

*IDEMA*

**AgriFood**  
economics centre



**OECD Workshop on the Dissaggregated  
Impacts of CAP Reform  
10-11 March 2010**

*Dr Mark Brady*

*SLU and Lund University bridging science and policy*

# Impact of decoupling and modulation in the European Union: A sectoral and farm level assessment (**IDEMA**)

- IDEMA project supported by the European Commission's 6<sup>th</sup> Framework Programme, 2004-07
- Partners:
  - 1) AgriFood Economics Centre (formally **SLI**) Sweden
  - 2) Imperial College of Science, Technology and Medicine (**Imperial**) UK
  - 3) Inst.of Agri. Develop. in Central and Eastern Europe (**IAMO & AgriPolis**) Germany
  - 4) Marche Polytechnic University of Ancona (**UNIVPM**) Italy
  - 5) Institut für Agrarökonomie der Universität Göttingen (**IFA-GOE**) Germany
  - 6) Institut National de la Recherche Agronomique (**INRA-ESR**) France
  - 7) Research Institute of Agricultural Economics (**VUZE**) Czech Republic
  - 8) Lithuanian Institute of Agrarian Economics (**LAEI**) Lithuania
  - 9) Research Institute of Agricultural and Food Economics (**VUEPP**) Slovak Republic

# IDEMA objectives

- Assessment of impacts of decoupling on:
  - supply, demand, trade and prices for the main commodities;
  - localisation of production;
  - land markets and prices;
  - farm income and structural adjustment of holdings;
  - entries and exits from the agricultural sector; and
  - land use and environmental impacts.



# Assessment methodologies

Due to radical nature of reform and complexity of issues a multiplicity of complementary approaches:

- a) survey-based analysis of farmers' strategic decisions (i.e. intentions)
- b) sector level and general equilibrium modelling with ESIM.
- c) dynamic agent-based **regional modelling (AgriPoliS)**



# Essential ingredients of 2003 CAP reform or “Decoupling”

- Single Farm Payment (SFP) is paid:
  - regardless of whether the farmer produces or not,
  - If land kept in *good agricultural and environmental condition* (GAEC).
  - (limited coupled direct payments for some products remain).



# Case-study regions = EU cross-section



## ● Livestock/arable regions

Brittany (France)  
Southeast (England)  
Hohenlohe (Germany)  
Saxony (Germany)

## ● EU-10 regions

Vysocina (Czech Republic)  
Nitra (Slovak Republic)  
Šiauliai (Lithuania)

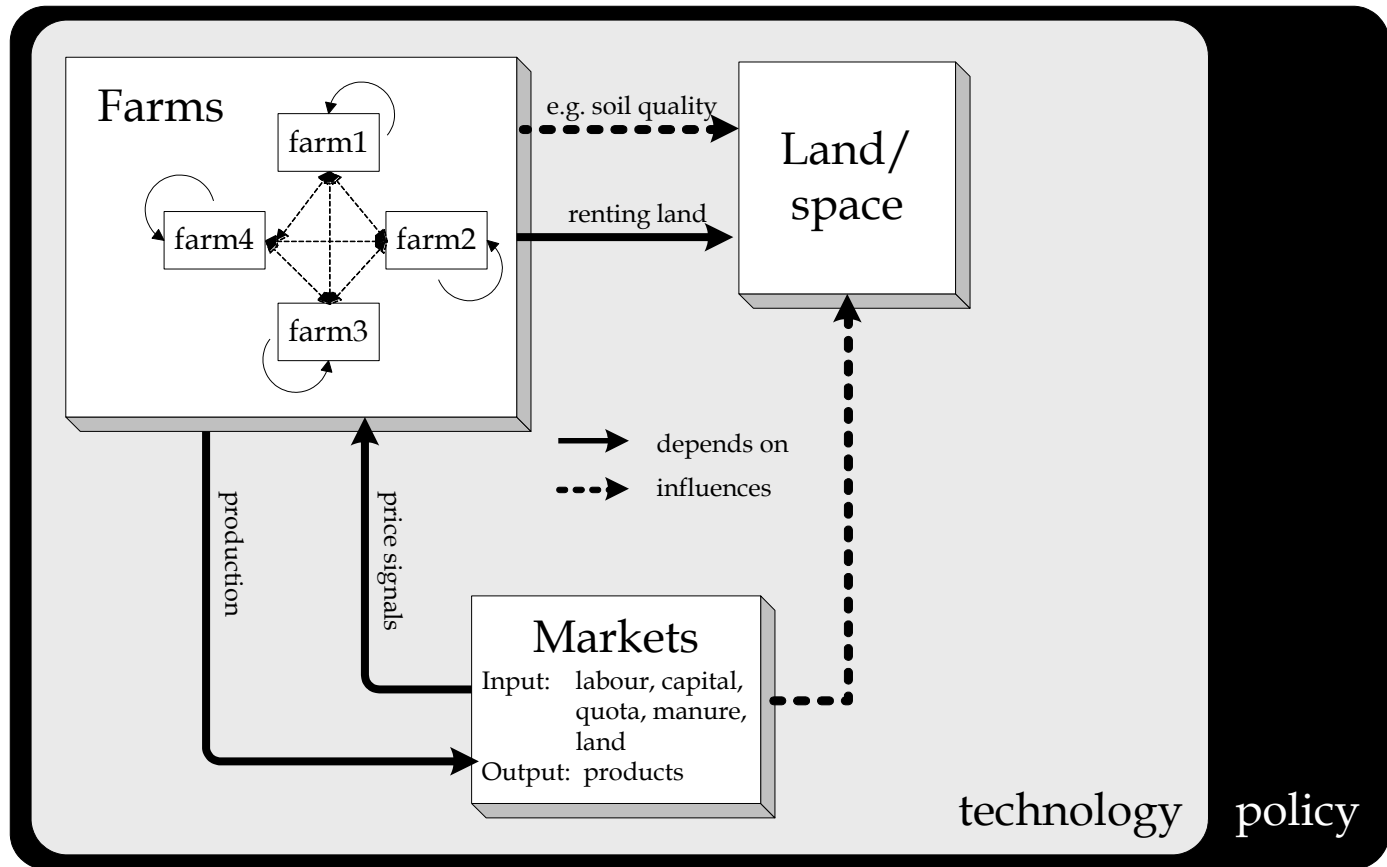
## ● Marginal regions

Jönköping (Sweden)  
Västerbotten (Sweden)

## ● Mediterranean regions

Colli Esini (Italy)  
Piana di Sibari (Italy)

# Agent-based regional modelling with AgriPoliS

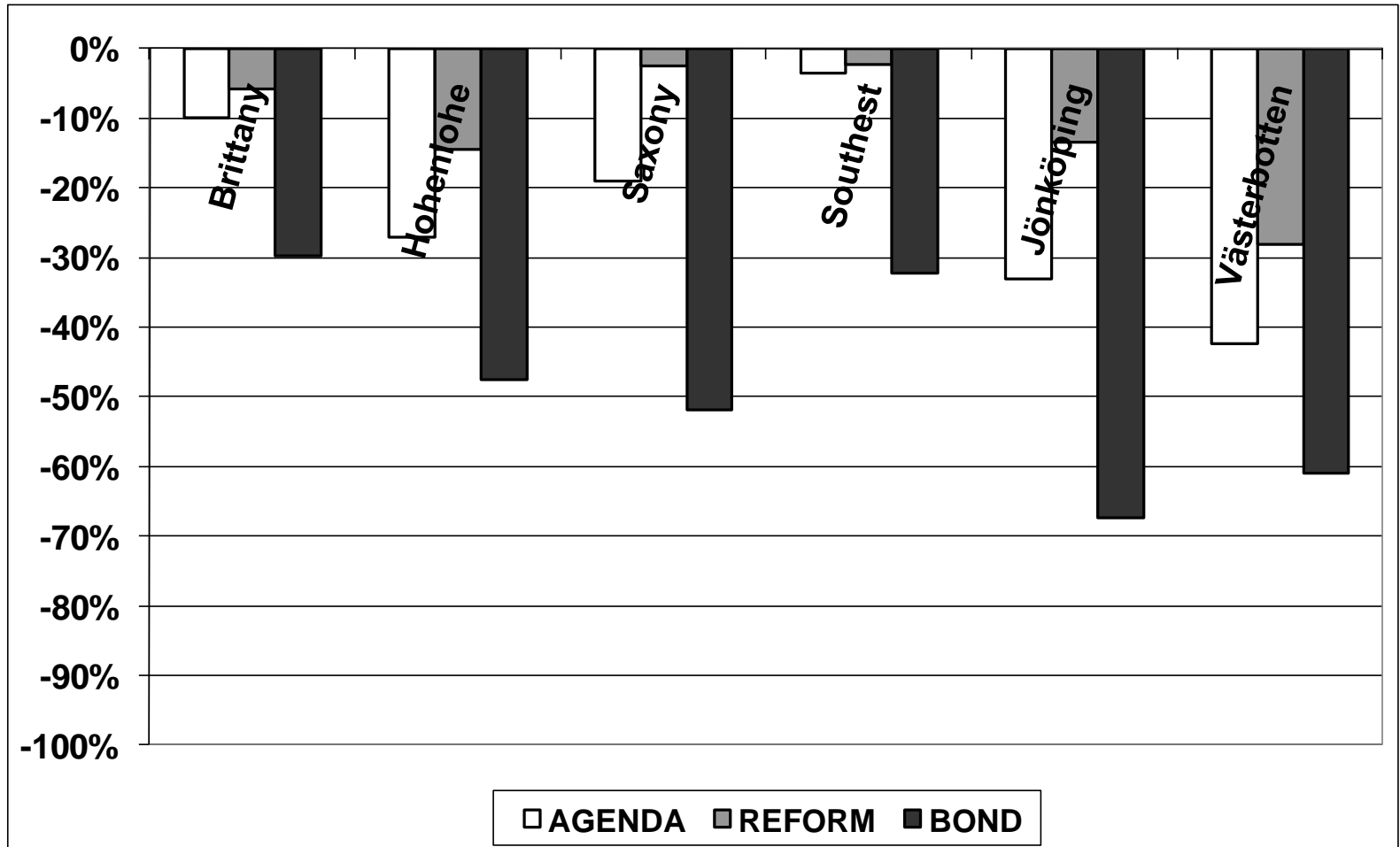


# Simultaneous policy scenarios (2001-13)

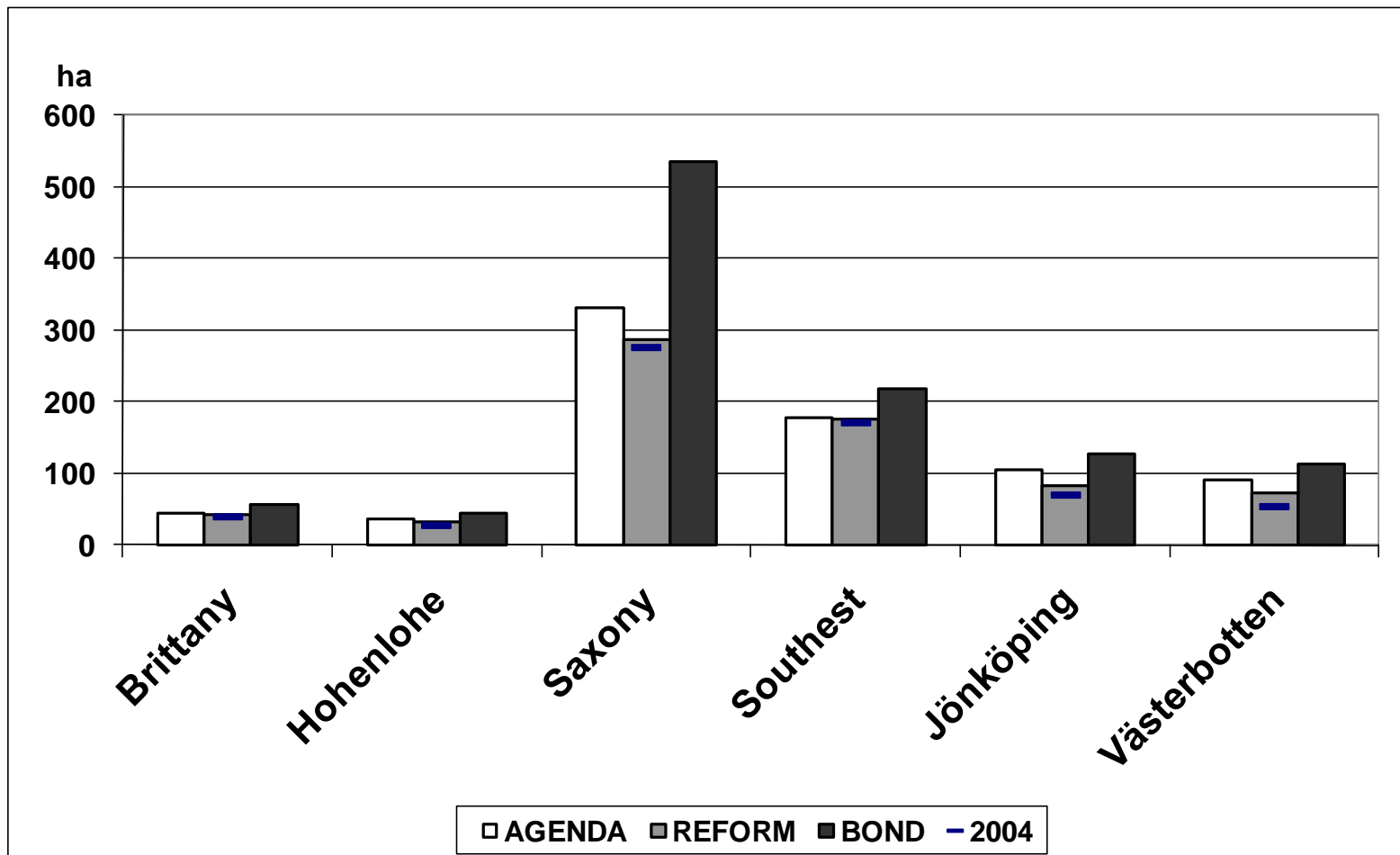
- **AGENDA** (Baseline) = continuation of Agenda 2000 beyond 2004 in EU-15
- **REFORM** = the actual 2003 CAP reform as implemented in each MS
- **BOND** = hypothetical scenario where payment is not conditioned on maintaining land (i.e. To test implications of GAEC)



# Reduction in number of farms to 2013



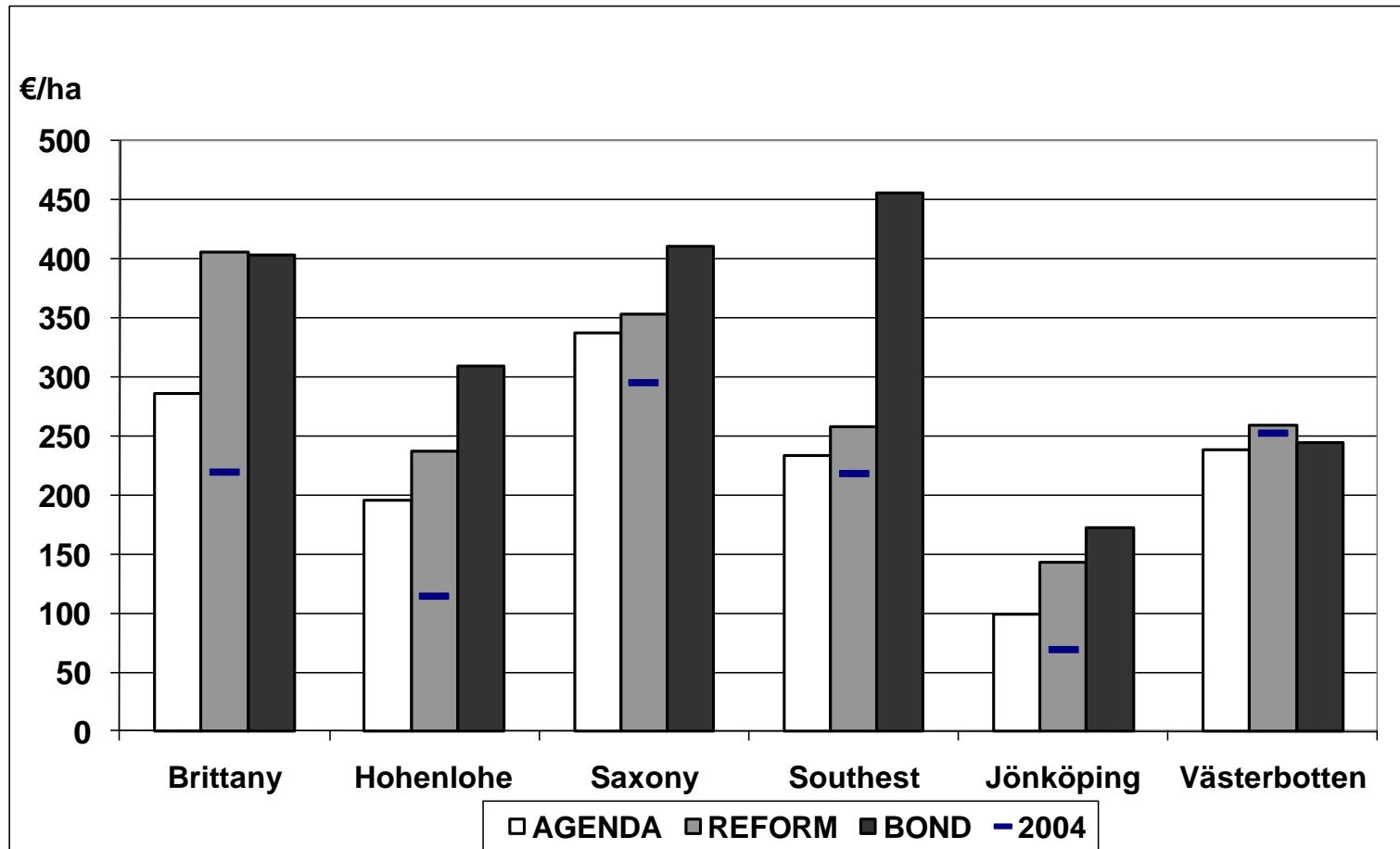
# Average farm size in 2013



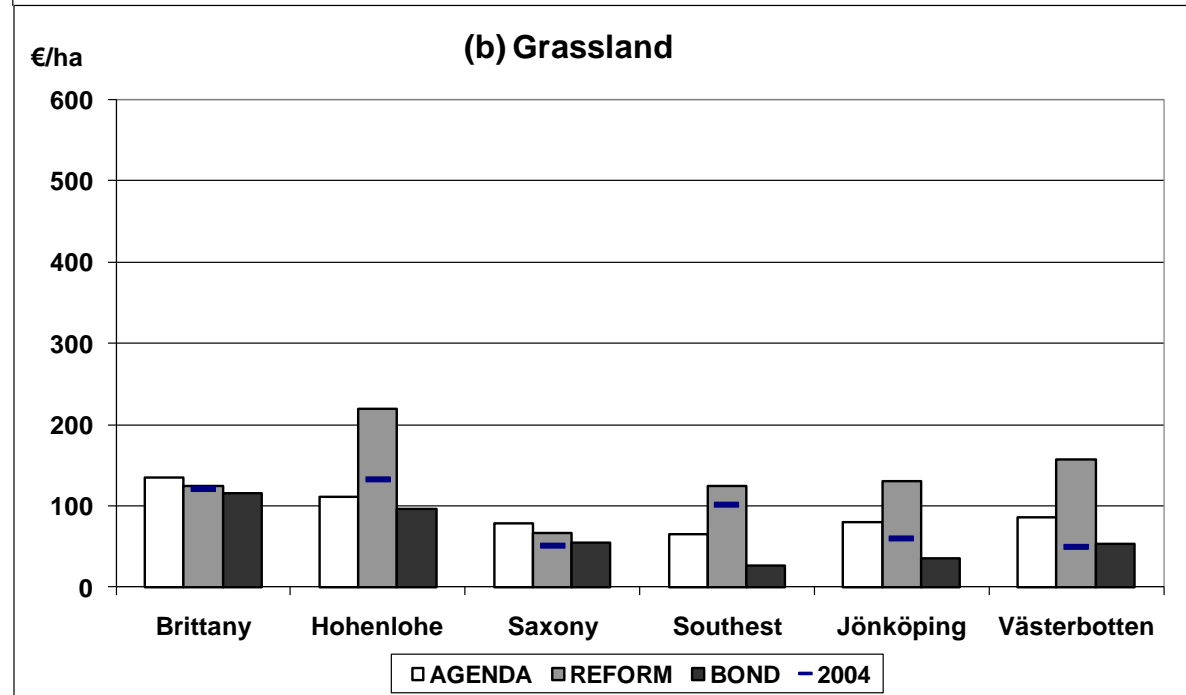
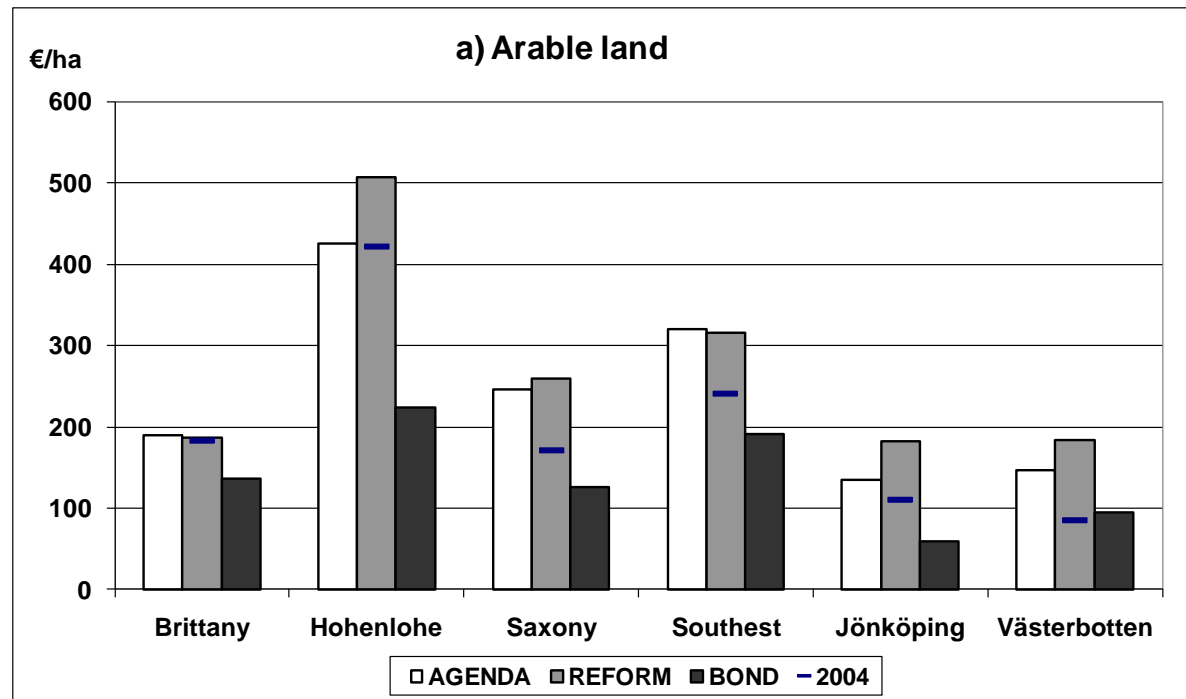
# **Bond** scheme: farms quitting, area released and area left idle due to introduction in 2005

	<b>Brittany</b>	<b>Hohenlohe</b>	<b>Saxony</b>	<b>Southeast</b>	<b>Jönköping</b>	<b>Västerbotten</b>
Number of farms	-18 %	-28 %	-47 %	-23 %	-44 %	-34 %
Land released by quitting farms	5 %	21 %	15 %	16 %	51 %	25 %
Total area released	16 %	32 %	30 %	19 %	53 %	32 %
Land rented by other farms	15 %	13 %	19 %	9 %	22 %	12 %
Abandoned land	1 %	19 %	11 %	10 %	31 %	11 %

# Average profit (€/ha) in 2013



# Average land rental prices (€/ha 2013)



# Conclusions based on regional modelling

- 1) Link between payment entitlements and land is crucial for the impact of decoupling (i.e. GAEC)
  - Slower structural change
  - Higher land values
  - But less “abandoned” land
- 2) Greatest changes in beef and sheep sectors
  - partial decoupling has marked influence on supply



# Overriding conclusions

- Increased market orientation
- Improved farm incomes in the short-term.
- Higher land prices erode ability of maintaining incomes in the long-run
- Objective of improving competitiveness has hardly been achieved due to slower structural change
- Bond-type scheme better option from a competitiveness perspective, but gives little value for money and politically unpalatable.
- Solution for society is to gradually phase out the SFP and use targeted support to preserve landscape and environmental values.



Many thanks for this  
opportunity to present  
results of

*IDEMA*

