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IMPACT OF AN ADDITIONAL MODULATION

This analysis on the *Impact of an additional Modulation* is a contribution to the Impact Assessment of the Health Check of the Common Agricultural Policy (CAP). It is part of the Annex F Microeconomic (FADN) analyses.

For more information on the Health Check:
http://ec.europa.eu/agriculture/healthcheck/index_en.htm

The Farm Accountancy Data Network (FADN) is a European system of sample surveys that take place each year and collect structural and accountancy data on the farms, with the aim to monitor the income and business activities of agricultural holdings and to evaluate the impacts of the Common Agricultural Policy measures.

The FADN field of survey covers only the farms exceeding a minimum economic size (threshold) in order to cover the most relevant part of the agricultural activity of the EU Member States, i.e. at least the 90% of the total Standard Gross Margin (SGM) covered in the Farm Structure Survey (FSS). For 2005 data, the sample gathers approximately 75 000 holdings in the EU-25, which represent 4 millions farms out of a total of about 10 millions farms (40%) included in the FSS.

The rules applied aim to provide representative data along three dimensions: region, economic size and type of farming. FADN is the only source of micro-economic data that is harmonised, i.e. the bookkeeping principles are the same in all EU countries.

For more information: http://ec.europa.eu/agriculture/rica/index.cfm

IMPACT OF AN ADDITIONAL MODULATION

Executive summary

This note aims at analysing the impact of an additional compulsory modulation beyond the 5% currently applied modulation in the EU15 in terms of budget released and income change per Member State (MS). Four options have been considered:

Option 1: current 5% + 8% compulsory modulation in the EU15

Option 2: current 5% + 8% compulsory modulation in the EU15 and introduction of 8% modulation in the EU10.

Option 3: current 5% + 8% compulsory modulation in the EU15, from which 2% corresponds to a "special" modulation (the budget released is entirely going back to the MS). Introduction of the 2% "special" modulation as well in the EU10.

Option 4: current 5% + Progressive modulation (from +1% to +4%) in the EU25, with two different levels of franchise per farm: (a) € 10 000 and (b) € 5 000.

It can be concluded from this analysis that the option 2 would enable the highest additional budget release (1 904 Mio €), while the option 4a) would mean a decrease of the current budget released due to the franchise increase to € 10 000.

The main contributing MSs are France (from 20% to 26%), the UK (from 16% to 36%) and Germany (from 15% to 18%).

The average direct payments per farm would decrease by 4 or 5% in the options 1 to 3 and by 1% in option 4 in the EU25. The average income per AWU would decrease by 2% in the EU25 with the options 1 to 3 and remain more or less unchanged with the option 4.

1. PROBLEM DEFINITION

An option to increase the budget available for rural development measures is to augment the rates of compulsory modulation[1] beyond the 5% currently applied. Therefore, this note aims at analysing the impact of an additional compulsory modulation in terms of budget released and income change per Member State (MS) in the EU.

Options analysed:

Status quo: **5% compulsory modulation in the EU15 with a € 5 000 franchise.**

Option 1: current 5% **+ 8% compulsory modulation in the EU15**

[1] Modulation is a means of budgetary transfer by which a percentage reduction is applied to farmer direct payments and the budgetary resources released are reassigned to rural development measures. In the current implementation of the modulation (5%) a franchise of € 5 000 is applied, i.e. the first € 5 000 of direct payments per farm are not reduced.

Option 2: current 5% **+ 8% compulsory modulation in the EU15, introduction of 8% modulation in the EU10.**

Option 3: current 5% **+ 8% compulsory modulation in the EU15**, from which 2% correspond to a "special" modulation (the budget released is entirely going back to the MS). **Introduction of the 2% "special" modulation in the EU10.**

Option 4: current 5% + **Progressive modulation (from +1% to +4%) in the EU25 based on M. Goepel proposal** (Member of the EU Parliament). The rate of modulation depends on the range of direct payments (DP). The budget resulting from one point of additional modulation is to be reallocated between MSs and the rest of the additional budget released is directly going back to the MS where it was cut. Two different levels of franchise are analysed:

- Option 4a): € 10 000 franchise (as in Goepel proposal)

- Option 4b): € 5 000 franchise.

In all the different options, the voluntary modulation applied in Portugal and the UK is taken into account. Portugal will apply from 2008 10% voluntary modulation with a € 5 000 franchise. In the UK, the voluntary modulation is applied without franchise and the rates foreseen in 2012 are the following: 14% in England, 6.5% in Wales and 9% in Scotland and Northern Ireland.

It is considered that the total modulation rate (compulsory plus voluntary) will not go beyond the current rate foreseen in 2012. Therefore, the rate of voluntary modulation is decreasing with the increase of compulsory modulation.

Table 1: Summary of the different options analysed (% of modulation)

	Portugal			England			Wales			Scotland			Northern Ireland			Other EU15			EU10		
Rate of Modulation:	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total
Base	5	10	15	5	14	19	5	6.5	11.5	5	9	14	5	9	14	5	0	5	0	0	0
Option1	13	2	15	13	6	19	13	0	13	13	1	14	13	1	14	13	0	13	0	0	0
Option2	13	2	15	13	6	19	13	0	13	13	1	14	13	1	14	13	0	13	8	0	8
Option3	13	2	15	13	6	19	13	0	13	13	1	14	13	1	14	13	0	13	2	0	2
Option4a)																					
DP range (in €)	Goepel proposal (franchise = € 10000)																				
0-10000	0	0	0	0	14	14	0	6.5	6.5	0	9	9	0	9	9	0	0	0	0	0	0
10000-100000	6	9	15	6	13	19	6	5.5	11.5	6	8	14	6	8	14	6	0	6	1	0	1
100000 -200000	7	8	15	7	12	19	7	4.5	11.5	7	7	14	7	7	14	7	0	7	2	0	2
200000-300000	8	7	15	8	11	19	8	3.5	11.5	8	6	14	8	6	14	8	0	8	3	0	3
>=300000	9	6	15	9	10	19	9	2.5	11.5	9	5	14	9	5	14	9	0	9	4	0	4
Option4b)																					
DP range (in €)	Goepel adapted (franchise = € 5000)																				
0-5000	0	0	0	0	14	14	0	6.5	6.5	0	9	9	0	9	9	0	0	0	0	0	0
5000-100000	6	9	15	6	13	19	6	5.5	11.5	6	8	14	6	8	14	6	0	6	1	0	1
100000-200000	7	8	15	7	12	19	7	4.5	11.5	7	7	14	7	7	14	7	0	7	2	0	2
200000-300000	8	7	15	8	11	19	8	3.5	11.5	8	6	14	8	6	14	8	0	8	3	0	3
>=300000	9	6	15	9	10	19	9	2.5	11.5	9	5	14	9	5	14	9	0	9	4	0	4

2. METHODOLOGY

The simulation is based on a model developed in DG AGRI using FADN data. This model is based on the structure of the FADN farms in 2004. The agricultural policy is implemented as foreseen in **2009**[2], including the second package, the sugar and the fruit and vegetables reforms. The wine reform is not covered in this analysis.

In the EU10, the level of the direct payments is fixed at a 100% as foreseen in 2013[3]. Because of a lack of FADN 2004 data in Malta, this MS is excluded from this analysis.

The article 69[4] of Regulation No 1782/2003 is not taken into account because of the difficulty at targeting the beneficiaries of theses subsidies.

Further to the decoupling, the majority of the DP are paid through the single payment scheme (SPS). The MSs had the opportunity to apply the SPS according to 3 different models:

- the historic model: the SPS of each beneficiary is linked to the payments he received during the reference period (2000-2002),
- the regional model: the total amount of the regional ceiling is divided between all the farmers whose holding is located in the region concerned; the MS may also grant a specific payment for grassland,
- the hybrid model: the two models described above are mixed.

In the simulation, for the MS applying a historic model, the reference of each farmer is calculated based on its situation in FADN data 2004[5].

For the MS applying a regional model, the sum of the decoupled DP covered in the FADN data is divided by the eligible hectares represented in the FADN data 2004.

For the MS applying a hybrid model:

(1) The part of the SPS paid on a historic basis is first estimated according to the farmer's situation in FADN data 2004.

(2) The grassland payment is introduced: 125 €/ha in Sweden, 67.11€/ha in Denmark. In Germany the grassland payment is a regional flat rate estimated as the sum of 50% of the extensive premium, plus 100% of the adult slaughter premium and 100% of the national envelope for beef in a region divided by the permanent pasture represented in this FADN region.

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[2] 2009 was chosen because in 2009 all the reforms are fully implemented (including fruit & vegetables and sugar common market organisations (CMOs) reforms). Moreover the options for the hybrid model are known for 2009. In this simulation the MS from EU9 receive 100% of the budget ceiling planned for 2013 already in 2009.

[3] See Article 143a of Council Regulation (EC) No 1782/2003.

[4] This article enables the MS to retain up to 10% of the component of their national DP ceilings per sector in order to grant additional payments to farmers for specific types of farming and quality production.

[5] For the purpose of the simulation, the reference of each farmer is calculated based on its situation in FADN data 2004, because the situation of the farmer during the period 2000-2002 is not known in the FADN database.

(3) The regional part of the SPS is calculated as the sum of the remaining DP ceilings (all decoupled payments minus "historic" SPS minus grassland payments) divided by the eligible hectares.

(4) Finally, the direct payment received by a farmer in a region *X* is equal to the sum of the coupled payments plus the historic part of the SPS plus the grassland payment plus the regional flat rate in the region *X* times the eligible area.

The eligible land is estimated in FADN for each individual farmer on the basis of the area registered by product in the farm return[6].

Budget released:

The budget released is estimated on the basis of the results of the model, comparing the total direct payments (DP) the farmers represented in FADN would receive without modulation to the sum of DP paid to the farmers after modulation (applying the franchise).

It needs to be reminded that the FADN is covering only the business farms, reason why only the holdings beyond a certain economic size class are included in the FADN field of survey (the threshold is defined by each MS). Nevertheless, FADN is representing more than 90% of the DP paid in the EU24.

Income indicator:

The farm net value added (FNVA[7]) per annual working unit (AWU) is analysed as income indicator because it is the most comparable between MS. For this analysis, the output was corrected by the institutional prices decrease foreseen in the milk and sugar common market organisations (CMOs). Other price changes that could occur in the following years linked to markets evolution are not taken into account.

Moreover in the EU9, no top ups are added to the income because it is expected that at the time the MS will receive 100% of the EU direct payments they will stop to grant the complementary national DP[8].

3. BUDGET REALEASED WITH THE DIFFERENT MODULATION OPTIONS

3.1. Option 1: + 8% compulsory modulation in the EU15

As a result of the simulations, the budget to be transferred to rural development could increase by 1.66 billion € with 8% additional modulation in the EU15.

The amount modulated is increasing proportionally in all the MSs, except in Portugal, where it remains equal, and in the UK, where it is decreasing (-32 Mio €).

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[6] The farm return regroups all the data collected on a farm part of the FADN.

[7] FNVA = output + direct payments – intermediate consumption – depreciation – taxes

[8] See Article 143c of Regulation No 1782/2003.

In the *status quo*, the total rate of modulation in Portugal is already above the 13% compulsory modulation simulated. Therefore, the total modulation rate does not change in any option.

In the UK, the total rate of modulation is also above 13% in the *status quo*, but the compulsory modulation for which a franchise is applied is limited to 5%. In the options 1, 2 and 3, the compulsory modulation rate is increasing to 13% and the voluntary modulation rate is decreasing. As a result, both the budget released from the application of the voluntary modulation to the first € 5 000 of DP and the total budget released are diminishing.

The contribution of the UK to the budget released is also decreasing from 36% in the *status quo* (first contributor) to 17% (third contributor). With option 1, France is the first contributor (26%) and Germany the second (18%). 80% of the budget released comes from these three MS, Spain and Italy.

A 13% compulsory modulation at the EUl5 level means that 10% of the total DP are modulated because of the franchise effect. In the MS where numerous farms receive less DP than the franchise, the percentage of DP modulated is inferior (for example 5% in Greece). In Portugal, where 15% of modulation is applied, "only" 8% of the total DP are modulated after application of the franchise. In contrast, in the UK16% of the DP are modulated, reaching the total modulation rate till 19% in England.

In the option 1, the entire budget released is to be re-distributed among the EU25 MS for Pillar II measures after application of an allocation key. Nevertheless, the budget resulting from the application of the voluntary modulation in Portugal and in the UK is entirely attributed to these MSs. In the end, 3.2 billions € are to be re-distributed.

It is to be noted that in options 1, 2 and 3 the additional budget released is smaller than the additional budget to be re-allocated because the share of voluntary modulation is decreasing in the UK and Portugal.

Table 3: Total budget released with modulation and budget to be re-allocated in the EU24

	Total budget released with modulation		Additional budget released in comparison to the status quo	
	Total	Budget to be re-allocated	Total	Budget to be re-allocated
Option 1	3 376	3 208	1 662	1 974
Option 2	3 618	3 450	1 904	2 216
Option 3	3 437	2 715	1 722	1 481
Option 4a)	1 668	1 163	-47	-71
Option 4b)	2 017	1 511	302	277

Source: DG AGRI EU FADN

Table 2: Total budget released with the different options of modulation

	Total DP before modulation	Budget released (Mio €)						Share of the DP modulated in each MS						Contribution of each MS to the budget released						Change in comparison to Status quo (Mio €)				
		Status quo	Option 1	Option 2	Option 3	Option 4a)	Option 4b)	Status quo	Option 1	Option 2	Option 3	Option 4a)	Option 4b)	Status quo	Option 1	Option 2	Option 3	Option 4a)	Option 4b)	Option 1	Option 2	Option 3	Option 4a)	Option 4b)
BE	573	22	56	56	56	19	26	4%	10%	10%	10%	3%	5%	1%	2%	2%	2%	1%	1%	34	34	34	-3	4
CY	63	0	0	2	1	0	0	0%	0%	3%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0	2	1	0	0
CZ	904	0	0	68	17	19	20	0%	0%	8%	2%	2%	2%	0%	0%	2%	0%	1%	1%	0	68	17	19	20
DK	999	41	106	106	106	41	50	4%	11%	11%	11%	4%	5%	2%	3%	3%	3%	2%	2%	65	65	65	0	9
DE	5 659	232	603	603	603	255	305	4%	11%	11%	11%	5%	5%	14%	18%	17%	18%	15%	15%	371	371	371	23	73
EL	2 405	49	129	129	129	30	59	2%	5%	5%	5%	1%	2%	3%	4%	4%	4%	2%	3%	79	79	79	-20	10
ES	4 262	127	330	330	330	107	154	3%	8%	8%	8%	3%	4%	7%	10%	9%	10%	6%	8%	203	203	203	-20	27
EE	82	0	0	4	1	1	1	0%	0%	5%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0	4	1	1	1
FR	8 395	344	894	894	894	332	414	4%	11%	11%	11%	4%	5%	20%	26%	25%	26%	20%	21%	550	550	550	-12	70
HU	1 112	0	0	67	17	15	16	0%	0%	6%	2%	1%	1%	0%	0%	2%	0%	1%	1%	0	67	17	15	16
IE	1 286	40	104	104	104	31	48	3%	8%	8%	8%	2%	4%	2%	3%	3%	3%	2%	2%	64	64	64	-9	8
IT	3 902	114	298	298	298	107	142	3%	8%	8%	8%	3%	4%	7%	9%	8%	9%	6%	7%	183	183	183	-8	28
LT	239	0	0	10	2	1	2	0%	0%	4%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0	10	2	1	2
LU	34	1	3	3	3	1	2	4%	10%	10%	10%	3%	5%	0%	0%	0%	0%	0%	0%	2	2	2	0	0
LV	108	0	0	4	1	0	1	0%	0%	4%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0	4	1	0	1
NL	751	27	70	70	70	23	33	4%	9%	9%	9%	3%	4%	2%	2%	2%	2%	1%	2%	43	43	43	-4	5
AT	648	16	42	42	42	9	19	2%	6%	6%	6%	1%	3%	1%	1%	1%	1%	1%	1%	26	26	26	-7	3
PL	2 635	0	0	56	14	6	9	0%	0%	2%	1%	0%	0%	0%	0%	2%	0%	0%	0%	0	56	14	6	9
PT	458	36	36	36	36	27	36	8%	8%	8%	8%	6%	8%	2%	1%	1%	1%	2%	2%	0	0	0	-8	0
FI	528	16	41	41	41	10	19	3%	8%	8%	8%	2%	4%	1%	1%	1%	1%	1%	1%	25	25	25	-6	3
SE	731	29	76	76	76	27	35	4%	10%	10%	10%	4%	5%	2%	2%	2%	2%	2%	2%	46	46	46	-2	6
SK	385	0	0	29	7	8	8	0%	0%	8%	2%	2%	2%	0%	0%	1%	0%	0%	0%	0	29	7	8	8
SI	82	0	0	1	0	0	0	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0	1	0	0	0
UK*	3 732	620	588	588	588	598	620	17%	16%	16%	16%	16%	17%	36%	17%	16%	17%	36%	31%	-32	-32	-32	-22	0
EU 24	**39 975**	**1 714**	**3 376**	**3 618**	**3 437**	**1 668**	**2 017**	**4%**	**8%**	**9%**	**9%**	**4%**	**5%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**1 662**	**1 904**	**1 722**	**-47**	**302**
EU 9	**5 611**	**0**	**0**	**242**	**60**	**51**	**56**	**0%**	**0%**	**4%**	**1%**	**1%**	**1%**	**0%**	**0%**	**7%**	**2%**	**3%**	**3%**	**0**	**242**	**60**	**51**	**56**
EU 15	**34 364**	**1 714**	**3 376**	**3 376**	**3 376**	**1 617**	**1 961**	**5%**	**10%**	**10%**	**10%**	**5%**	**6%**	**100%**	**100%**	**93%**	**98%**	**97%**	**97%**	**1 662**	**1 662**	**1 662**	**-97**	**246**

* UK is applying voluntary modulation without franchise and a 1% increase in compulsory modulation is compensated by a 1% decrease in voluntary modulation, therefore with additional compulsory modulation the total budget released is decreasing in the UK

Source: DG AGRI EU FADN

3.2. Option 2: + 8% compulsory modulation in the EU15 and 8% modulation in the EU10.

There is no change in the option 2 for the EU15. 8% modulation in the EU9 would release 242 millions €, for a total increase of the budget released of 1.9 billion € in the EU24. The contribution of the EU9 to the budget released is limited to 7%.

The impact of a modulation differs between the EU9 MSs. The two MS with very large farms (Czech Republic and Slovakia) are strongly affected and, even with a franchise at € 5 000, the impact of 8% compulsory modulation is that 8% of the DP are modulated. On the contrary, in Slovenia only 1% of the DP are modulated and in Poland only 2%.

3.3. Option 3: + 8% compulsory modulation in the EU15 and 2% modulation in the EU10.

With 2% modulation, 60 millions of € are released in the EU9. In the EU24, the total additional budget released with the option 3 is 1.7 billion €, for which the contribution of the EU9 is limited to 2%.

In the option 3, the budget resulting from the application of 2 % modulation is directly attributed to the MS for rural development measures. The rest of the additional budget released (1.5 billions €) is to be re-distributed after application of the allocation key.

3.4. Option 4: Progressive modulation - Goepel proposal

3.4.1. Option 4a) – franchise at € 10 000

In the Goepel proposal, the rate of compulsory modulation is increasing progressively of 1%, 2%, 3% and 4% according to the range of DP. In comparison to the *status quo*, the rate of modulation is higher and MSs from the EU10 are modulated too. Nevertheless, the total budget released is decreasing because of the increase of the franchise from € 5 000 to € 10 000.

Except in Germany, in all the EU15 MSs, the budget released is diminishing, particularly in those MSs with a high share of farmers receiving less than € 10 000 (Greece, Spain, France, UK).

3.4.2. Option 4b) – franchise at € 5 000

With a franchise kept at the current level (€ 5 000), the budget released is increasing by 302 millions € in comparison to the *status quo*. The budget released in the EU9 represents 3% of the total.

In the Goepel proposal, 1% of the additional modulation applied beyond the € 5 000 franchise is increasing the budget to be re-allocated by 277 millions €. The additional percentages of modulation applied beyond 100 000 € of DP (+1% from 100 000 € to 200 000 €; +2% from 200 000 € to 300 000 €; +3% above 300 000 €) have a limited impact in terms of budget released: 25 Millions € directly re-attributed to the MSs. This option implies a 5% cut of the total DP in the EU24: 6% in the EU15 and 1% in the EU10.

Table 4: Part of the budget released to be re-distributed to the MSs after application of the allocation key

	Budget released with 1% compulsory modulation and 5000€ Franchise	Budget released to be re-distributed						Contribution of each MS to the budget to be re-distributed					Change in comparison to Status quo				
		Status quo	Option 1	Option 2	Option 3	Option 4a)	Option 4b)	Option 1	Option 2	Option 3	Option 4a)	Option 4b)	Option 1	Option 2	Option 3	Option 4a)	Option 4b)
BE	4	22	56	56	47	19	26	2%	2%	2%	2%	2%	34	34	26	-3	4
CY	0	0	0	2	0	0	0	0%	0%	0%	0%	0%	0	2	0	0	0
CZ	8	0	0	68	0	8	8	0%	2%	0%	1%	1%	0	68	0	8	8
DK	8	41	106	106	90	40	49	3%	3%	3%	3%	3%	65	65	49	0	8
DE	46	232	603	603	510	228	278	19%	17%	19%	20%	18%	371	371	278	-4	46
EL	10	49	129	129	109	30	59	4%	4%	4%	3%	4%	79	79	59	-20	10
ES	25	127	330	330	279	106	152	10%	10%	10%	9%	10%	203	203	152	-21	25
EE	1	0	0	4	0	0	1	0%	0%	0%	0%	0%	0	4	0	0	1
FR	69	344	894	894	757	331	413	28%	26%	28%	28%	27%	550	550	413	-13	69
HU	8	0	0	67	0	7	8	0%	2%	0%	1%	1%	0	67	0	7	8
IE	8	40	104	104	88	31	48	3%	3%	3%	3%	3%	64	64	48	-9	8
IT	23	114	298	298	252	102	137	9%	9%	9%	9%	9%	183	183	137	-13	23
LT	1	0	0	10	0	1	1	0%	0%	0%	0%	0%	0	10	0	1	1
LU	0	1	3	3	3	1	2	0%	0%	0%	0%	0%	2	2	2	0	0
LV	0	0	0	4	0	0	0	0%	0%	0%	0%	0%	0	4	0	0	0
NL	5	27	70	70	60	23	32	2%	2%	2%	2%	2%	43	43	32	-4	5
AT	3	16	42	42	35	9	19	1%	1%	1%	1%	1%	26	26	19	-7	3
PL	7	0	0	56	0	4	7	0%	2%	0%	0%	0%	0	56	0	4	7
PT	2	12	31	31	26	11	14	1%	1%	1%	1%	1%	19	19	14	-1	2
FI	3	16	41	41	35	10	19	1%	1%	1%	1%	1%	25	25	19	-6	3
SE	6	29	76	76	64	27	35	2%	2%	2%	2%	2%	46	46	35	-2	6
SK	4	0	0	29	0	4	4	0%	1%	0%	0%	0%	0	29	0	4	4
SI	0	0	0	1	0	0	0	0%	0%	0%	0%	0%	0	1	0	0	0
UK	33	163	425	425	359	170	196	13%	12%	13%	15%	13%	261	261	196	6	33
EU 24	**277**	**1 234**	**3 208**	**3 450**	**2 715**	**1 163**	**1 511**	**100%**	**100%**	**100%**	**100%**	**100%**	**1 974**	**2 216**	**1 481**	**-71**	**277**
EU 9	**30**	**0**	**0**	**242**	**0**	**25**	**30**	**0%**	**7%**	**0%**	**2%**	**2%**	**0**	**242**	**0**	**25**	**30**
EU 15	**247**	**1 234**	**3 208**	**3 208**	**2 715**	**1 138**	**1 481**	**100%**	**93%**	**100%**	**98%**	**98%**	**1 974**	**1 974**	**1 481**	**-96**	**247**

Source: DG AGRI EU FADN

The budget released with an increase of 1% of compulsory modulation with a franchise at 5 000 € can be calculated per MS. In the EU24, 277 millions € are released (247 Mio € in the EU15 and 30 Mio € in the EU9) with 1% of modulation. The highest impact of 1% modulation is in France (69 Mio €), in Germany (46 Mio €) and in the UK (33 Mio €). It must be highlighted that 1% increase of compulsory modulation is compensated by a 1% decrease of voluntary modulation in the UK and Portugal; therefore the total budget released is not increasing. Indeed, it is decreasing in the UK because of the franchise effect.

4. Impact of an additional Modulation on the average direct payments per farm and on the income per AWU

With an additional 8% modulation, the average DP per farm in the EU15 is decreasing by 5% to € 10 100 and the FNVA/AWU by 2% to € 20 380.

The percentage of DP decrease is lower than the increase of modulation rate because of the franchise effect. The decrease in average DP is very high (7%) in Denmark, Germany, France and Sweden. On the contrary, the decline is below 4% in Greece and Austria.

Moreover, the impact of the 8% additional modulation on farms income is depending on the share of the DP in the income: in both France and Sweden the average DP are decreasing by 7%, but the FNVA/AWU is diminishing by 3% in France, whereas it is decreasing by 6% in Sweden.

Table 5: Impact of the additional modulation on the average DP per farm

	Average DP / farm Status quo	Average Direct Payments per farm					Change in comparison to Status quo				
		Option 1	Option 2	Option 3	Option 4a)	Option 4b)	Option 1	Option 2	Option 3	Option 4a)	Option 4b)
BE	15 600	14 630	14 630	14 630	15 690	15 480	-6%	-6%	-6%	1%	-1%
CY	2 380	2 380	2 300	2 360	2 370	2 370	0%	-3%	-1%	0%	0%
CZ	66 270	66 270	61 290	65 020	64 860	64 830	0%	-8%	-2%	-2%	-2%
DK	24 750	23 060	23 060	23 060	24 740	24 520	-7%	-7%	-7%	0%	-1%
DE	24 060	22 410	22 410	22 410	23 960	23 740	-7%	-7%	-7%	0%	-1%
EL	4 770	4 610	4 610	4 610	4 810	4 750	-3%	-3%	-3%	1%	0%
ES	6 600	6 270	6 270	6 270	6 630	6 550	-5%	-5%	-5%	0%	-1%
EE	12 120	12 120	11 460	11 960	12 040	12 020	0%	-5%	-1%	-1%	-1%
FR	21 810	20 320	20 320	20 320	21 850	21 620	-7%	-7%	-7%	0%	-1%
HU	13 390	13 390	12 580	13 190	13 210	13 200	0%	-6%	-1%	-1%	-1%
IE	11 010	10 440	10 440	10 440	11 090	10 940	-5%	-5%	-5%	1%	-1%
IT	5 490	5 230	5 230	5 230	5 500	5 450	-5%	-5%	-5%	0%	-1%
LT	7 720	7 720	7 410	7 650	7 690	7 680	0%	-4%	-1%	0%	-1%
LU	18 950	17 720	17 720	17 720	19 040	18 800	-6%	-6%	-6%	0%	-1%
LV	5 280	5 280	5 080	5 230	5 250	5 250	0%	-4%	-1%	-1%	-1%
NL	11 120	10 450	10 450	10 450	11 180	11 030	-6%	-6%	-6%	1%	-1%
AT	8 180	7 840	7 840	7 840	8 270	8 140	-4%	-4%	-4%	1%	0%
PL	3 550	3 550	3 480	3 530	3 540	3 540	0%	-2%	-1%	0%	0%
PT	2 680	2 680	2 680	2 680	2 730	2 680	0%	0%	0%	2%	0%
FI	11 460	10 890	10 890	10 890	11 590	11 390	-5%	-5%	-5%	1%	-1%
SE	22 850	21 340	21 340	21 340	22 910	22 650	-7%	-7%	-7%	0%	-1%
SK	110 320	110 320	101 870	108 210	108 050	108 010	0%	-8%	-2%	-2%	-2%
SI	2 270	2 270	2 250	2 270	2 270	2 270	0%	-1%	0%	0%	0%
UK	31 890	32 220	32 220	32 220	32 120	31 890	1%	1%	1%	1%	0%
EU 24	**9 490**	**9 080**	**9 020**	**9 070**	**9 500**	**9 420**	**-4%**	**-5%**	**-4%**	**0%**	**-1%**
EU 9	**5 830**	**5 830**	**5 570**	**5 760**	**5 770**	**5 770**	**0%**	**-4%**	**-1%**	**-1%**	**-1%**
EU 15	**10 640**	**10 100**	**10 100**	**10 100**	**10 680**	**10 560**	**-5%**	**-5%**	**-5%**	**0%**	**-1%**

Source: DG AGRI EU FADN

In the EU9, 8% of modulation implies a decrease of the DP by 4%: from -8% in Czech Republic and Slovakia to -1% in Slovenia and -2% in Poland.

Table 6: Impact of the additional modulation on the average income per AWU

	FNVA/AWU - Status quo	FNVA per AWU					Change in comparison to Status quo				
		Option 1	Option 2	Option 3	Option 4a)	Option 4b)	Option 1	Option 2	Option 3	Option 4a)	Option 4b)
BE	35 580	35 060	35 060	35 060	35 620	35 510	-1%	-1%	-1%	0%	0%
CY	4 560	4 560	4 490	4 540	4 550	4 550	0%	-2%	0%	0%	0%
CZ	13 710	13 710	13 200	13 580	13 570	13 560	0%	-4%	-1%	-1%	-1%
DK	40 900	39 740	39 740	39 740	40 900	40 750	-3%	-3%	-3%	0%	0%
DE	27 670	26 900	26 900	26 900	27 630	27 520	-3%	-3%	-3%	0%	-1%
EL	10 200	10 070	10 070	10 070	10 240	10 190	-1%	-1%	-1%	0%	0%
ES	19 960	19 740	19 740	19 740	19 980	19 930	-1%	-1%	-1%	0%	0%
EE	8 930	8 930	8 720	8 880	8 910	8 900	0%	-2%	-1%	0%	0%
FR	24 090	23 320	23 320	23 320	24 110	23 990	-3%	-3%	-3%	0%	0%
HU	13 120	13 120	12 690	13 010	13 020	13 010	0%	-3%	-1%	-1%	-1%
IE	17 470	16 980	16 980	16 980	17 540	17 410	-3%	-3%	-3%	0%	0%
IT	21 100	20 900	20 900	20 900	21 110	21 070	-1%	-1%	-1%	0%	0%
LT	8 030	8 030	7 890	7 990	8 010	8 010	0%	-2%	0%	0%	0%
LU	28 990	28 270	28 270	28 270	29 040	28 900	-2%	-2%	-2%	0%	0%
LV	4 630	4 630	4 550	4 610	4 620	4 620	0%	-2%	0%	0%	0%
NL	34 280	34 010	34 010	34 010	34 310	34 250	-1%	-1%	-1%	0%	0%
AT	18 250	18 050	18 050	18 050	18 310	18 230	-1%	-1%	-1%	0%	0%
PL	4 880	4 880	4 830	4 870	4 870	4 870	0%	-1%	0%	0%	0%
PT	5 320	5 320	5 320	5 320	5 360	5 320	0%	0%	0%	1%	0%
FI	17 830	17 460	17 460	17 460	17 920	17 790	-2%	-2%	-2%	1%	0%
SE	17 530	16 470	16 470	16 470	17 580	17 390	-6%	-6%	-6%	0%	-1%
SK	7 260	7 260	6 860	7 160	7 160	7 150	0%	-6%	-1%	-1%	-2%
SI	2 420	2 420	2 410	2 420	2 420	2 420	0%	0%	0%	0%	0%
UK	26 640	26 780	26 780	26 780	26 740	26 640	1%	1%	1%	0%	0%
EU 24	**16 610**	**16 360**	**16 320**	**16 350**	**16 610**	**16 560**	**-2%**	**-2%**	**-2%**	**0%**	**0%**
EU 9	**6 310**	**6 310**	**6 180**	**6 280**	**6 280**	**6 280**	**0%**	**-2%**	**0%**	**0%**	**0%**
EU 15	**20 730**	**20 380**	**20 380**	**20 380**	**20 750**	**20 680**	**-2%**	**-2%**	**-2%**	**0%**	**0%**

Source: DG AGRI G3 EU FADN

At EU24 level, the three different options 1, 2 and 3 imply a decrease of the average DP per farm between -4% and -5% and a 2% decrease of the average income.

In comparison to the *status quo*, the impact of the Goepel proposal on the average DP per farm and on the average income is very limited, regardless the level of the franchise.

5. CONCLUSION

The option 2 (+8% in the EU15 and 8% in the EU10) would enable the highest additional budget released (1 904 Mio €). The option 4a) (Goepel proposal) would mean a decrease of the current budget released for rural development measures because of the franchise increase to € 10 000. With a franchise at € 5 000 the additional budget release with the Goepel option is rather limited (300 Mio €).

The main contributing MSs are France (from 20% to 26%), the UK (from 16% to 36%) and Germany (from 15% to 18%).

The average DP per farm would decrease by 5% in the options 1 to 3 and by 1% in option 4. The highest level of reduction is observed in Germany, Denmark, France and Sweden (-7%) for the options 1 to 3 and in Slovakia and Czech Republic in the option 4 (-2%). The average income per AWU would decrease by 2% in the EU25 with the options 1 to 3 and remain more or less unchanged with the option 4.