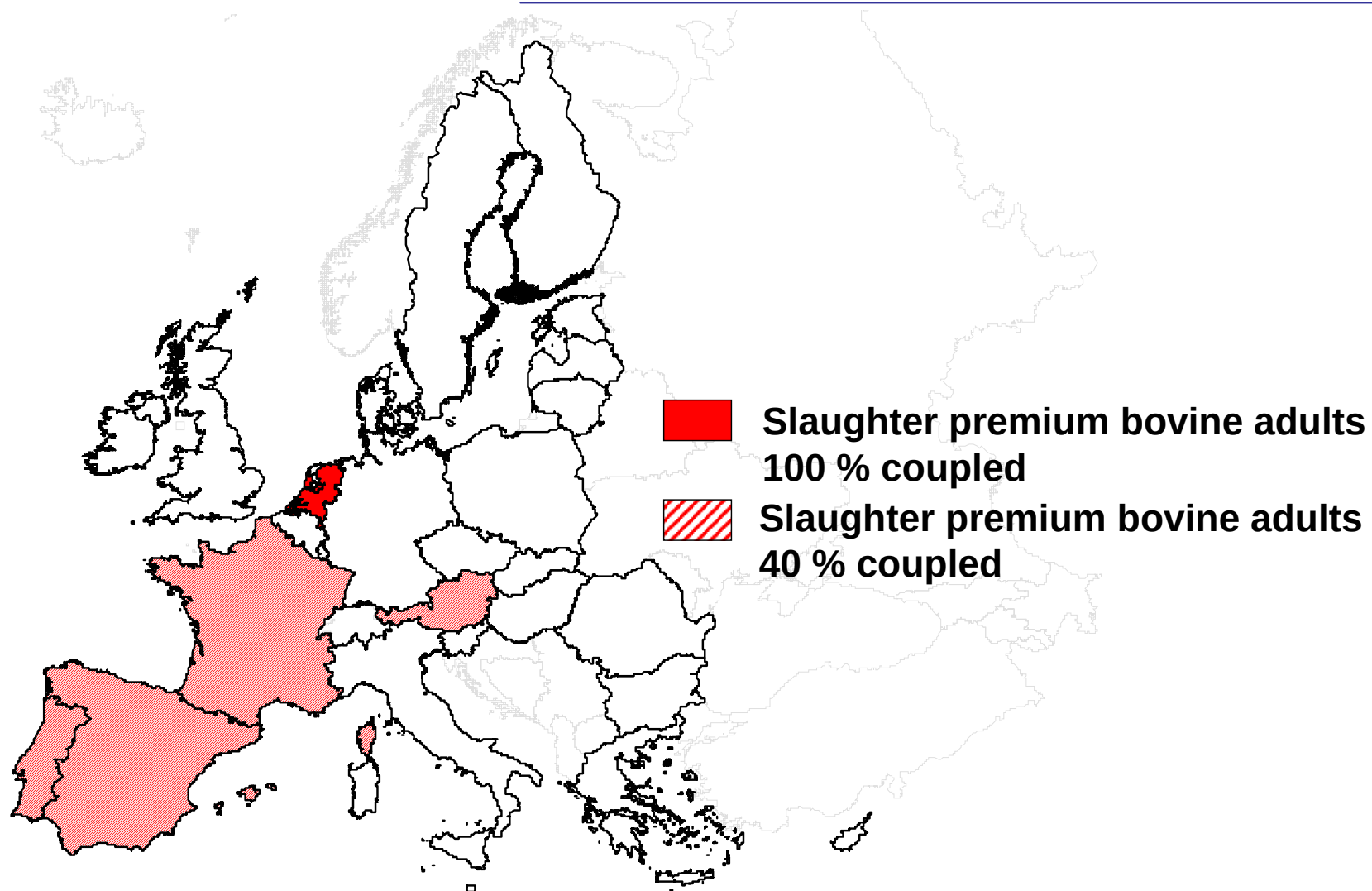
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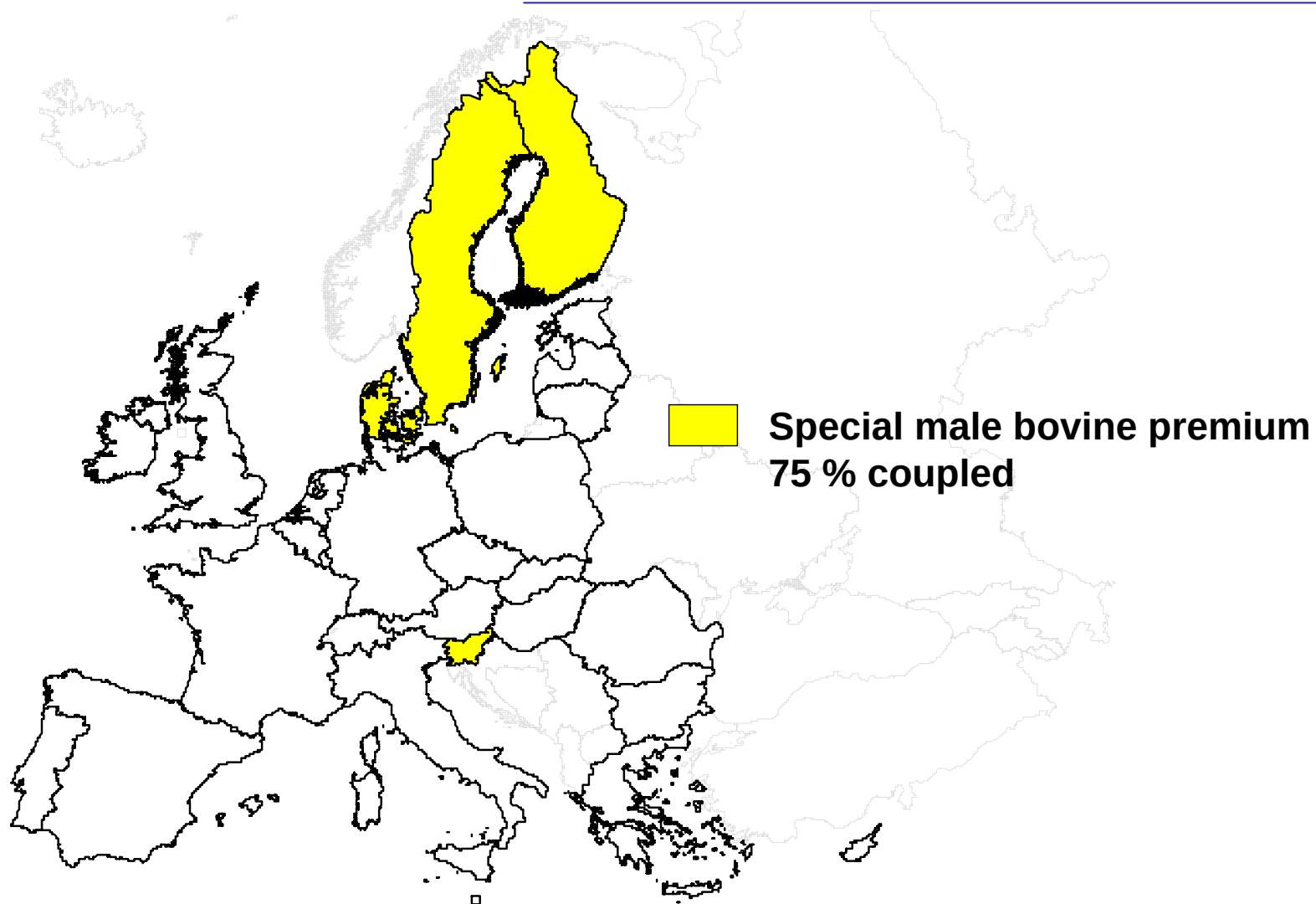
Coupled slaughter premium calves by country



Coupled slaughter premium bovine adults by country



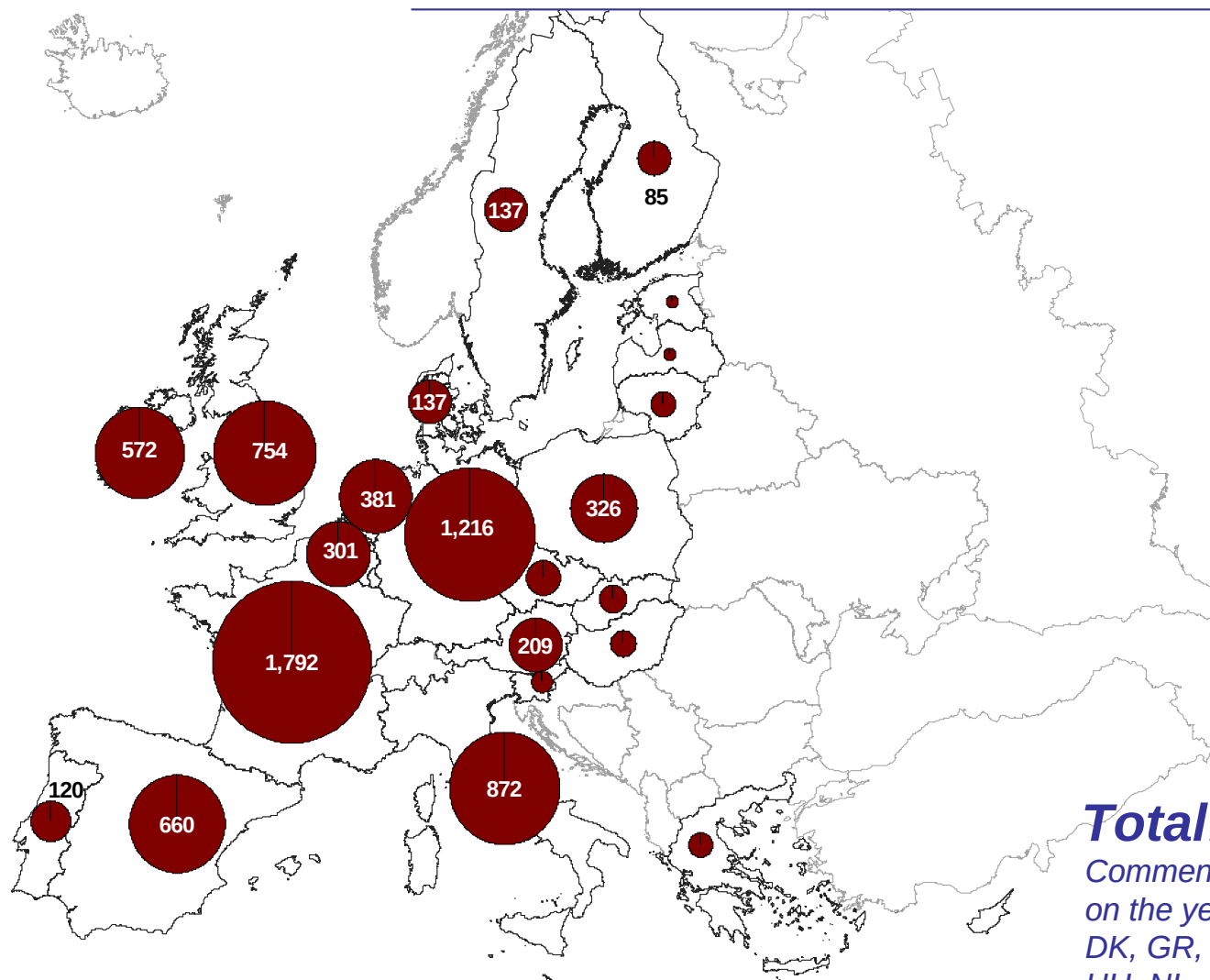
Coupled special beef premiums by country



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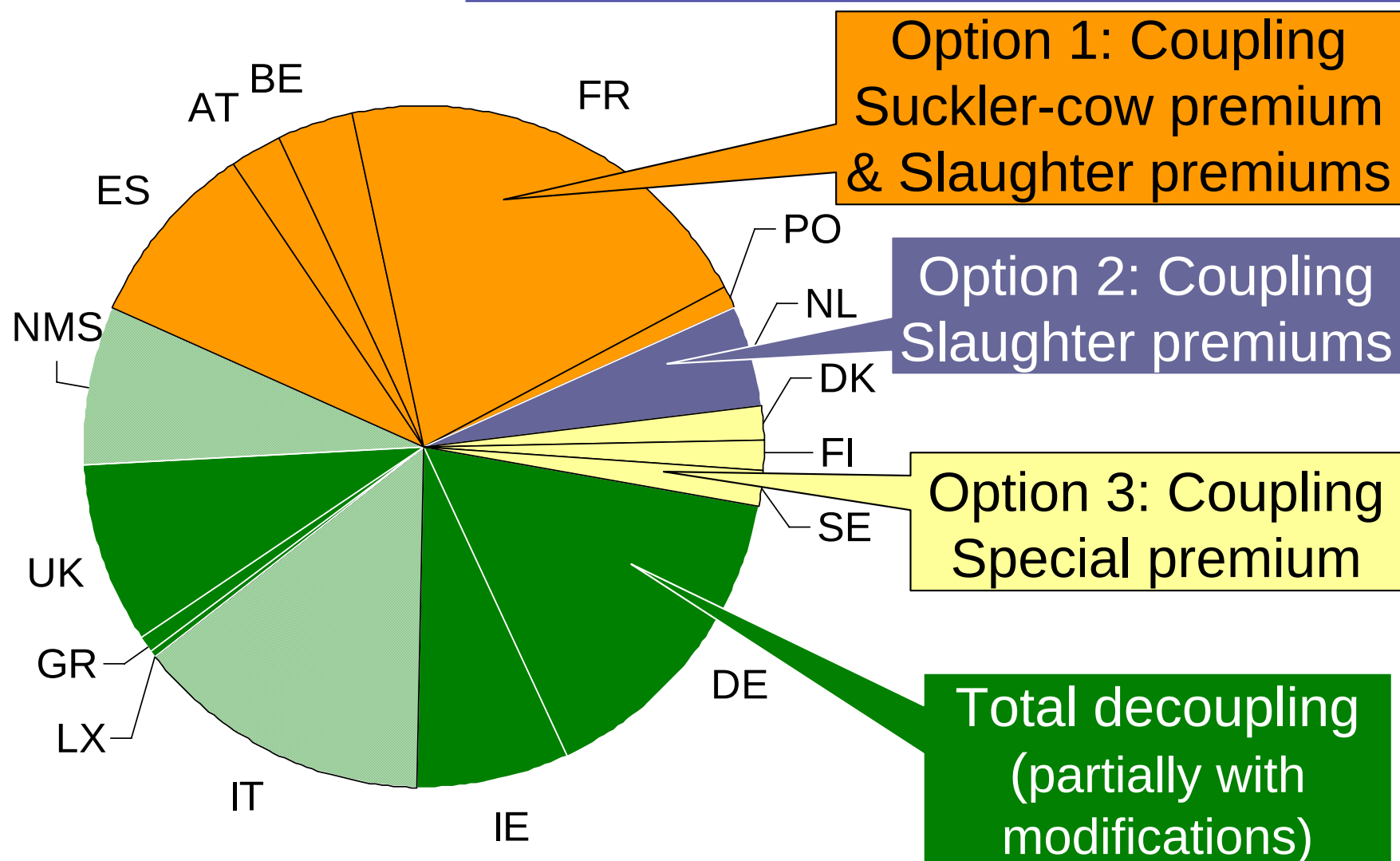
Beef production EU-25 1,000 tons in 2005



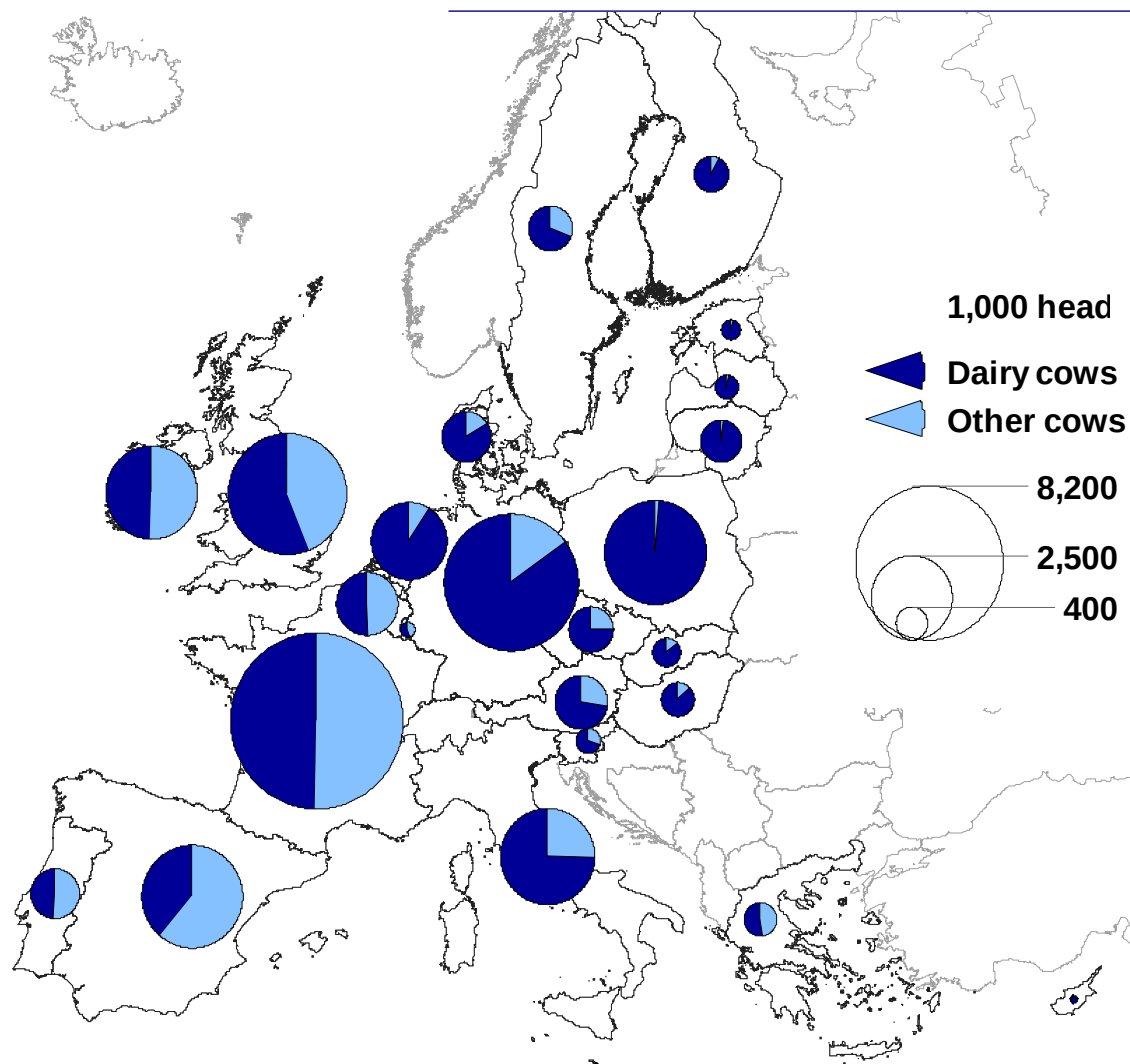
Total: 7,921

Comments: Data are based on the year 2003 for:
DK, GR, ES, FR, IE, IT, CY,
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Share in total beef production 2003 and (de)coupling options in the beef sector



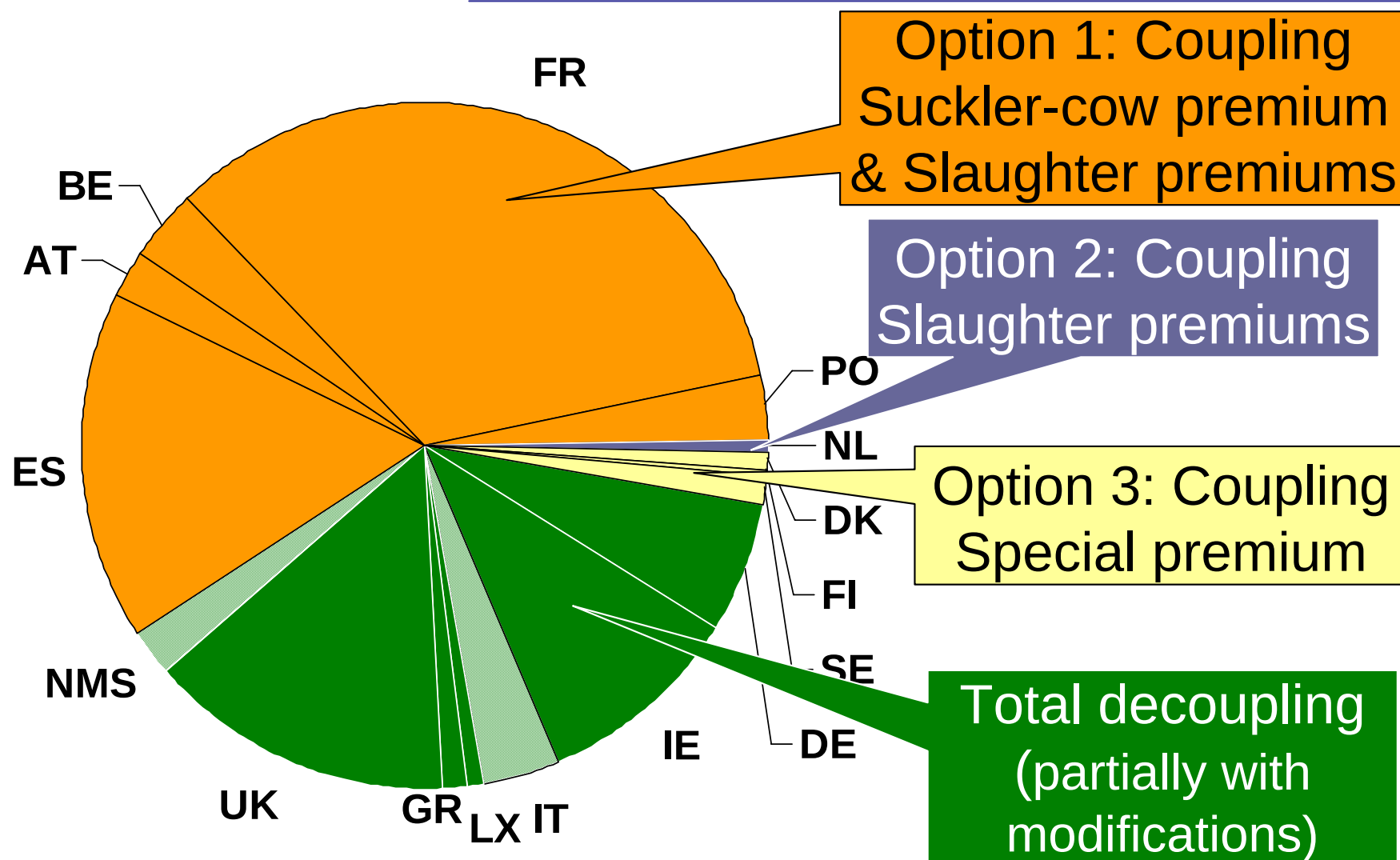
Cow inventory EU-25 1,000 head in 2005



Total: 36,001

Comments: Data are based on the year 2003 for:
DK, GR, ES, FR, IE, IT, CY,
HU, NL, AT, PT, SK, FI, GB

Share in total beef cow numbers 2003 and (de)coupling options in the beef sector



Conclusion

Different payment models used

Different share of decoupled and coupled direct payment

Different **economic** situation for beef farmers within Europe => „COMMON Agriculture Policy“?

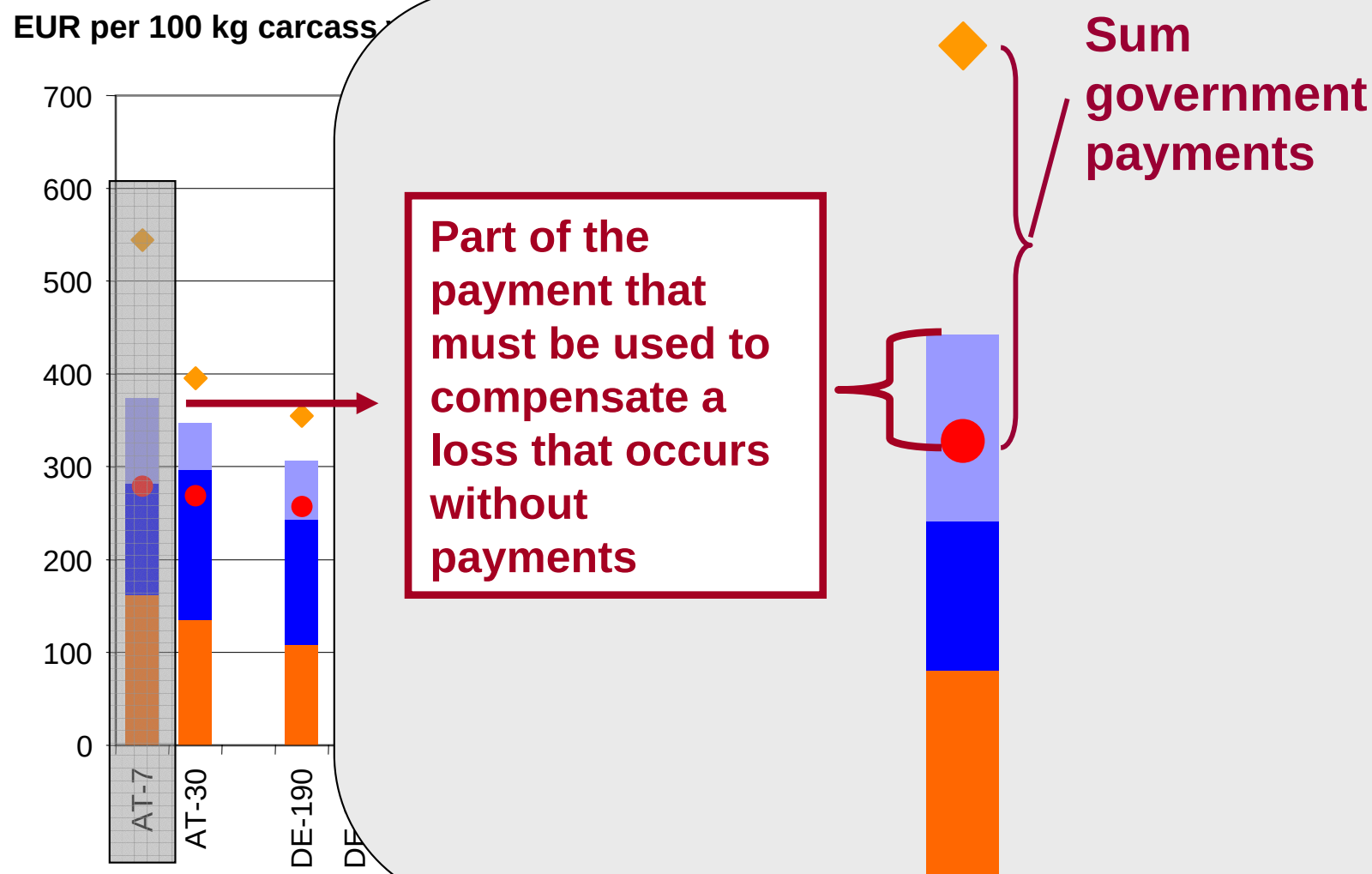


CAP

On farm level

Coupled situation until 2004 / 2005

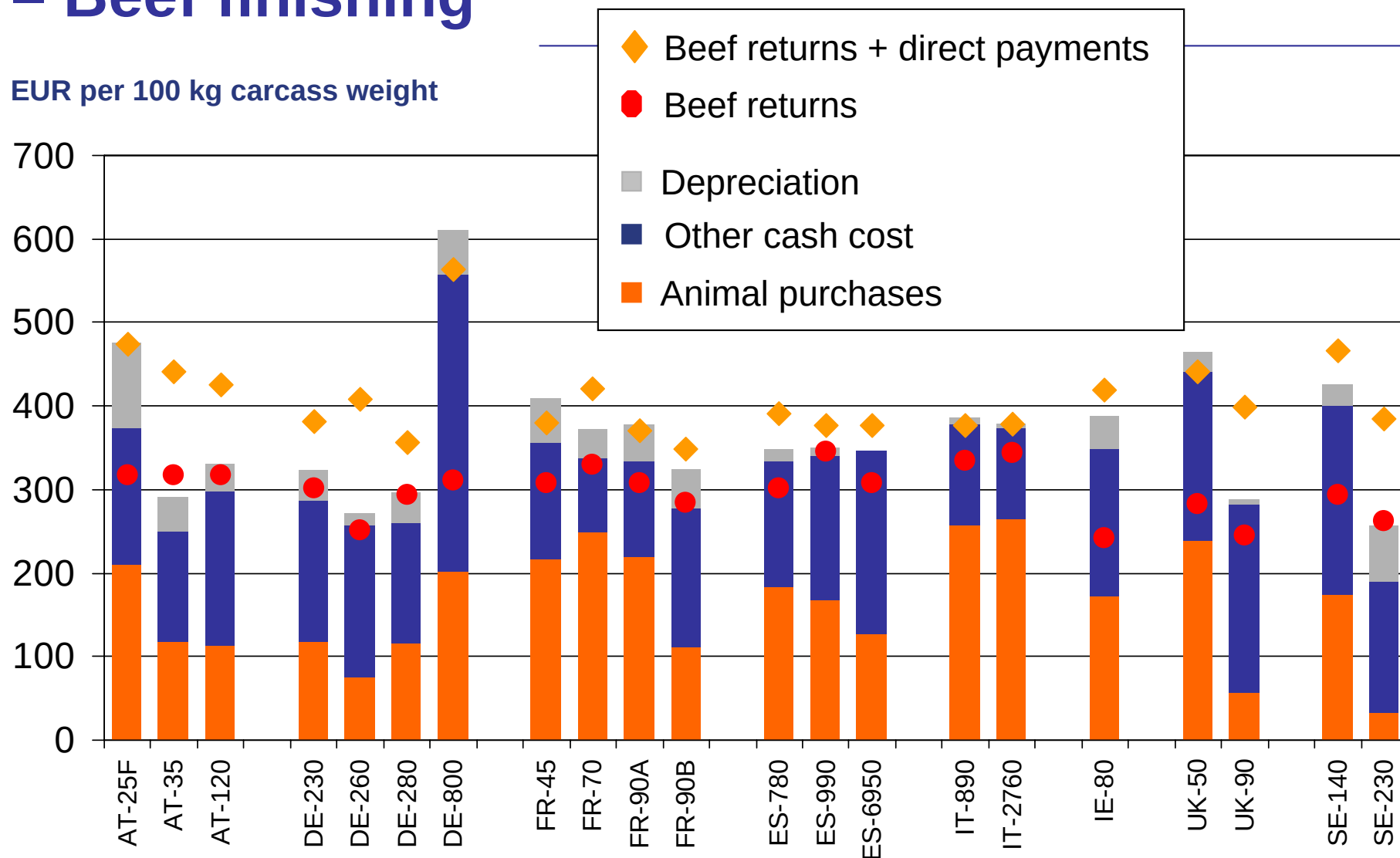
– Beef finishing



Situation with coupled payments 2004 (2005)

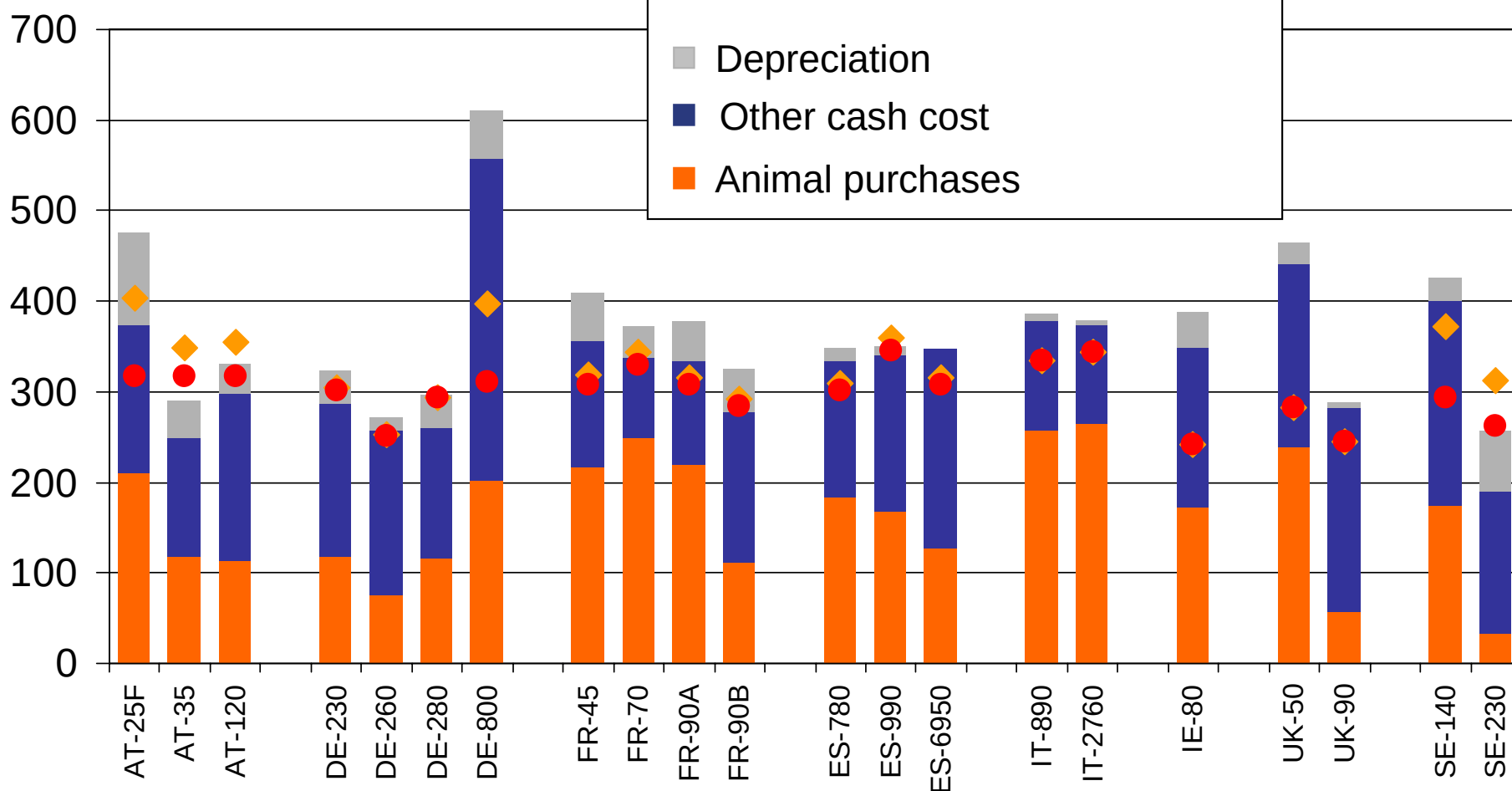
– Beef finishing

EUR per 100 kg carcass weight

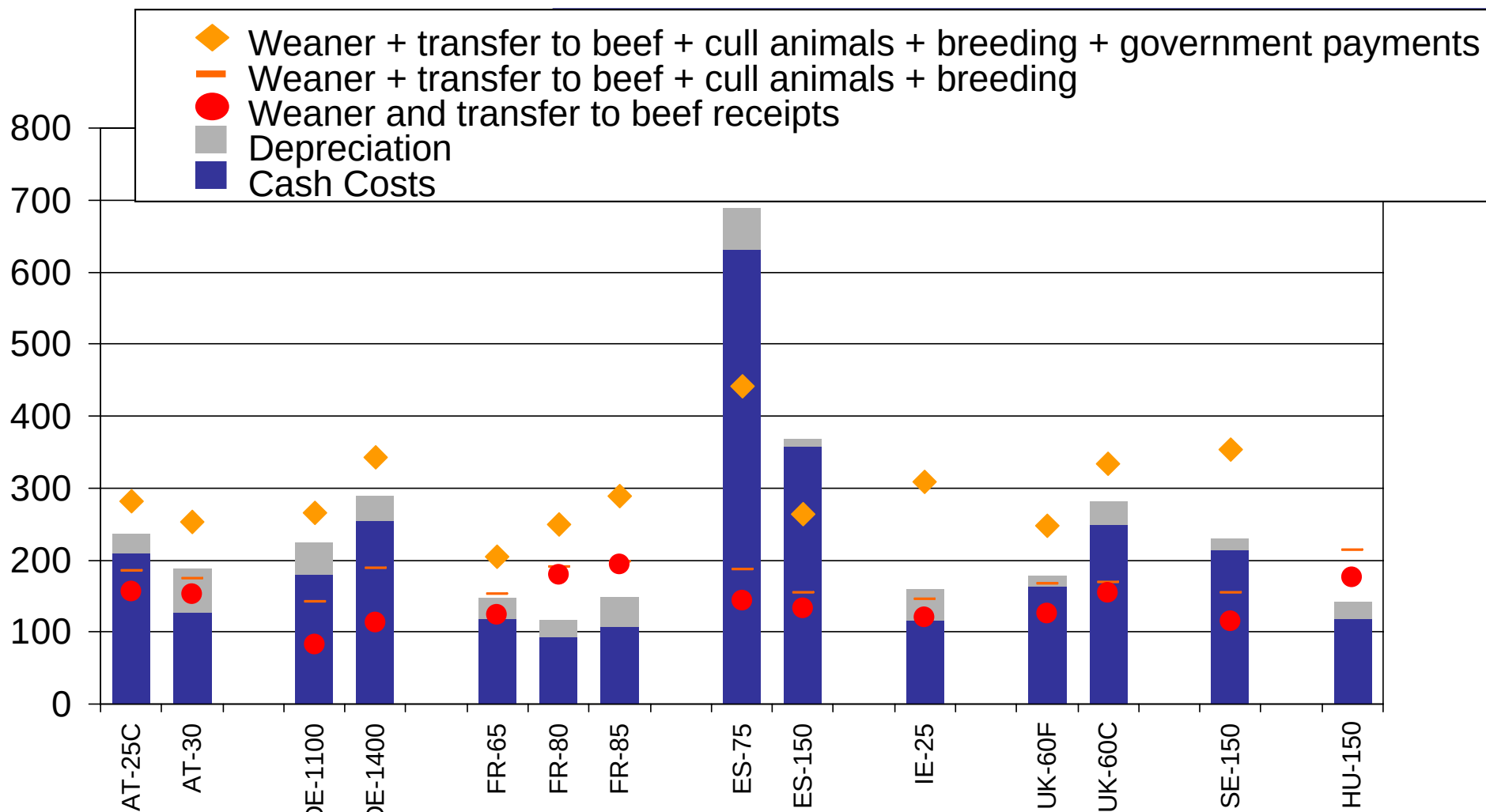


Situation with **decoupled** payments 2005 (2006) – Beef finishing

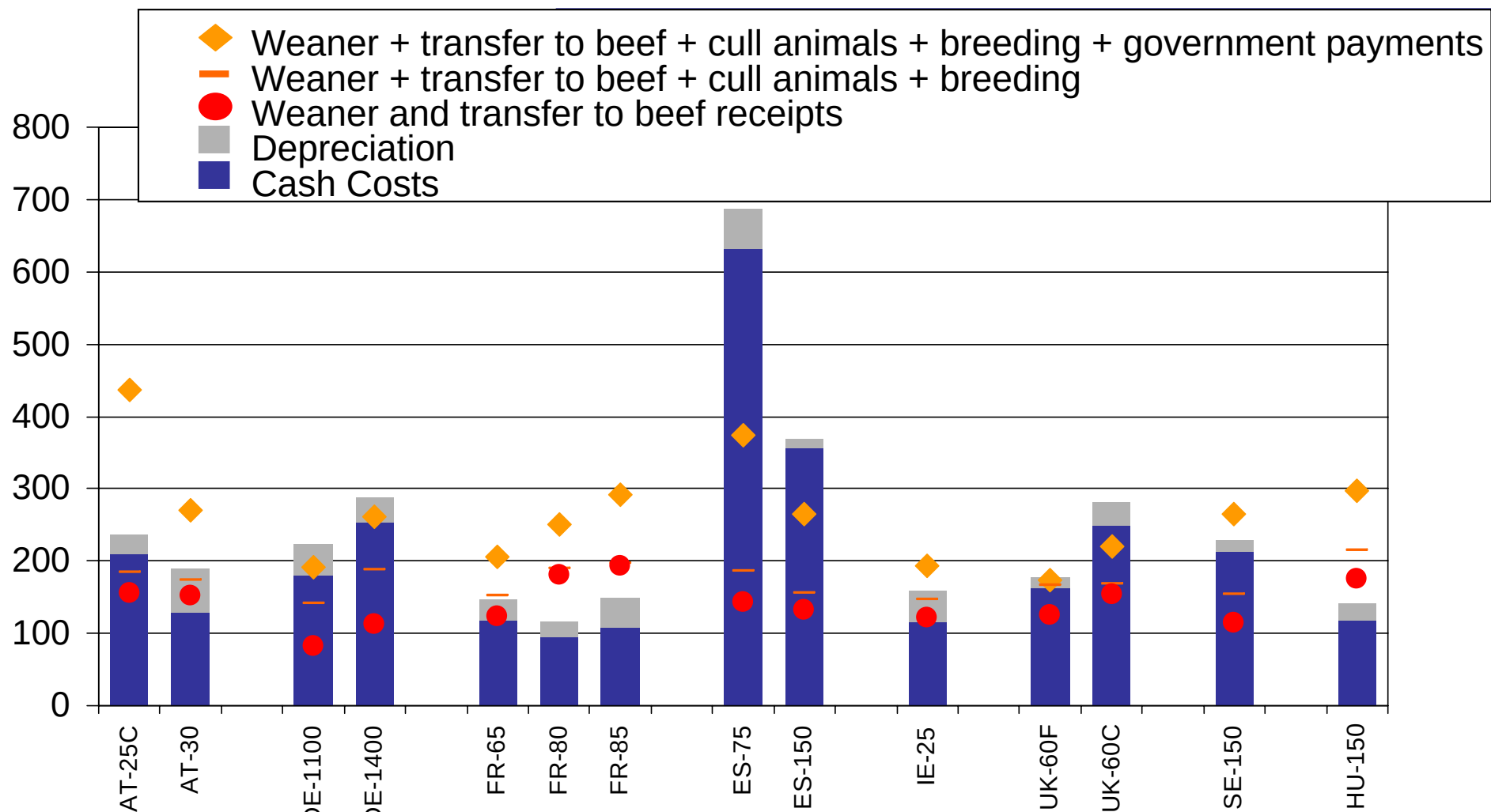
EUR per 100 kg carcass weight



Situation with coupled payments 2004 (2005) – Cow-calf



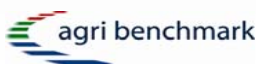
Situation with **decoupled** payments 2005 (2006) – Cow-Calf



**Which policy has been
implemented in Germany?**

CAP implementation in Germany

- 2005 Decoupling of all payments
- 2005 – 2009 Single Farm Payment
hectare payment
- 2010 – 2013 ↓ Single Farm Payment
↑ hectare payment
- 2013 Single farm payment – 0 EUR
Hectare payment – Ø 328 EUR / ha
- Dairy quota until 2014
- Milk / Butter intervention price reduced by 15 / 25 percent in 2004–2007
- Introduction of decoupled milk premium



Allocation of coupled premiums to SFP and hectare payments in Germany 2005-2009

Hectare payment

Grand Cultures p/

Seed production p/

75 % dec. starch payments p/

Decoupled hop p/

Cropland

Slaughter p/ adults

National p/ cattle

50% extensification p/ cattle

Grassland

Single farm payment

Dairy p/

Suckler cow p/

Special p/ male cattle

Slaughter p/ calves

50% extensific. p/cattle

Ewe p/

25 % dec. starch payments

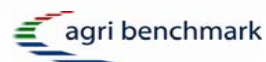
Decoupled part tobacco and dry feed



Start values of acreage payments by Bundesländer (estimation)

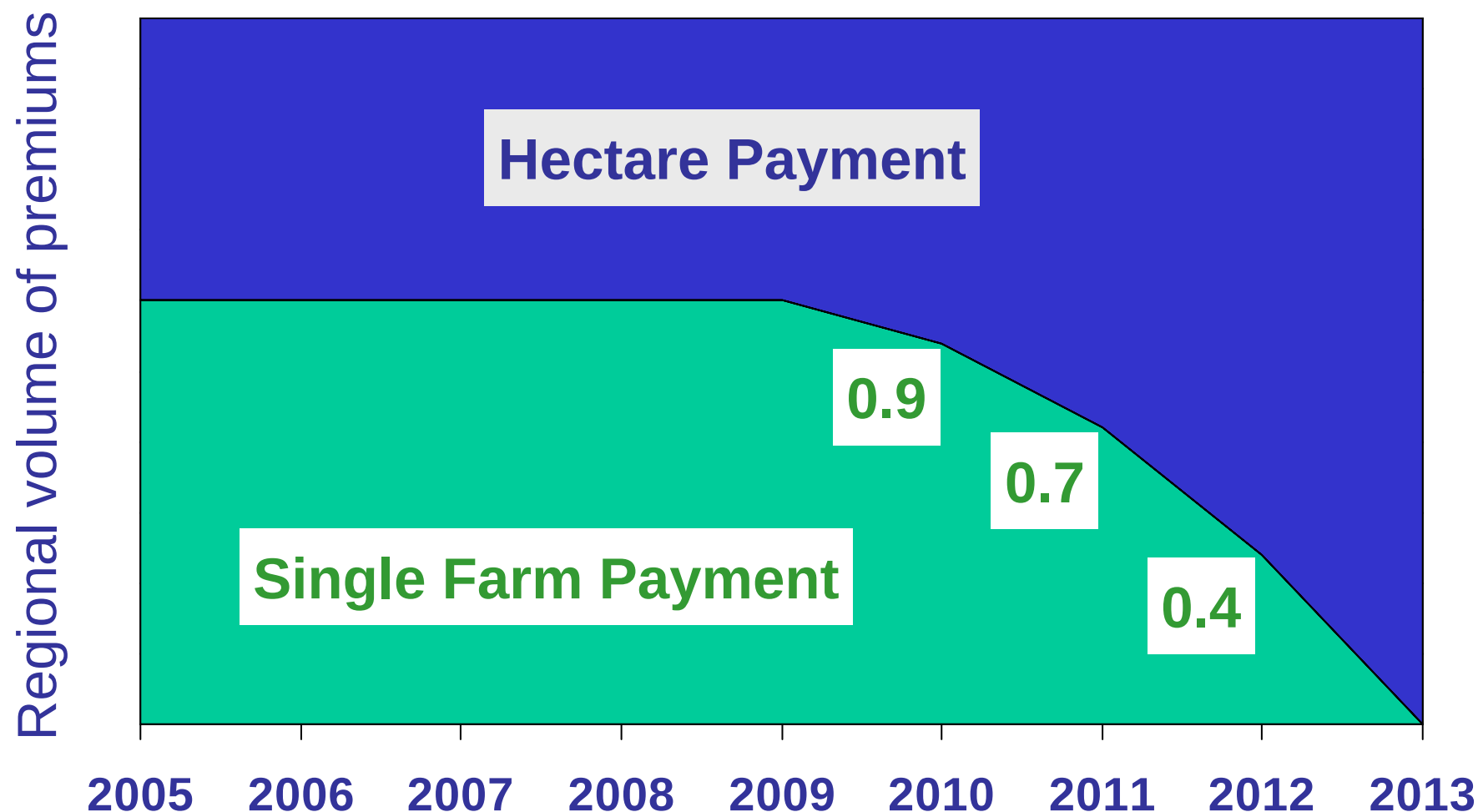
Bundesland	2005		Single farm payment
	Grassland	Cropland	
Baden Wurttemberg	56	317	Calculated individually for each farm based on average of the years 2000 -2002
Bavaria	89	299	
Brandenburg	70	274	
Hesse	47	327	
Mecklenburg-Pomerania	61	316	
Lower Saxony	102	259	
Northrhine-Westphalia	111	283	
Rheinland-Palatina	50	288	
Saarland	57	296	
Saxony	67	321	
Saxony-Anhalt	53	337	
Schleswig-Holstein	85	324	
Thuringia	61	338	
Germany	79	301	

Calculated individually
for each farm
based on average of
the years
2000 -2002

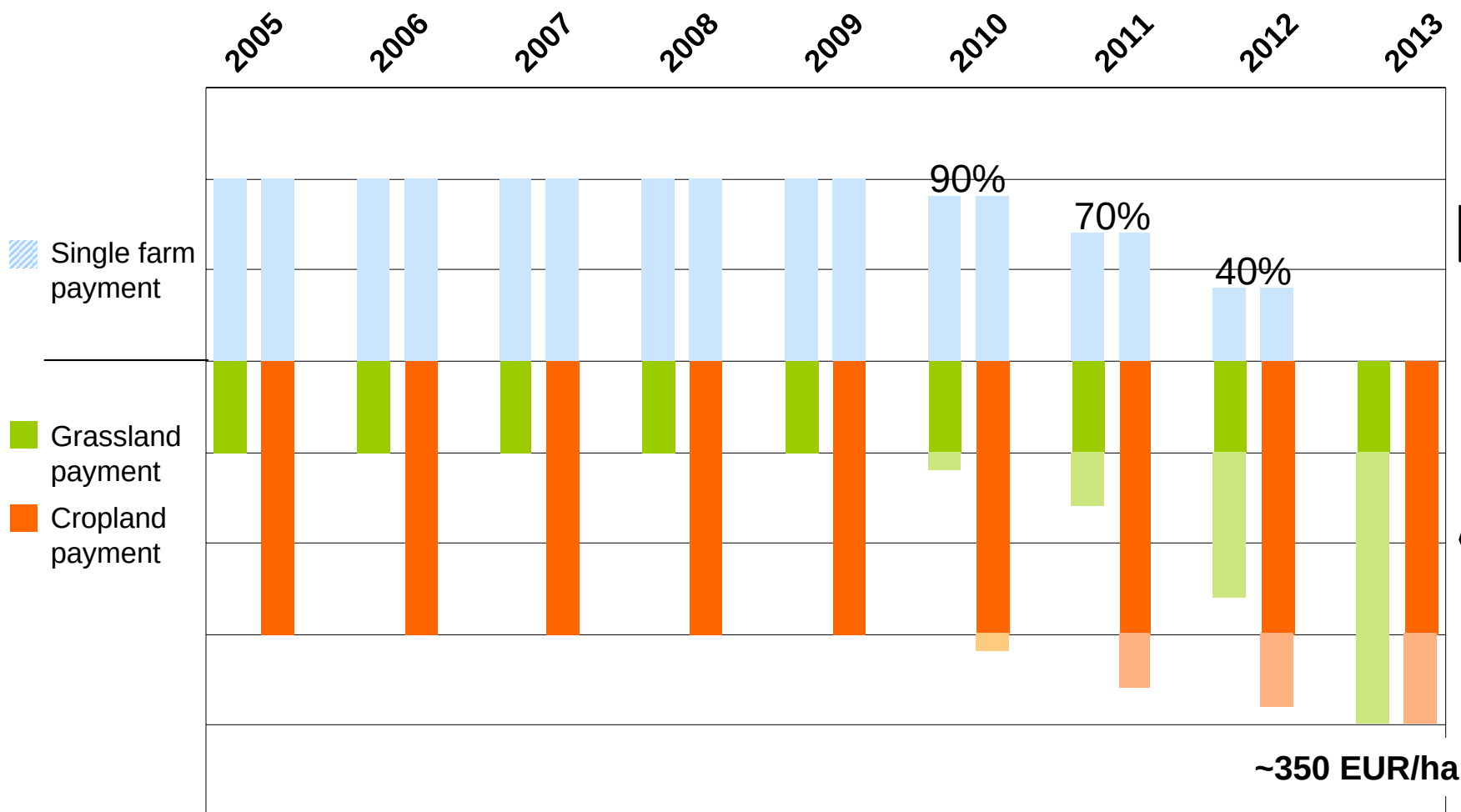


Dynamisation of the combi-model

- evolution towards a hectare payment in 2013



Development of decoupled payments

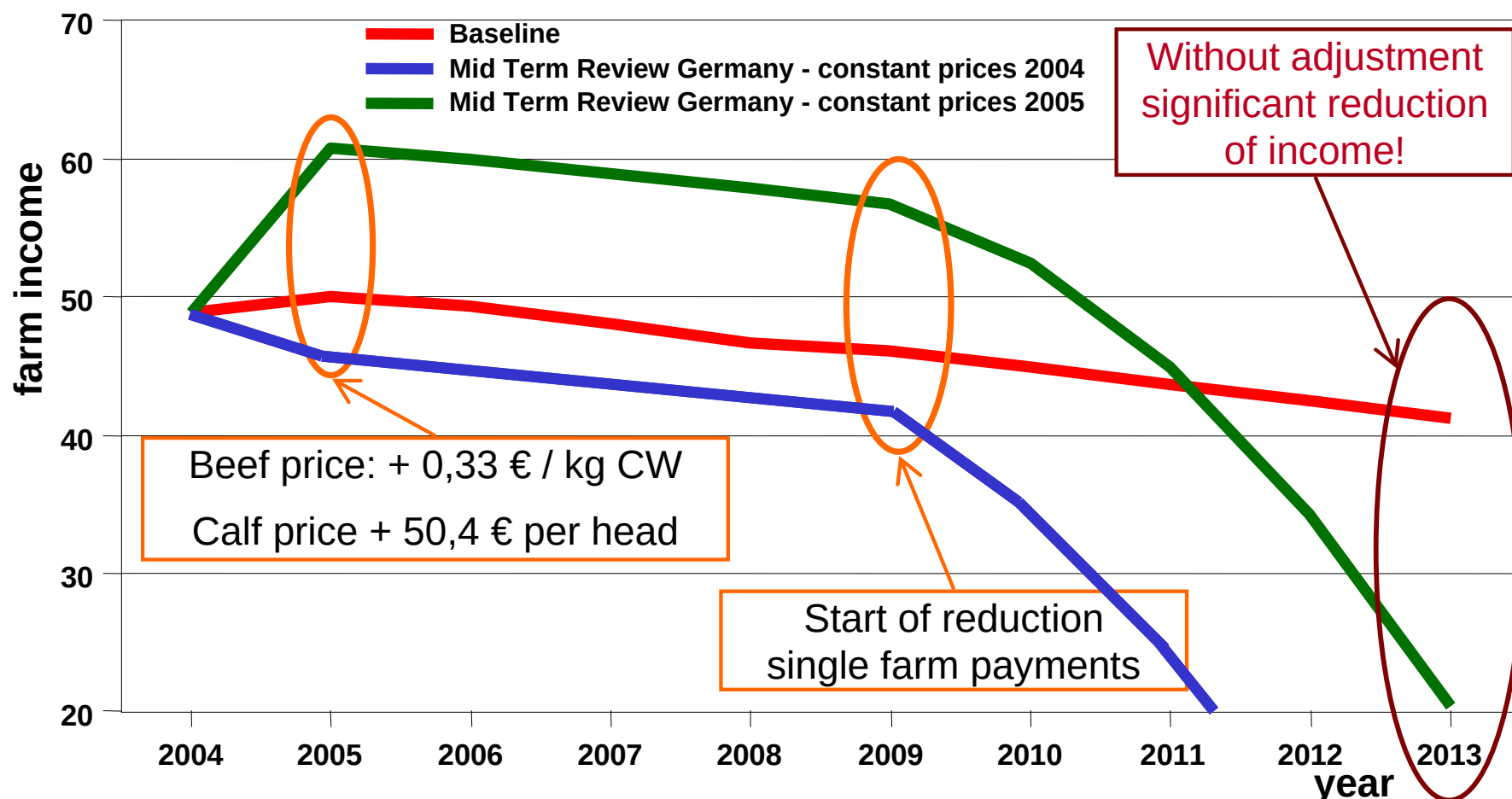


Start and end values of acreage payments by Bundesländer (estimation)

Bundesland	2005		2013	2013 vs. 2005
	Grassland	Cropland	Homogeneous Acreage payment	Direction crop payments
Baden Wurttemberg	56	317	302	-
Bavaria	89	299	340	++
Brandenburg	70	274	293	++
Hesse	47	327	302	--
Mecklenburg-Pomerania	61	316	322	+
Lower Saxony	102	259	326	+++
Northrhine-Westphalia	111	283	347	+++
Rheinland-Palatina	50	288	280	-
Saarland	57	296	265	---
Saxony	67	321	349	++
Saxony-Anhalt	53	337	341	+
Schleswig-Holstein	85	324	360	++
Thuringia	61	338	345	+
Germany	79	301	328	++

Impact of the CAP-reform (MTR) on a 260 bulls finisher in W. Germany 2004-2013

Farm income without interest on savings on 260 bulls farm



Implications

- Full decoupling: **no obligation to produce** anymore
- The **SFP** until 2009 **reduces the liquidity problems** for intensive (dairy and beef finishing) farms
- To receive payments the land must be maintained in a defined status (**cross compliance**), basically kept 'open'
- This can be done **mechanically** by mulching once a year at cost of approx. **40 EUR/ha**
- If the loss from beef production is below –40 EUR/ha, mechanical maintenance is the better alternative



Summary

Beef and suckler-cow herd are dominated by a few countries within the EU-25

Different decoupling models have been implemented and will last until 2013

Currently beef farmers face a different economic situation, e.g. total decoupling in Germany

In a long term view this policy should be considered as preliminary

Environment, Rural Development, Animal Welfare, etc. will be of increasing interest and important challenges in the near future