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IMPACT OF INDIVIDUAL LIMITS FOR DIRECT PAYMENTS PER BENEFICIARY

This analysis on the *Impact of individual limits for direct payments per beneficiary* 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 INDIVIDUAL LIMITS FOR DIRECT PAYMENTS PER BENEFICIARY

Executive Summary

In the framework of the Health Check of the 2003 common agricultural policy reform, the introduction of individual limits for direct payments (DP) per beneficiary was proposed. The aim of this note is to analyse the impact of such limits in terms of number of farms affected, budget release and income change per MS and per type of farming in the EU using FADN data. The following scenarios are analysed:

- Fixed individual limits: beneficiaries would receive at a maximum: €100 000, €200 000 or €300 000,
- Progressive individual limits: direct payments above €100 000 would be reduced by 10%, DP above €200 000 by 25% and DP above 300 000 by 45%.

From this analysis, it can be concluded that no matter the individual limit option retained, two Member States (MS) are particularly affected in terms of direct payments cut, number of farms affected and income loss: Slovakia and Czech Republic. In these two MS the large size of the farms implies high levels of DP per farm, but the DP per annual working unit (AWU) are quite limited.

Moreover, regardless of the option retained, Germany is always the most important contributor to the budget release, and eastern German farmers would be the most affected.

In comparison with the fixed individual limits, the introduction of progressive individual limits would release a smaller budget, but the impact in terms of average direct payment reduction and income decrease would be more limited.

1. PROBLEM DEFINITION

In the framework of the Health Check, it was proposed to introduce individual limits for direct payments (DP) per beneficiary to avoid criticism towards high levels of payment per holding. The aim of this note is to analyse the impact of these proposed individual limits in terms of number of farms affected, budget release and income change per MS and per type of farming using FADN data. Different scenarios are analysed:

Option 1: No specific individual limit (status quo).

Option 2: Fixed individual limits at a certain level, i.e. maximum level of DP per beneficiary, three levels are analysed: 2a (€100 000), 2b (€200 000), 2c (€300 000).

Option 3: Progressive individual limits: direct payments above €100 000 are reduced by 10%, DP above €200 000 are reduced by 25% and DP above €300 000 are reduced by 45%.

2. METHODOLOGY

The simulation is based on a model developed in DG AGRI based on FADN data. This model is based on the structure of the FADN farms in 2004. The agricultural policy is implemented as foreseen in 2009¹, including compulsory and voluntary modulations² (except in the EU10 and in outmost regions not submitted to modulation), 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 2013³. Because of a lack of FADN 2004 data in Malta, this MS is excluded from this analysis.

The article 69⁴ of Regulation No 1782/2003 is not taken into account because of the difficulty at targeting the beneficiaries of these 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:

¹ 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.

² In Portugal 10% additional voluntary modulation with a €5 000 franchise; in the UK, no franchise is applied and different rates of voluntary modulation by year and by region are used. The 2009 rates are: 14% in England, 4.2% in Wales, 8.5% in Scotland and 7% in Northern Ireland. It is to be noted that the direct payments in Portugal and in the UK are first modulated, the additional aid is paid back and after the individual limits are applied.

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.

- 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 2004⁵.

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.
- (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 return⁶.

The farm net value added (FNVA⁷) 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.

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.

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

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 direct payments⁸.

3. ANALYSIS PER MEMBER STATES

3.1. Individual limit for DP at €100 000 per beneficiary

With an individual limit set at €100 000, 25 480 farms would be affected (1% of total FADN holdings) and 8% of the DP ceilings would be released in the EU24. 49% of the farms affected are located in 3 Member States (MSs): Germany (4 900), the United Kingdom (4 440) and France (3 430).

In terms of budget released (3 087 Million euros), the distribution is quite different: Germany would contribute up to 36%, Czech Republic to 17%, Hungary to 11%, the UK and Italy to 8% and France "only" to 3%.

An individual limit per farm at €100 000 in the 2 MSs with very large farms (Czech Republic and Slovakia), would diminish their DP ceilings by approximately 60%. In Hungary it would be 31% and in Germany 20%. This can be explained by the size of the farms: in Czech Republic the farms affected by an individual limit at €100 000 have an average size of 1 400 hectares and 51 AWU. These farms would receive more than €350 000 of DP in case no individual limits would be applied, despite the amount of DP per AWU is limited to 7 019 €/AWU. In Slovakia, 35% of the farms represented in the FADN sample⁹ would be affected, the average size of these farms is 1 510 ha and labour is very important (in average 59 AWU per farm): 62 450 persons are working on the 1 050 farms affected by the individual limit.

The impact of individual limits for DP is concentrated not only in a few MS, but also in specific regions. In Germany, more than 90% of the farms affected are located in the eastern part of Germany. In the UK, more than 50% of the farms concerned are situated in England-East. In France, two third of the farms are located in Picardie, Centre, Poitou-Charentes, Bourgogne and Lorraine. In Italy, almost 60% of the farms affected are concentrated in three regions: Lombardia, Veneto and Piemonte. In Spain, three quarter of the farms concerned are located in Andalucia.

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

⁹ The FADN covers only the commercial farms; in Slovakia the FADN sample represents only 5% of the total number of holdings. Nevertheless the Slovakian FADN sample covers 90% of the UAA and 60% of the agricultural labour.

Table 1: Number of farms affected by individual limits for DP per beneficiary

| | Total Number of farms represented in FADN | Number of farms affected by an individual limit for DP | | | | % farms affected in the MS | | | | % farms affected by MS | | | |
|-------------|---|--|----------------------|----------------------|-----------------------------------|----------------------------|----------------------|----------------------|-----------------------------------|------------------------|----------------------|----------------------|-----------------------------------|
| | | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits |
| CZ | 13 640 | 2 060 | 1 500 | 960 | 2 060 | 15% | 11% | 7% | 15% | 8% | 20% | 22% | 8% |
| DK | 38 731 | 810 | | | 810 | 2% | | | 2% | 3% | | | 3% |
| DE | 225 605 | 4 900 | 2 530 | 1 810 | 4 900 | 2% | 1% | 1% | 2% | 19% | 33% | 41% | 19% |
| ES | 627 004 | 1 880 | | | 1 880 | 0.3% | | | 0.3% | 7% | | | 7% |
| EE | 6 801 | 110 | | | 110 | 2% | | | 2% | 0% | | | 0% |
| FR | 369 072 | 3 430 | | | 3 430 | 1% | | | 1% | 13% | | | 13% |
| HU | 83 046 | 1 350 | 750 | 540 | 1 350 | 2% | 1% | 1% | 2% | 5% | 10% | 12% | 5% |
| IT | 689 875 | 2 680 | 590 | 200 | 2 680 | 0.4% | 0.1% | 0.0% | 0.4% | 11% | 8% | 5% | 11% |
| LT | 30 941 | 230 | 60 | | 230 | 1% | 0.2% | | 1% | 1% | 1% | | 1% |
| LV | 20 504 | 80 | | | 80 | 0.4% | | | 0.4% | 0% | | | 0% |
| PL | 742 190 | 1 150 | 370 | 0 | 1 150 | 0.2% | 0% | 0% | 0.2% | 5% | 5% | 0% | 5% |
| PT | 157 927 | 290 | | | 290 | 0.2% | | | 0.2% | 1% | | | 1% |
| SE | 30 720 | 600 | | | 600 | 2% | | | 2% | 2% | | | 2% |
| SK | 3 490 | 1 050 | 680 | 400 | 1 050 | 35% | 23% | 13% | 35% | 4% | 9% | 9% | 4% |
| UK | 97 570 | 4 440 | 600 | 0 | 4 440 | 5% | 1% | 0% | 5% | 17% | 8% | 0% | 17% |
| EU24 | 4 030 867 | 25 480 | 7 610 | 4 380 | 25 480 | 1% | 0.2% | 0.1% | 1% | 100% | 100% | 100% | 100% |
| EU9 | 963 243 | 6 081 | 3 399 | 2 146 | 6 081 | 1% | 0.4% | 0.2% | 1% | 24% | 45% | 49% | 24% |
| EU15 | 3 067 624 | 19 399 | 4 211 | 2 234 | 19 399 | 2% | 0.4% | 0.2% | 2% | 76% | 55% | 51% | 76% |

Source: DG AGRI EU FADN

Table 2: Impact on the average DP per farm received by the farmers affected by the individual limits for DP

| | Average DP per farm in farms affected by individual limits for DP | | | | | | | | % of change | | | |
|-------------|---|----------------------|----------------------|-----------------------------------|-------------------------------|----------------------|----------------------|-----------------------------------|----------------------|----------------------|----------------------|-----------------------------------|
| | before ind. limits are applied | | | | after ind. limits are applied | | | | | | | |
| | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits |
| CZ | 356 930 | 434 000 | 543 947 | 356 930 | 100 000 | 200 000 | 300 000 | 282 943 | -72% | -54% | -45% | -21% |
| DK | 141 151 | | | 141 151 | 100 000 | | | 135 168 | -29% | | | -4% |
| DE | 326 896 | 505 538 | 606 602 | 326 896 | 100 000 | 200 000 | 300 000 | 257 997 | -69% | -60% | -51% | -21% |
| ES | 141 077 | | | 141 077 | 100 000 | | | 135 077 | -29% | | | -4% |
| EE | 168 624 | | | 168 624 | 100 000 | | | 158 332 | -41% | | | -6% |
| FR | 128 989 | | | 128 989 | 100 000 | | | 125 873 | -22% | | | -2% |
| HU | 353 751 | 524 159 | 630 621 | 353 751 | 100 000 | 200 000 | 300 000 | 275 113 | -72% | -62% | -52% | -22% |
| IT | 193 465 | 386 693 | 663 716 | 193 465 | 100 000 | 200 000 | 300 000 | 172 445 | -48% | -48% | -55% | -11% |
| LT | 182 354 | 361 070 | | 182 354 | 100 000 | 200 000 | | 164 818 | -45% | -45% | | -10% |
| LV | 164 762 | | | 164 762 | 100 000 | | | 151 679 | -39% | | | -8% |
| PL | 193 557 | 330 417 | 0 | 193 557 | 100 000 | 200 000 | 0 | 174 580 | -48% | -39% | | -10% |
| PT | 156 156 | | | 156 156 | 100 000 | | | 149 644 | -36% | | | -4% |
| SE | 139 536 | | | 139 536 | 100 000 | | | 134 955 | -28% | | | -3% |
| SK | 309 186 | 398 589 | 503 820 | 309 186 | 100 000 | 200 000 | 300 000 | 253 400 | -68% | -50% | -40% | -18% |
| UK | 152 353 | 284 601 | 0 | 152 353 | 100 000 | 200 000 | 0 | 144 461 | -34% | -30% | | -5% |
| EU24 | 221 173 | 430 450 | 568 772 | 221 173 | 100 000 | 200 000 | 300 000 | 189 495 | -55% | -54% | -47% | -14% |

Source: DG AGRI EU FADN

Table 3: Budget released with individual limits for DP per beneficiary

| | Total direct payments in FADN w without ind. limits (Mio €) | Budget released w ith ind. limits (Mio €) | | | | % of MS direct payments loss in comparison to total MS DP | | | | % of direct payments loss per MS | | | |
|-------------|---|---|----------------------|----------------------|-----------------------------------|---|----------------------|----------------------|-----------------------------------|----------------------------------|----------------------|----------------------|-----------------------------------|
| | | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits |
| CZ | 904 | 529 | 351 | 234 | 152 | 59% | 39% | 26% | 17% | 17% | 20% | 20% | 19% |
| DK | 958 | 33 | | | 5 | 3% | | | 1% | 1% | | | 1% |
| DE | 5 428 | 1 112 | 771 | 554 | 338 | 20% | 14% | 10% | 6% | 36% | 44% | 47% | 42% |
| ES | 4 135 | 77 | | | 11 | 2% | | | 0% | 3% | | | 1% |
| EE | 82 | 7 | | | 1 | 9% | | | 1% | 0% | | | 0% |
| FR | 8 051 | 99 | | | 11 | 1% | | | 0% | 3% | | | 1% |
| HU | 1 112 | 343 | 242 | 178 | 106 | 31% | 22% | 16% | 10% | 11% | 14% | 15% | 13% |
| IT | 3 788 | 250 | 110 | 74 | 56 | 7% | 3% | 2% | 1% | 8% | 6% | 6% | 7% |
| LT | 239 | 19 | 9 | | 4 | 8% | 4% | | 2% | 1% | 1% | | 1% |
| LV | 108 | 5 | | | 1 | 5% | | | 1% | 0% | | | 0% |
| PL | 2 635 | 108 | 48 | 0 | 22 | 4% | 2% | 0% | 1% | 3% | 3% | 0% | 3% |
| PT | 422 | 16 | | | 2 | 4% | | | 0% | 1% | | | 0% |
| SE | 702 | 24 | | | 3 | 3% | | | 0% | 1% | | | 0% |
| SK | 385 | 220 | 136 | 82 | 59 | 57% | 35% | 21% | 15% | 7% | 8% | 7% | 7% |
| UK | 3 128 | 232 | 51 | 0 | 35 | 7% | 2% | 0% | 1% | 8% | 3% | 0% | 4% |
| EU24 | 38 276 | 3 087 | 1 754 | 1 176 | 807 | 8% | 5% | 3% | 2% | 100% | 100% | 100% | 100% |
| EU9 | 5 611 | 1 234 | 790 | 519 | 346 | 22% | 14% | 9% | 6% | 40% | 45% | 44% | 43% |
| EU15 | 32 665 | 1 853 | 963 | 657 | 461 | 6% | 3% | 2% | 1% | 60% | 55% | 56% | 57% |

Source: DG AGRI EU FADN

Table 4: Characteristics of the farms affected by capping

| | UAA (ha) per farm | | | Livestock units (LU) per farm | | | Labour (AWU) per farm | | |
|-------------|--|----------------------|----------------------|--|----------------------|----------------------|--|----------------------|----------------------|
| | Option 2a) € 100 000 & Option 3) Prog. ind. limits | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 2a) € 100 000 & Option 3) Prog. ind. limits | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 2a) € 100 000 & Option 3) Prog. ind. limits | Option 2b) € 200 000 | Option 2c) € 300 000 |
| CZ | 1 400 | 1 700 | 2 120 | 670 | 850 | 1 070 | 51 | 64 | 80 |
| DK | 410 | | | 500 | | | 5 | | |
| DE | 970 | 1 520 | 1 780 | 460 | 770 | 910 | 17 | 28 | 34 |
| ES | 300 | | | 60 | | | 4 | | |
| EE | 1 420 | | | 690 | | | 40 | | |
| FR | 350 | | | 110 | | | 4 | | |
| HU | 1 240 | 1 840 | 2 170 | 490 | 740 | 800 | 38 | 55 | 59 |
| IT | 250 | 460 | 600 | 450 | 710 | 570 | 8 | 13 | 15 |
| LT | 1 180 | 2 250 | | 1 020 | 620 | | 45 | 77 | |
| LV | 1 370 | | | 250 | | | 45 | | |
| PL | 780 | 1 310 | 0 | 210 | 180 | 0 | 13 | 19 | 0 |
| PT | 290 | | | 80 | | | 7 | | |
| SE | 590 | | | 260 | | | 5 | | |
| SK | 1 510 | 1 930 | 2 430 | 610 | 770 | 970 | 59 | 77 | 97 |
| UK | 610 | 1 130 | 0 | 220 | 150 | 0 | 6 | 11 | 0 |
| EU24 | 720 | 1 440 | 1 900 | 350 | 660 | 850 | 16 | 38 | 51 |

Source: DG AGRI EU FADN

3.2. Individual limit for DP at €200 000 per beneficiary

7 610 farms (0.2% of total holdings) would be affected by an individual limit of €200 000 and the budget released could reach 1.75 billion €. Germany being the most important contributor (44%). Two third of the farms concerned¹⁰ are located in Germany (2 530 farms), in Czech Republic (1 500) and in Hungary (750).

But whereas these farms represent 2% of the German farms, in Slovakia 23% of the FADN farms are affected and one third of the direct payments would be reduced, and in Czech Republic the capping would affect 11% of the farms and 39% of the Czech DP ceiling.

3.3. Individual limit for DP at €300 000 per beneficiary

With an individual limit at €300 000, the number of farms affected decrease to 4 380 and the budget released to 1.18 billion €. Almost half of the budget released is taken out of Germany, where the 1 810 farms impacted located in the eastern part of Germany, have an average size of 1 780 ha and a very high average labour per farm (34 AWU).

The other MSs affected are Czech Republic (960 farms and 20% of the savings), Hungary (540 farms), Slovakia (400 farms) and Italy (200 farms). Poland and the UK are also impacted, but the number of farms in the sample is too small to be able to display results.

The average size of the farms affected in the EU9 is impressive: from 2 430 ha in Slovakia to 2 120 ha in Czech Republic with around 1 000 livestock units. Those are cooperatives, with paid labour, and a total number of workers of 77 200 in Czech Republic, 39 000 in Slovakia and 32 000 in Hungary. Before the individual limit is applied, the average direct payments received per farm in Czech Republic reach €543 000, but per AWU they are limited to €6 760, whereas in Italy they reach 44 300 €per AWU.

3.4. Progressive individual limits

With progressive individual limits beginning with a 10% DP reduction from €100 000, the number of farms affected is similar than with a fix individual limit set at €100 000 (25 480 farms). However the budget released is almost 4 times less (807 millions of €) and the impact on the total DP ceilings is less important (-2% in the EU24).

The contribution of each MS to the budget release at EU level is in the same order of magnitude than with an individual limit of €100 000, although there is a significant increase of the German contribution (from 36% to 42%) and a division by 2 of the UK contribution (from 8% to 4%).

¹⁰ A small number of farms is still impacted in Spain, France, Denmark, Lithuania and Sweden but the number of farms in the sample is too small to be able to display the results in the table.

4. ANALYSIS PER TYPE OF FARMING

Regardless the individual limits level, more than 50% of the farms concerned are fieldcrops specialists. Farms mixing crops and livestock are also very affected. And with an individual limit at €100 000 or progressive individual limits, the number of farmers grazing livestock or producing milk impacted is quite high.

Table 5: Impact of individual limits for DP per type of farming

| | Option 2a) € 100 000 | | Option 2b) € 200 000 | | Option 2c) € 300 000 | | Option 3) Progressive individual limits | |
|-----------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|---|-------------------------|
| | Farms affected | Budget released (Mio €) | Farms affected | Budget released (Mio €) | Farms affected | Budget released (Mio €) | Farms affected | Budget released (Mio €) |
| Fieldcrops | 15 390 | 1 737 | 4 210 | 950 | 2 330 | 642 | 15 390 | 445 |
| Other permanent crops | 520 | 21 | 80 | 4 | | | 520 | 3 |
| Milk | 1 950 | 182 | 520 | 80 | 180 | 45 | 1 950 | 39 |
| Grazing livestock | 1 770 | 135 | 350 | 61 | 150 | 36 | 1 770 | 30 |
| Granivores | 230 | 12 | | | | | 230 | 2 |
| Mixed | 5 580 | 997 | 2 410 | 654 | 1 700 | 451 | 5 580 | 288 |
| EU24 | 25 480 | 3 087 | 7 610 | 1 754 | 4 380 | 1 176 | 25 480 | 807 |

Source: DG AGRI EU FADN

Table 6: Characteristics of the farms affected by individual limits for DP per t type of farming

| | UAA (ha) per farm | | | Livestock units (LU) per farm | | | Labour (AWU) per farm | | |
|-----------------------|--|----------------------|----------------------|--|----------------------|----------------------|--|----------------------|----------------------|
| | Option 2a) € 100 000 & Option 3) Prog. ind. limits | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 2a) € 100 000 & Option 3) Prog. ind. limits | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 2a) € 100 000 & Option 3) Prog. ind. limits | Option 2b) € 200 000 | Option 2c) € 300 000 |
| Fieldcrops | 680 | 1410 | 1920 | 130 | 330 | 500 | 12 | 31 | 42 |
| Other permanent crops | 150 | 220 | | 0 | 0 | | 6 | 11 | |
| Milk | 580 | 1090 | 1710 | 650 | 1100 | 1530 | 17 | 39 | 63 |
| Grazing livestock | 590 | 1230 | 1480 | 550 | 950 | 1350 | 10 | 32 | 46 |
| Granivores | 570 | | | 2860 | | | 51 | | |
| Mixed | 980 | 1640 | 1940 | 700 | 1090 | 1230 | 28 | 51 | 62 |
| EU 24 | 720 | 1440 | 1900 | 350 | 660 | 850 | 16 | 38 | 51 |

Source: DG AGRI EU FADN

5. IMPACT ON FARMERS INCOME

In the EU24, the average FNVA/AWU of the farmers affected by an individual limit at €100 000 decreases by 30%, from 25 260 €/AWU to €17 730. The range per MS is quite large: from -12% in Denmark to -49% in Slovakia.

With the high share of farms affected from the MSs of the EU9, the impact on the income in the whole country (all farms included) is high: -42% in Slovakia, -29% in Czech Republic and -17% in Hungary. In the EU24, the decrease is limited to 3% and in Germany the national average income is reduced by 8%.

Moreover, the farmers of the EU15 affected by an individual limit maintain a higher income than the average in their country. For example in the UK, the FNVA/AWU after the application of the €100 000 individual limit is 32 110 €/AWU, which is still 25% above the UK average. On the contrary, in Czech Republic the income of the affected farmers decreases to 8 990 €/AWU, which is under the national average (9 770 €/AWU).

With an individual limit at €200 000, the average FNVA/AWU in the EU24 (all farms included) is reduced by 2%.

With an individual limit of €300 000, the average FNVA/AWU of the farms affected in the EU24 decreases by 25%, ranging from -36% in Italy to -22% in Czech Republic. Taking into account all the farms in the EU24, the impact on the European average income is limited to 1%, but the Slovak FNVA/AWU is reduced by 16%.

With progressive individual limits, the impact on income is limited to a decrease of 8% for the farms concerned and to 1% for the EU24 average. The most affected MS are Slovakia (with a national FNVA/AWU decreasing by 11%) and Czech Republic (-8%). After the progressive individual limits are applied in these 2 MS, the income of the affected farmers is equivalent to the national average.

Per type of farming, the income decrease is mainly affecting the mixed producers and the fieldcrops specialists. The reduction of the average EU24 income is of -3% and -2%, respectively, with an individual limit at €300 000, and -2% and -1%, respectively, with progressive individual limits.

Table 7: Average income loss for farmers affected by individual limits for DP

| | Option 2a) € 100 000 | | | Option 2b) € 200 000 | | | Option 2c) € 300 000 | | | Option 3) Progressive individual limits | | |
|-------------|----------------------------|----------------------------------|-------------|----------------------------|----------------------------------|-------------|----------------------------|----------------------------------|-------------|---|----------------------------------|------------|
| | FNVA/AWU per farm in €/AWU | | | FNVA/AWU per farm in €/AWU | | | FNVA/AWU per farm in €/AWU | | | FNVA/AWU per farm in €/AWU | | |
| | Status Quo | after application of ind. limits | Change % | Status Quo | after application of ind. limits | Change % | Status Quo | after application of ind. limits | Change % | Status Quo | after application of ind. limits | Change % |
| CZ | 14 050 | 8 990 | -36% | 13 850 | 10 180 | -27% | 13 880 | 10 840 | -22% | 14 050 | 12 590 | -10% |
| DK | 68 660 | 60 330 | -12% | | | | | | | 68 660 | 67 440 | -2% |
| DE | 37 110 | 23 380 | -37% | 34 780 | 23 720 | -32% | 34 570 | 25 420 | -26% | 37 110 | 32 940 | -11% |
| ES | 46 250 | 36 100 | -22% | | | | | | | 46 250 | 44 770 | -3% |
| EE | 11 910 | 10 200 | -14% | | | | | | | 11 910 | 11 660 | -2% |
| FR | 47 660 | 39 460 | -17% | | | | | | | 47 660 | 46 780 | -2% |
| HU | 18 740 | 12 000 | -36% | 19 170 | 13 250 | -31% | 21 130 | 15 570 | -26% | 18 740 | 16 650 | -11% |
| IT | 60 640 | 48 640 | -20% | 64 930 | 51 090 | -21% | 67 660 | 43 400 | -36% | 60 640 | 57 940 | -4% |
| LT | 8 170 | 6 340 | -22% | 8 750 | 6 670 | -24% | | | | 8 170 | 7 780 | -5% |
| LV | 7 460 | 6 000 | -20% | | | | | | | 7 460 | 7 170 | -4% |
| PL | 30 800 | 23 570 | -23% | 32 550 | 25 680 | -21% | 0 | 0 | 0% | 30 800 | 29 330 | -5% |
| PT | 33 010 | 24 670 | -25% | | | | | | | 33 010 | 32 050 | -3% |
| SE | 44 430 | 35 800 | -19% | | | | | | | 44 430 | 43 430 | -2% |
| SK | 7 250 | 3 720 | -49% | 7 410 | 4 820 | -35% | 7 510 | 5 420 | -28% | 7 250 | 6 310 | -13% |
| UK | 40 580 | 32 110 | -21% | 42 390 | 34 720 | -18% | 0 | 0 | 0% | 40 580 | 39 300 | -3% |
| EU24 | 25 260 | 17 730 | -30% | 21 180 | 15 160 | -28% | 20 760 | 15 510 | -25% | 25 260 | 23 290 | -8% |

Source: DG AGRI EU FADN

Table 8: Average income loss per Member States because of individual limits for DP

| | Income before application of ind. limits (€/AWU) | Income after application of individual limits (€/AWU) | | | | % change in income | | | |
|-------------|--|---|----------------------|----------------------|-----------------------------------|----------------------|----------------------|----------------------|-----------------------------------|
| | Status Quo | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits |
| CZ | 13 710 | 9 770 | 11 090 | 11 970 | 12 570 | -29% | -19% | -13% | -8% |
| DK | 40 900 | 40 310 | | | 40 810 | -1% | | | 0% |
| DE | 27 670 | 25 370 | 26 070 | 26 530 | 26 970 | -8% | -6% | -4% | -3% |
| ES | 19 960 | 19 880 | | | 19 950 | 0% | | | 0% |
| EE | 8 930 | 8 570 | | | 8 880 | -4% | | | -1% |
| FR | 24 090 | 23 950 | | | 24 080 | -1% | | | 0% |
| HU | 13 120 | 10 920 | 11 560 | 11 970 | 12 440 | -17% | -12% | -9% | -5% |
| IT | 21 100 | 20 830 | 20 980 | 21 020 | 21 040 | -1% | -1% | 0% | 0% |
| LT | 8 030 | 7 740 | 7 890 | | 7 970 | -4% | -2% | | -1% |
| LV | 4 630 | 4 530 | | | 4 610 | -2% | | | 0% |
| PL | 4 880 | 4 790 | 4 840 | | 4 860 | -2% | -1% | | 0% |
| PT | 5 320 | 5 250 | | | 5 310 | -1% | | | 0% |
| SE | 17 530 | 16 990 | | | 17 470 | -3% | | | 0% |
| SK | 7 260 | 4 210 | 5 380 | 6 130 | 6 450 | -42% | -26% | -16% | -11% |
| UK | 26 710 | 25 690 | 26 490 | | 26 560 | -4% | -1% | | -1% |
| EU24 | 16 610 | 16 150 | 16 350 | 16 430 | 16 490 | -3% | -2% | -1% | -1% |

Source: DG AGRI EU FADN

Table 9: Average income loss per type of farming because of individual limits for DP

| | Income before capping (€/AWU) | Income after capping (€/AWU) | | | | % change in income | | | |
|-----------------------|-------------------------------|------------------------------|----------------------|----------------------|-----------------------------------|----------------------|----------------------|----------------------|-----------------------------------|
| | Status Quo | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits | Option 2a) € 100 000 | Option 2b) € 200 000 | Option 2c) € 300 000 | Option 3) Progressive ind. limits |
| Fieldcrops | 18 540 | 17 540 | 17 990 | 18 170 | 18 280 | -5% | -3% | -2% | -1% |
| Other permanent crops | 13 180 | 13 160 | 13 170 | | 13 170 | 0% | 0% | | 0% |
| Milk | 19 070 | 18 830 | 18 960 | 19 010 | 19 010 | -1% | -1% | 0% | 0% |
| Grazing livestock | 15 150 | 14 950 | 15 060 | 15 100 | 15 110 | -1% | -1% | 0% | 0% |
| Granivores | 26 210 | 26 160 | | | 26 210 | 0% | | | 0% |
| Mixed | 11 630 | 10 850 | 11 120 | 11 280 | 11 410 | -7% | -4% | -3% | -2% |
| EU 24 | 16 610 | 16 150 | 16 350 | 16 430 | 16 490 | -3% | -2% | -1% | -1% |

Source: DG AGRI EU FADN

6. CONCLUSIONS

From this analysis, it can be concluded that no matter the individual limits option retained, two MS are particularly affected in terms of direct payments cut, number of farms affected and income loss: Slovakia and Czech Republic.

The largest percentage of affected farms (1% in the EU24) is observed with an individual limit at €100 000 and the progressive individual limits. Nevertheless, with all the options this percentage is very high in some MS: Slovakia (from 13% to 35%), Czech Republic (from 7% to 15%), and the UK (from 0% to 5%).

The budget released could reach from 807 Mio € with progressive individual limits up to 3 087 Mio € in the case of an individual limit at €100 000. The contribution to the released budget would be concentrated only in 5 to 6 MS (depending on the option): Germany (from 36% to 47%), Czech Republic (from 17% to 20%), Hungary (from 11% to 15%), Italy (from 6% to 8%), Slovakia (from 7% to 8%) and the UK (from 0% to 8%). Moreover, with an individual limit at €100 000, close to 60% of the DP in Czech Republic and Slovakia would be affected. The impact of progressive individual limits would be lower, but still 17% of the Czech DP would be cut and 15% of the Slovak DP.

Regardless the individual limits level, more than 50% of the farms affected are fieldcrops specialists, being farmers mixing crops and livestock also very affected. Applying both an individual limit at €100 000 or a progressive individual limits have a relevant impact on the farmers grazing livestock and producing milk.

The impact on the average income of the affected farms, in terms of average reduction of the FNVA/AWU, varies from -8% (progressive individual limits) to -30% (individual limit at €100 000) for the EU24. The most affected MSs are Slovakia (from -13% to -49%), Czech Republic (from -10% to -36%), Germany (from -11% to -37%) and Hungary (from 11% to 36%). The global income loss (all farms included) in the EU24 is relatively small (from -1% to -3%), but the national average income of the most concerned MS is decreasing significantly: from -42% to -11% in Slovakia, from -29% to -8% in Czech Republic, from -17% to -5% in Hungary and from -8% to -3% in Germany.