

DISTRIBUTION OF AGRICULTURAL SUPPORT: SELECTED FRENCH EVIDENCES

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This paper examines the French distribution of agricultural direct payments. It presents the institutional channels which aim at redistributing past-price-policy support. Within the present European common framework, the Member States have the competency in partially retaining or altering the distribution of CAP payments. When setting up a post-2013 CAP, equity continues to be a burning topic – with a growing number of stakeholders from environmentalist to rural non-agricultural actors.

Two case studies provide some evidence on the 1992-2012 French experience: a broad picture, then a specific one. They impose on themselves three sound assumptions: (i) reforming direct payment cannot be driven by equity considerations alone but also by public policy efficiency – especially when contemplating the diversity of French agriculture; (ii) distribution of support has to be considered in line with policy objectives – but remains frequently incoherent as illustrated with support to irrigating structures and quantitative water management; (iii) the partial redistribution of support which results from the 2008 CAP health check shows that France conservatism has declined progressively.

France has developed a hybrid historical model when attempting to renew with a strong “market support and direct payment” pillar mostly with environmental and territorial targeted subsidies. It grants to this first pillar a rural development dimension and magnifies related-responsibilities attributed to national authorities without bearing the co-funding principle. Hence it jeopardises the relevancy of CAP’s two pillar dichotomisation. This latter tends to exist only for historical and budgetary reasons and should be removed from 2013 – if one considers that the rationale (and related distribution) of European direct payments should shift from income to amenity support.

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1. INTRODUCTION

The mechanisms of the Common Agricultural Policy (CAP) have been significantly altered since the 1992 reform. Direct payment has been introduced as sector-based compensatory support for decrease in guaranteed prices. Supporting farm income has thus been the main objective of this instrument. By construction, it has been biased towards past supported commodities, and thus high yield territories. With the 2003 reform; the flexibility given to the national authorities in decoupling these subsidies has been creating further heterogeneous situations across commodities and production processes, between and within the Member States. The French option has frozen the past distribution of support in order (i) to prevent income and wealth effects, (ii) to maintain specific types of production, and (iii) to avoid sudden land abandonment. When preparing the post-2013 CAP, the distribution of the main financial tool of the CAP has been causing explicit concern but is far from being a new issue.³ By running against the public legitimacy of this policy, it jeopardises the long-term preservation of these public payments – at least in their current composition.

The release of nominative data on farm subsidies recipients has been shedding some light on a massive and complex redistributive system. Adopted in November 2005 by the European Commission, the European Transparency Initiative led to two waves of disclosures. In September 2008, beneficiaries of rural development measures were compulsorily disclosed. In April 2009 followed those of market support and direct payments.⁴

Distribution of support has to be considered in view of policy objectives. Equity is an important factor to ensure that public support goes to holdings which need or deserve it. This is not a goal in itself but is closely linked to the objective of the public policy implemented. On the one hand, equity matters if the objective is to support farm income. Since decoupled payments are labelled within the European regulations as “*income support scheme for farmers*”, equity is relevant as regards the Single Farm Payments (SFPs) distribution. On the other hand, equity matters less if the objective is to pay for positive externalities, public goods or non-market commodities generated by farm activities – since the more externalities are provided, the more public support may be legitimised. Breaking the linkage between the

³ On the farm income and support distribution issue, see Allanson and Hubbard (1999), Butault and Lerouvillos (1999), Butault, Chantreuil and Dupraz (2002), Chatellier, Colson and Daniel (2004).

⁴ For a brief presentation of the legal actions for getting transparent and adequate information on farm subsidies in France, see Appendix 1.

amount of support received and the market-commodity dimension which could result from present (and past) farming activity is however a prerequisite. This rupture remains the core challenge in direct payment improvement since the 1992 reform (Mahé and Roe, 1996).

The aim of this paper is to provide two case studies on the allocation of farm subsidies in France – the main recipient of European direct payments: first a broad picture, then a more specific one.

First the institutional framework of direct payment redistribution is pointed out. The implementation and management of decoupling provides a unique occasion to redistribute first pillar support. Given the flexibility inherent to the 2003 Luxembourg agreement, the responsibility of such decisions has been left to the Member State appraisal. As a result, the distribution issue has been an upward Member State competence.

The second section of the chapter presents a broad picture of the French direct payments' distribution. In 2007, the first year of partial decoupling achievement, 16.5% of French farm holdings received half of all direct payments. There are several dimensions when studying the support allocation issue. The sector-based one is preferred because it corresponds to the historical *raison d'être* of the support. In this context, French arable crop producers have been the main financial recipients of the direct payment mechanism – by being a crucial livestock production input, cattle breeder indirectly have also benefited from crop support. To illustrate how excessive the concentration of support can be, a focus on rice and banana support scheme is presented. Then, the 2008 CAP health check potential redistributive is elucidated along with the French options regarding new provisions implemented from 2010. The assumption of a French hybrid historical decoupling model and the premises of a strategy for the CAP beyond 2013 conclude the section.

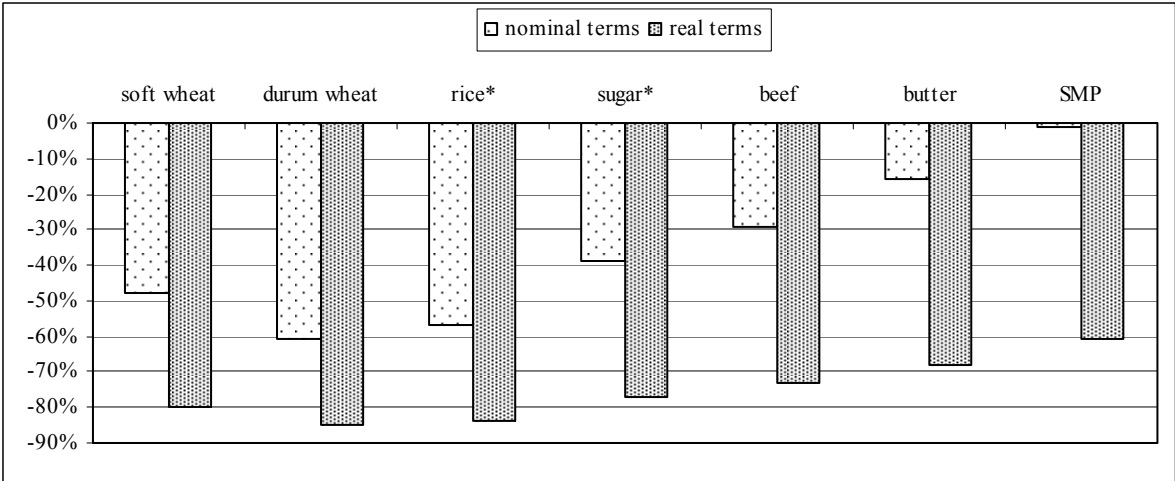
The third section puts forward a detailed case study on direct payment computation. It quantifies the coupled and decoupled financial support provided to irrigating structures. Subsidies always have perverse effects – even for their beneficiaries – as best illustrated by the recurrent drought raging in some localised part of France. We build a water restriction index based on original data in order to illustrate how the subsidy discrimination between dry and irrigated arable productions has been hurting territories suffering from drought. In 2005 – the last year before implementation of French decoupling – estimated irrigation grants amounted to more than 134 million euros. This support has been integrated within the French historical decoupling scheme – and thus been made permanent.

Then, the paper concludes with some thoughts on the renewed political economy regarding direct payment distribution and rationale.

2. DIRECT PAYMENT DISTRIBUTION: AN INSTITUTIONAL APPROACH

In order to adapt an almost exclusive past price support to a more market-oriented and budgetary-monitored agricultural policy, the 1992 reform started to shift the main mechanism from guaranteed price to direct “compensatory” payment. Its implementation allowed a theoretical targeting of farm support since policy makers were able to determine the amount (coupled or decoupled to market-price and production; static or dynamic) criteria (respecting cross-compliance or providing specific amenities) and timing (bounded or not). In this context, the 1992 reform initiated the progressive targeting of the European farm support.⁵

Figure 1.
CAP price support cumulative change in nominal and real terms
 1991-2008, %



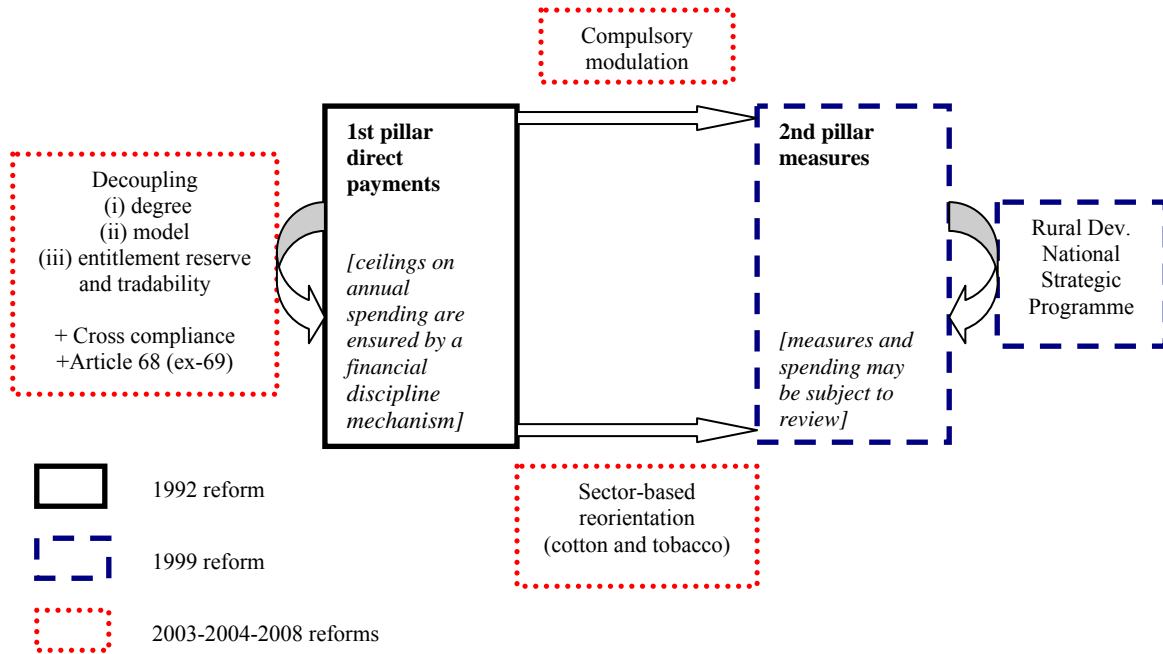
* 1992-2008
 Source: European Commission, 2009b.

Direct payments towards crop lands have been computed, by hectare, considering (i) national and regional average yields and (ii) scheduled price support decrease. Livestock direct premiums by head have been revalorised and/or created. The aim was to compensate the negative effect on farm income and wealth which may result from the decreases in price support as illustrated with Figure 1. The 1999, 2003 and 2008 reforms deepened this trend and decoupled – partially – direct payments from production and prices. Compensatory payments have been made “permanent” as they were not time-bounded and systematically provided to newcomers. Figure 2 summarises the institutional channels which aim at redistributing the

⁵ On the effective targeting issue of agricultural policies, see Moreddu (2007).

past-price-policy support. The framework's construction and interpretation are gradually explained in the section.

Figure 2.
CAP support redistributive institutional framework



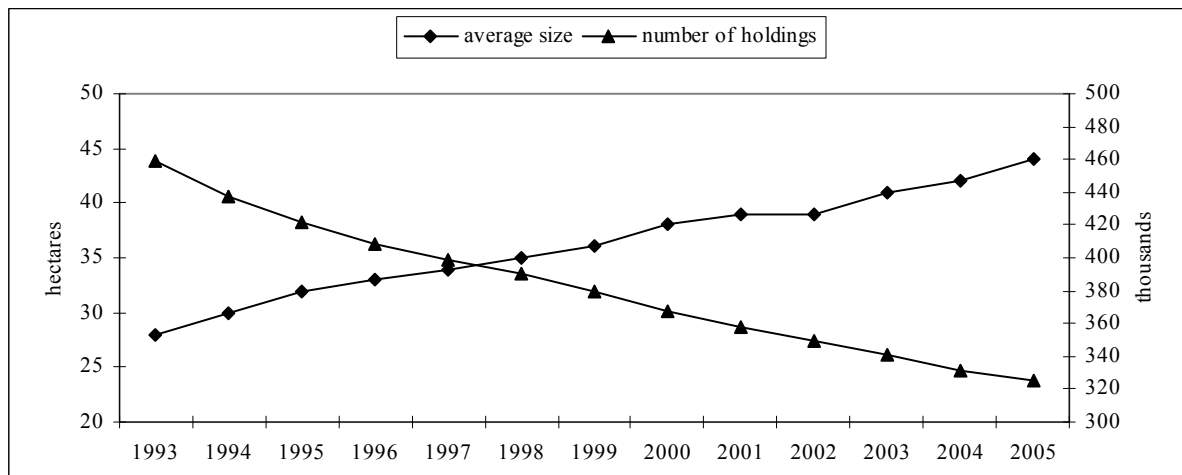
The historical price market policy has benefited to the largest and most intensive farm holdings. Indeed, the higher the volume of production, the higher the support was. As a result, distribution of support was discussed by policy makers when negotiating the 1992 reform⁶. However it didn't lead to an effective mechanism able to counterbalance the concentration of support to few farm structures, sectors and geographic areas. The concentration of direct payment recipients was – and still is – not consistent with the distribution of its cost – shared out among any taxpayers.

The agricultural sector faces dynamic economic forces which foster adjustments. Economic growth has been reducing drastically the share of the agricultural sector in both GDP and total employment. Productivity gains have been higher in agriculture than in manufacturing

⁶ “Income support, which depends almost exclusively on price guarantees, is largely proportionate to the volume of production and therefore concentrates the greater part of support on the largest and the most intensive farms. So, for example, 6% of cereals farms account for 50% of surface area in cereals and for 60% of production; 15% of dairy farms produce 50% of milk in the Community; 10% of beef farms have 50% of beef cattle. The effect of this is that 80% of the support provided by FEOGA is devoted to 20% of farms which account also for the greater part of the land used in agriculture. The existing system does not take adequate account of the incomes of the vast majority of small and medium size family farms”. Communication of the Commission to the Council, COM(91): The Development and Future of the CAP, Reflection Paper, Brussels, February 1, 1991.

(Martin and Mitra, 2001). They have been labour-saving and thus contributed towards reducing agricultural employment and increasing size holdings.

Figure 3.
Evolution of French average size and number of holdings for arable crops
 1993-2005, hectares, thousand holdings



Source: Data from ONIC-ONIOL/SCEES-DPEI.

Figure 3 illustrates the evolution of French average size and number of holdings producing arable crops. On the one hand, the number of holdings dropped by roughly 30% between 1993 and 2005. On the other hand, the average size of arable crop holdings increased by half during the same period. This concentration of arable lands is in line with the concentration of support.⁷ It interacts with the concentration of capital. Because it provides a wealth and insurance effect, subsidies influence farmer's position to risk (Hennessy, 1998). The assumption of decreasing risk aversion tends to increase investments in capital. As a result, the agricultural sector shows a concentration of both land and capital.

The 1992 reform did not limit direct payments for cereal, oilseeds and protein crops via restrictions on set-aside compensation as initially put forward by the Commission. Capping the total amount a farm may receive – though considered in the first proposals – was withdrawn on the final agreement. The leaving out from compulsory set-aside to small farm holdings – those producing up to the equivalent of 92 tonnes of cereals – had been however agreed. For the main livestock compensatory payments – i.e. special premium for male bovines and suckler cow premium – a stocking density rate criteria and a maximal number of heads had been approved.

⁷ In a parallel track, support creates an incentive for inefficient farmers to stay in the agricultural sector – and to continue or not to produce with decoupled subsidies. This trend may reduce the holding concentration. Also, the capitalisation of support into the agricultural land prices slows down structural adjustments. Increasing flexibility in labour, land and capital market may reduce the magnitude of such barriers.

The 1999 reform continued the compensation of guaranteed price decrease with direct payments. However, by contrast to the 1992 reform, compensation was partial in order to counteract overcompensation criticisms⁸. As a matter of fact, a full compensation did not consider income increases from farm holdings' restructuring and entrepreneurial schemes, potential decrease in farm input prices or off-farm activity development.

Following the 2003 reform, the implementation and management of decoupling schemes provided a unique occasion to redistribute first pillar direct payments. Given the flexibility inherent to the Luxembourg agreement, the responsibility for such a decision lies with the Member State. A full historic model possessed the ability to almost freeze the past distribution of support whereas a full regional model shuffled it within a determined territory (region).

Beyond the adopted model of decoupled support, Member State voluntary or compulsory tools also aim at redistributing direct payments.

First, on a voluntary basis, SFP national reserves may be created by means of a linear percentage reduction in the holding reference amounts (up to 3% of all entitlement value) and the incorporation of non-attributed or 3-years-non-activated SFPs.

Table 1.
Selected planned modalities of SFP national reserve management

| | England | France | Germany | Italy | Netherl. | Portugal | Spain |
|---|---------|--------|---------|-------|----------|----------|-------|
| Initial deduction | 4.2% | 2.2% | 1% | 3%*** | 0.25% | 2% | 3% |
| Max deduction from transfer without land | 0% | 30%* | 0% | 30%* | 0% | 10% | 30%* |
| with land | 0% | 10%** | 0% | 10%** | 0% | 0% | 10%** |

* during the first three years of implementation: 50%; transfer to young farmer: 0%

** except. transfer of an entire holding: 3% (during the first three years: 5%); transfer to young farmer: 0%

*** Approximation from global data

Source: Kroll, 2008; Anciaux, 2005.

The objective of a national reserve is to grant additional decoupled payments to new farms or selected recipients. Awarding additional decoupled payments will be depend on features such as the absence of entitlements for farmers entering the sector; for famers who inherited, leased-out land or bought land during the reference period⁹. Recipients can also be farmers who have restructured their production or invested in their holding during or directly after the reference period. The national reserve can be temporary, i.e. it appears as a transitory tool to soften the transition from coupled to decoupled direct payment scheme – for instance in

⁸ According to Garzon (2006), the increase of per-hectare payment next to wheat price reduction and of headage payment next to beef price reduction was reduced from 100% of the difference between the old and new price to respectively 50% and 80%. The milk price decrease has been compensated at 65% with a direct payment coupled to the quota size.

⁹ The reference period for computing entitlement values refers to the three year period: 2000-2001-2002.

Germany or the United-Kingdom (UK) which plan to close the reserve once their decoupling process has been completed. These two countries share a liberal view as regards the regulation of SFP markets (Kroll, 2008). The national reserve can also be permanent, i.e. it is conceived as an intervention tool for administratively managing entitlement transfers – as in most of the other Member States.

Second, the SFP tradability or transfer modalities may have a significant impact on the distribution of direct payments. Member States may decide that SFPs can be fully transferred or used within one specific territory, i.e. one *département* in France, one *Länd* in Germany, one region in the UK¹⁰ or Italy, the whole country in Portugal or the Netherlands. In case of SFP definitive transfer – with or without land – a part of the SFP value may be charged and transferred to the national reserve. According to whether or not these restraints are activated it becomes possible to create an administrative SFP market with a potential redistributive impact. Table 1 presents selected national situations and Table 2 focuses on the French entitlement charging.

Table 2.
SFP’s entitlement charging in France
from 2010 on, %

| | Transfer with land | | | Transfer without land | |
|---|---|---|-------------------------------------|-----------------------|-------------------------------------|
| | UAA< <i>départemental</i> threshold | UAA> <i>départemental</i> threshold | | Any transfer | Transfer of the whole holding |
| | Transfer of a fraction of the holding | Transfer of a fraction | Transfer of the whole holding | | |
| Transfer of entitlement to any farmer | 3% | 10% | 3% | 30% | 3% |
| Transfer of entitlement to a relative | 0% | 10% | 0% | 30% | 0% |
| Transfer of entitlement to a new farmer | 0% | 10% | 0% | 30% | 0% |
| Transfer of entitlement to a young farmer | 0% | 0% | 0% | 0% | 0% |

Note: The Utilised Agricultural Area (UAA) aggregates all arable lands including fallow, temporary and permanent grassland or land under permanent crops.

The *départemental* (or sub-*départemental*) threshold refers to two plot units as defined by article L.312-5 of the French rural act.

A “relative” presents up to second generation family relationship i.e. the purchaser should be the wife/husband, sister/brother, mother/father, grandmother/grandfather of the transferor.

A “new farmer” has been starting a new agricultural business for 5 years on.

A “young farmer” is new to the agricultural sector i.e. she/he was not running an agricultural business for the last 5 years.

Source: Data from French Ministry of Food, Agriculture and Fisheries.

Third, the 2003 reform introduced a stylised ‘cross-compliance’ regime where payments are linked to farmers achieving certain environmental, animal welfare and quality standards.

¹⁰ The UK defined 6 regions: England (moorland), England (handicapped areas), England (others), Northern Ireland, Scotland, and Wales.

Cross-compliance makes full payment conditional upon some standards established at national levels. They may potentially exclude some historical direct payment recipients.

Fourth, article 69¹¹ allowed the Member States to adopt sector-based reorientation by using up to 10% of national sector-based ceilings in order to grant corresponding sectors additional payments for “*specific types of farming which are important for the protection or enhancement of the environment or for improving the quality and marketing of agricultural products*”¹².

Two redistributive tools have been made compulsory in order to fund second pillar measures. First is a compulsory modulation introduced by the 2003 reform which reduces all direct payments from the first pillar through a 5% uniform flat rate from 2007. A 5,000 euro franchise (free of charge for every holding but creating a kind of low-threshold effect) exempts farmers receiving less than 5,000 euros a year from the modulation.

Second are the compulsory sector-based financial transfers agreed in April 2004 for tobacco and cotton regimes. They aim to reorient a share of sector-based direct payments (taking into account, as for decoupled payments, a 2000-2002 reference period) towards rural development programmes implemented in the respective production areas.

Finally, the financial discipline mechanism – if activated – may potentially impact the distribution of direct payments. The 2003 CAP reform introduced this new tool in order to prevent any overspending in direct payments with reference to annual budgetary ceilings for the 2007-2013 period. In order to anticipate any budgetary overspending, the European Commission is able to propose reductions in EU15 direct payments.¹³ Modalities of such cuts may consider differentiated rates of reduction.

The 2008 CAP health check¹⁴ adjusted the 2003 reform redistributive mechanisms. It decoupled further direct payments and allowed Member States implementing a historic model to move towards a more regional one, especially in view of the progressive integration of further sector into the decoupling scheme. Cross compliance standards have been amended.

¹¹ The 2008 CAP health check updated article 69 which became article 68 along with new modalities (see below).

¹² Article 69, Council Regulation 1782/2003 of 29.09.2003.

¹³ New Member States are excluded from financial discipline and modulation mechanisms during the direct payment *phasing in* period which ends in 2013 (in 2016 for Bulgaria and Romania).

¹⁴ The CAP health check refers to the political agreement adopted on 20 November 2008 and three related regulations: Council Regulation (EC) 72/2009 of 19 January 2009 on modifications to the Common Agricultural Policy, Council Regulation (EC) 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, Council Regulation (EC) No 74/2009 of 19 January 2009 amending Regulation (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

The health check led to increments in the compulsory modulation rate in order to reach 10% in 2012 and to further 4% cuts for payments above 300,000 euros. It also introduced a 100 euros and 1 hectare minimum requirement. Article 68 replaced article 69 and provided more flexibility in its implementation. It increased the scope of potential funded measures and split the historical-supported-sectors constraint as regards new funded expenditures. Finally, Member States had to review their rural development plans in order to consider “*crucial new challenges for European agriculture*”¹⁵: climate change, renewable energy, water management, biodiversity and dairy restructuring measures.¹⁶

Figure 2 schematises the above-described institutional channels which aim at redistributing the past-price-policy support. Apart from compulsory modulation and cotton/tobacco sector-based reorientation, the implementation of measures which affect the distribution of CAP support depends on Member States decisions. Within a European common framework, they have the competency in partially retaining or altering the distribution of CAP payments. The two next sections provide one broad and one specific evidence of the French concentration of support.

¹⁵ Council Regulation (EC) No 74/2009 of 19 January 2009 amending Regulation (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

¹⁶ For a summary of the main outcomes of the CAP health check, see Appendix 2.

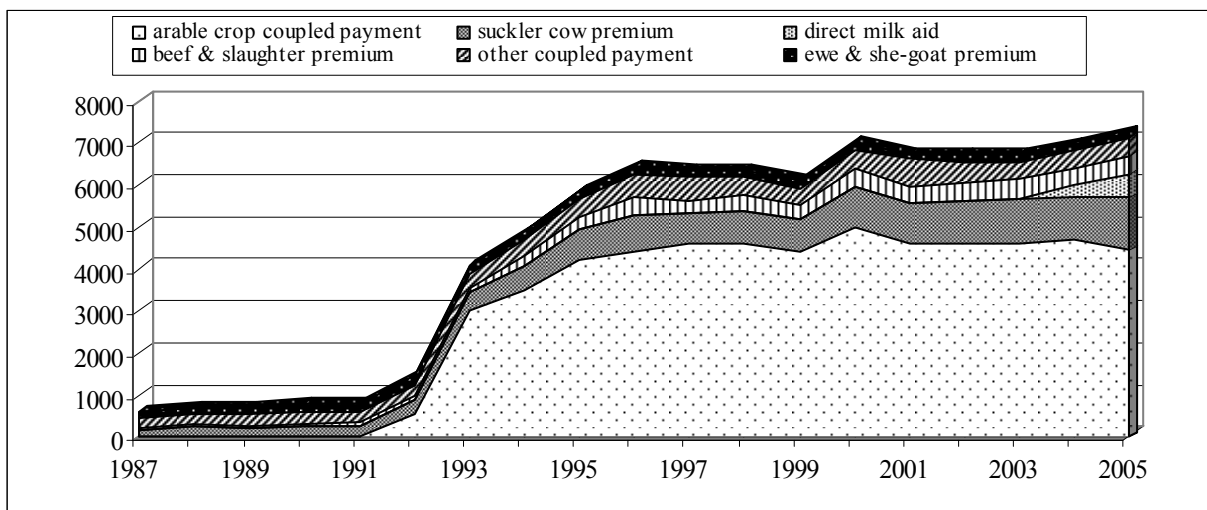
3. SPECIALISATION AND CONCENTRATION OF SUPPORT: THE CASE OF MARKET-COMMODITY PRODUCTION IN FRANCE

There are several dimensions when studying the support allocation issue. This section focuses on the sector-based one since it corresponds to the historical *raison d'être* of the CAP despite progressively higher decoupling. This section provides a case study on territorial distribution of support in light of both market-commodity production and CAP's pillar dichotomisation. It stresses the hybrid status of the French historical decoupling scheme.

3.1 THE MARKET-COMMODITY LEADING SUPPORT

French crop producers have been the main financial recipients of the direct payment mechanism. Because crop is a crucial livestock production input, cattle breeders indirectly benefit from crop support. Figure 4 illustrates the evolution and breakdown of direct payments. On the eve of subsidies' partial decoupling, more than 60% of coupled payments were allocated to the arable crop sector.

Figure 4.
French coupled direct payment evolution and breakdown
1987-2005, million euros



Source: Data from French Ministry of Food, Agriculture and Fisheries.

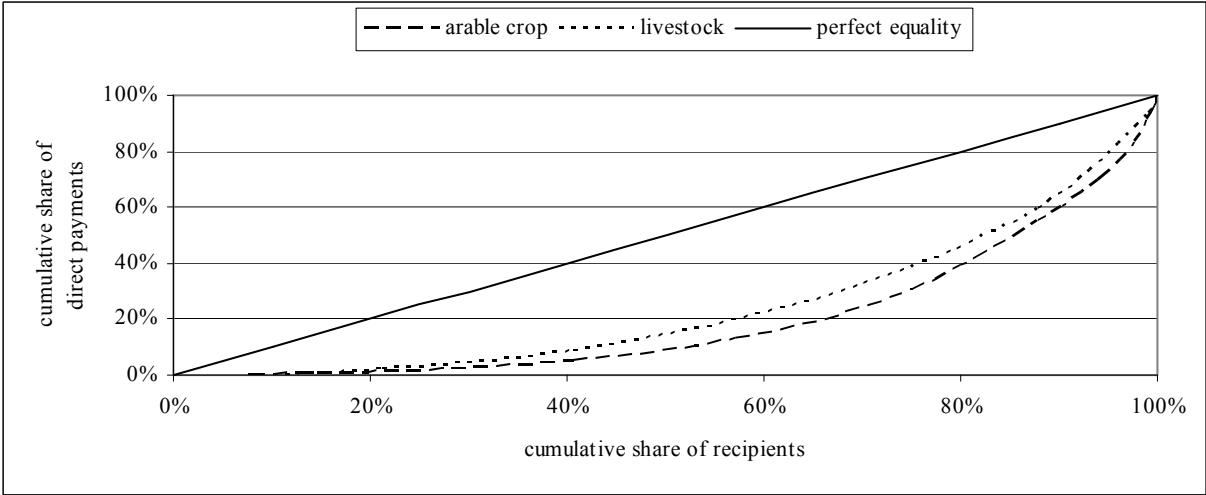
Coupled direct payments to arable crops were more concentrated than those for livestock. There was no efficient provision which contributed to limit payment to farm holdings whereas additional support for extensive livestock production and ceilings for the main animal premium was implemented (*cf. supra*). In 2005, the year before French decoupling implementation, 6% of arable crop producers received more than 50,000 euros. They obtained

more than 30% of total direct payment amount. By contrast, in the livestock sector, less than 1% of holdings received more than 50,000 euros a year and obtained roughly 6% of total direct payment amounts. Figure 5 illustrates this distribution in comparing Lorenz curves for both coupled payments.¹⁷

3.1.1 Understanding the payment computation

Per-hectare payments which followed the 1992 reform were computed on the basis of 1986-1991 yields. Hence the *département* scale has been privileged. In a few cases a *sub-département* scale has been settled on to reflect more finely yield differences. These references could also discriminate irrigated land or irrigated corn in order to provide them higher compensatory payments. Thus, the “crop plan” (*plan céréales*) distinguished: (i) 38 *départements* or *sub-départements* with a single reference yield for all arable crops – there is no specific support as regards corn or irrigation processes, (ii) 57 *départements* or *sub-départements* with differentiated reference yields for dry or irrigated arable crops, (iii) 12 *départements* or *sub-départements* with differentiated reference yields for irrigated corn, dry and/or irrigated other arable crops. This administrative area breaking illustrates the strong political power of farm lobbies – which have been able to better capture past rents. Appendix 3 presents the dispersion in crop yield references used in coupled direct payment computation.

Figure 5.
Lorenz curves for French fully coupled direct payments to arable crop and livestock
 2005, %



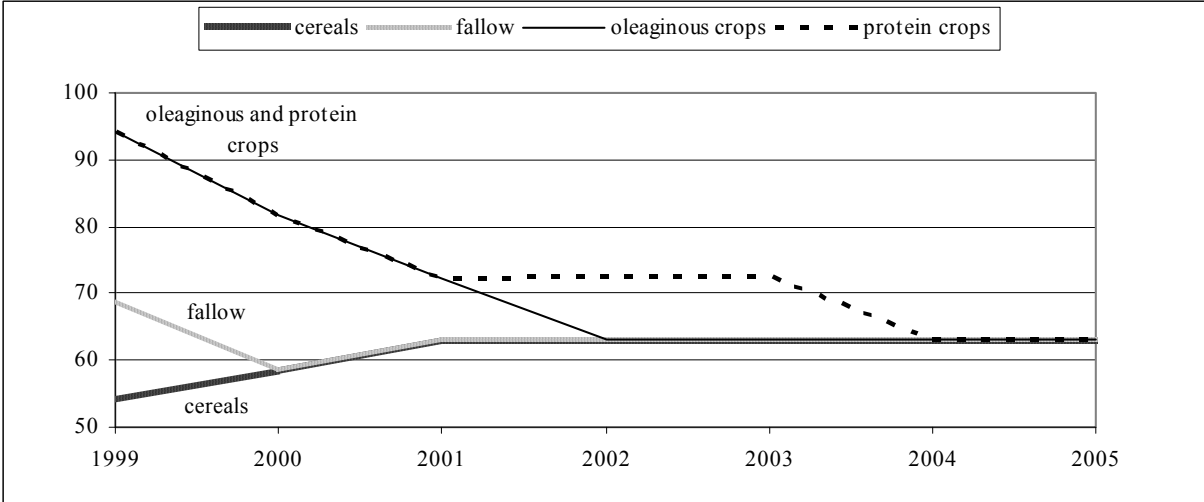
Source: Data from European Commission.

¹⁷ Lorenz curve represents graphically the inequality in direct payment distribution. The cumulated percentage of individual beneficiaries is plotted on the x-axis. The cumulated percentage of total direct payment is plotted in the y-axis. The 45° line drawn from the origin of the graph represents the line of perfect equity where the percentage of total amount of payment corresponds exactly to the percentage of beneficiaries, or where each farm gets the same amount of support. The more bowed the Lorenz curve from this line appears, the more inequitable the distribution of direct payments is.

The final per-hectare subsidy by *département* (or sub-*département*) resulted from two third of *départemental* (or sub-*départemental*) theoretical yield and one third of national theoretical yield. Since October 1997, the share of local and national theoretical yields has been balanced – each contributing to half in the per-hectare subsidy computation. This change resulted from the establishment of a new – socialist – government in June 1997 led by Prime Minister Lionel Jospin. Equity and territorial cohesion motivations led to this adjustment in the direct payment computation formula.

The same government negotiated the 1999 reform. Agenda 2000 initiated a convergence of national rate of support for arable crops as illustrated in Figure 6. Guaranteed price for cereals was reduced by 15% between 1999 and 2001, and compensated with increase in direct payment rate. At the same time the national rates of support for arable crops have converged in line with the decoupling process. In 2002 and 2004 respectively the rates of support for oleaginous and protein crops decreased and converged with that for cereals.¹⁸

Figure 6.
Convergences in the French national rates of coupled direct payments to arable lands
 1999-2005, euros per tonne



The final amount of subsidy per hectare results from the association of the *départemental/sub-départemental* fixed yield reference (see Appendix 3) and the national rate of support.
 Source: Data from French Ministry of Food, Agriculture and Fisheries.

Also, following the 1999 reform, France started to implement a voluntary modulation through individual rates of direct payment cuts. For their computation, French authorities privileged small and family farms by considering three criteria for the addition of a flat and progressive rate: (i) labour force used on the holding, (ii) Standard Gross Margin (SGM) evolution of the

¹⁸ A specific per hectare subsidy coupled to protein crop production was created in 2004 to compensate the decrease in compensatory payment rate.

holding and (iii) total amount of direct payment received (uniformity of treatment).¹⁹ The rationale of this formula rested on politics rather than economics. The modulation mechanism aimed at financing a targeted contract for farmers (*Contrat Territorial d'Exploitation* or CTE) supporting rural development and environmental amenities within farm activities.

French voluntary modulation stopped however in 2002 due to complex computation criteria (fostering farmers' criticisms), election of a new – conservative – government close to farm lobbying and lack of concluded CTE. It was the last attempt by French authorities – prior to the 2008 CAP health check – in challenging the distribution of farm subsidies. The outcomes of this latter, being negotiated by a conservative government, illustrates that expecting CAP reforms should be independent of the French government's political sensibility (see below).

Beyond the institutional context, one should bear in mind that farm holdings' ability of adjustment interferes with the allocation of support. It results from both public policy and private changes. First, the evolution of the CAP and the European trade policy tend to reorient farm production towards market signals. Second, because farmers are increasingly becoming entrepreneurs, they build up investment strategies which impact the public support they can claim. Nevertheless, the French 2003 reform implementation has administratively frozen the support disparities between (historical) type and system of productions on the one hand and geographic areas on the other hand.

3.1.2 Facing distribution and selected indicators

Because direct payments reflect market considerations, France receives roughly one fifth of European total support. For economic, social and territorial reasons, France has been historically advocating a resilient CAP.²⁰ This policy is applied to a very heterogeneous sector, where (very) large, medium, and (very) small farms coexist – a dimension that CAP reforms have not taken into account.

¹⁹ See Chatellier and Kleinhanss (2002).

²⁰ See Fouilleux (2008).

Table 3.
Divergent correlations in CAP pillar support

| | Single farm payments per AWU | Pillar I direct payments per AWU | Pillar II environmental and territorial payments per AWU |
|---|---------------------------------|----------------------------------|--|
| Share of holding larger than 100 ha, 2007 | 0.8208*** 0.8537*** ++++ | 0.8499*** 0.8703*** ++++ | Non significant |
| Share of holding smaller than 20 ha, 2007 | -0.6198*** -0.6467*** --- | -0.6666*** -0.6971*** --- | Non significant |
| Standard Gross Margin per AWU, 2007 | 0.8274*** 0.8560*** ++++ | 0.7669*** 0.7982*** ++++ | -0.6445*** -0.5991*** --- |
| Income evolution 2006/07 | 0.5677*** 0.4200*** ++ | 0.5175*** 0.3714*** ++ | -0.3334*** -0.3887*** -- |
| Income evolution 1991/2006 | 0.5184*** 0.4926*** ++ | 0.5592*** 0.5413*** +++ | Non significant |

This table presents (i) Spearman and (ii) Pearson coefficients of correlation with (***) 1% significance level. They measure the strength of association between two variables – not the causality. Those indicators amount to (-1) in presence of perfect negative correlation, (0) in absence of correlation, (1) in presence of perfect positive correlation.

We use data at the French *département* level (92) which reflects the administrative level of French direct payment implementation. Data on all French (metropolitan) farm holdings are used (506,926) and not only professional holdings (335,233) in order to consider the broad spectrum of agricultural and rural actors. Pillar I support covers SFPs, arable crop payments, suckler cow premiums, slaughter premiums, ewe and/or she-goat premiums. Pillar II environmental and territorial support covers compensatory allowances for natural handicaps, agri-environmental grass premiums, sustainable agriculture and territorial management contracts, other agri-environmental measures. We divide for each *département* the amount of subsidy with the number of Annual Work Units (AWU) in order to take into account the income support dimension of the CAP.

Source: Data from French Ministry of Food, Agriculture and Fisheries; Author's calculations.

The distribution issue has been a growing concern among French stakeholders. In spite of marginal adjustments, France authorities have always privileged high productivity and large farm holdings. The distribution of direct payments reflects narrowly that of SGM and then benefits large farms, often the richest ones (OECD, 2003). Spearman and Pearson coefficients²¹ presented in Table 3 confirm the correlation between the amount either of SFPs or direct payment sum per AWU²² and the size of the holdings – positive for holdings larger

²¹ The same methodology has been handled by Trouvé and Berriet-Sollicé (2008). They analyze the distribution of support from the second pillar of the CAP in view of the European objective of cohesion. Based in data from 56 European regions, they find that the second pillar does fail in reaching both inter and intraregional cohesion. They conclude that the increasing influence given to regions in implementing the CAP reinforces this inconsistency. By contrast, the originality of the present analysis computation consists (i) in using data at the French *département* level which reflects the administrative level of French direct payment implementation and (ii) in considering decoupling support in France and latest CAP adjustments. Shucksmith, Thomson and Roberts (2005) evaluate the territorial impact of the CAP and rural development policy (EPSON project). They suggest that first pillar expenditures go to EU15 richer regions because of their large farms, location and farm type. They are inconsistent with economic cohesion objectives whereas second pillar of the CAP is more consistent with cohesion objectives within Member States, not between them.

²² An Annual Work Unit (AWU) corresponds to the work performed by one person who is occupied within an agricultural holding on a full-time basis.

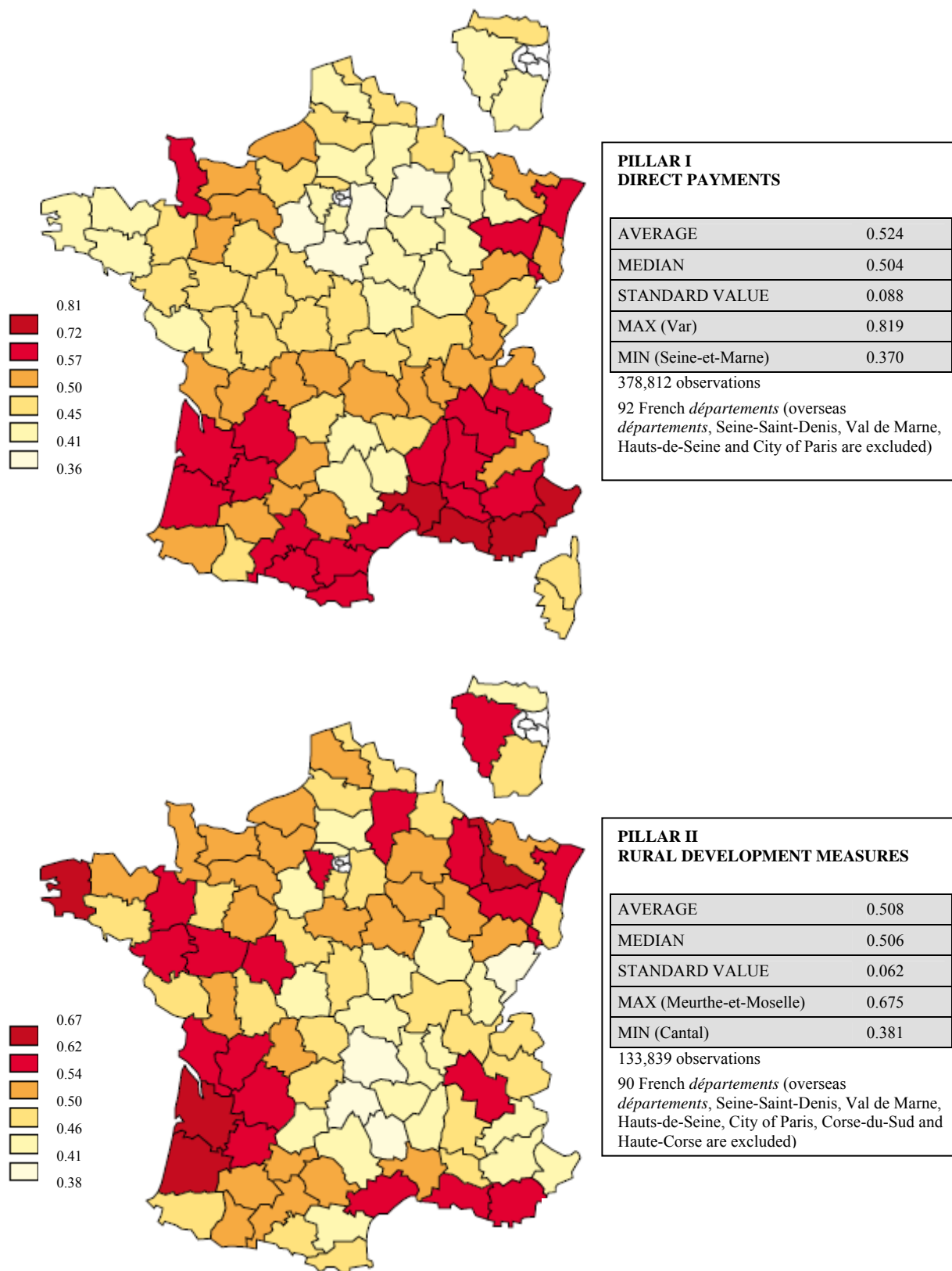
than 100 hectares, negative for those smaller than 20 hectares. These correlations are non significant for the environmental and territorial measures of the second pillar. However, since this latter is not labelled as income support, equity matters less because the objective is to pay for positive externality, public goods or non-market commodities.

The SGM determines the economic size of farm holdings. It is defined as the market value of output less the cost of variable input. Thus the SGM per AWU corresponds to the apparent productivity of farm labor. The correlations are highly positive and negative as regards first and second pillar subsidies respectively. Agri-environmental and territorial support benefit *département* with low apparent productivity of farm labor since they target extensive production structure and less favored areas. The inverse occurs as regards SFPs and direct payment sum which favor areas with high apparent productivity. It thus validates that – even decoupled from current production and price – first pillar support – with an income objective – tends to influence market-commodity output and market forces.

3.2 EVIDENCES FROM SECTOR-BASED BIASES

France has been privileging a conservative strategy as regards the 2003 reform implementation. First, by adopting a historical decoupling model and limiting the tradability of SFP entitlements, France deliberately froze direct payment distribution. Second, it used all the possibility of direct payment “re-coupling”. Between 2006 and 2009, France experienced (re)coupled direct payments for arable crops (25%), suckler cows (100%), Ewes and she-goats (100%), calve slaughters (100%) and adult slaughters (40%). Third, it did not activate an explicit support for *specific type of farming and quality production* (article 69) which would allow a partial targeted reallocation of support on a sector-based basis.

Figure 7.
First and second pillar's Gini index for French metropolitan *départements* in 2007



Maps prepared with Philcarto : <http://philcarto.free.fr>; Author's calculations.
Sources and notes: see Appendix 4.

In 2007, next to the partial decoupling implementation, 16.5% of French farm holdings received half of direct payments.²³ Gini index varies highly as regards *départements*.²⁴ It reflects the variety of French structures and territories on the one hand, specific commodity support on the other hand. National Gini index for direct payments averages 0.524 with a wide dispersion between *départements* as illustrated in Figure 7 and Appendix 4. The national average of Gini index as regards rural development measures is approximately similar but with lower top values at the *départementale* level.

Geographical specialisation generates the territorial concentration of support. French authorities released in March 2006 the ten major recipients of arable crop subsidies for the 2004 year. In this ranking, four holdings produced rice and were located in the same *département*: Bouches-du-Rhône. The exhaustive disclosure of CAP recipients confirmed the massive amount of direct payments allocated to few large rice producers – they are almost all situated in Bouches-du-Rhône (Camargue). In 2007, 70% of French metropolitan rice production came from this *département*²⁵. Together with Gard, they contributed to 98% of the French metropolitan production which benefit since 1998 from a Protected Geographical Indication (PGI): “*riz de Camargue*”. Rice produced in French Guyana represents roughly one tenth of metropolitan production.

Rice direct payments result from past market support administered by a CMO introduced in 1967. Intervention price has been decreasing since the 1997-1998 marketing year and compensated with direct payments to fixed area (maximum guaranteed area)²⁶. The 2003 CAP reform partially decoupled those direct payments (58%) which have been integrated within the common SFP scheme. Thus from 2005-2006 on, French-metropolitan rice producers receive SFPs (with or without any production) and rice-coupled subsidies (labelled as *specific measure for rice*). As an outcome of the CAP health check, remaining per hectare coupled payments shall be fully decoupled by 2011-2012 but further coupled subsidies should be granted with article 68. Overseas production from French Guyana *département* is excluded from any decoupling.²⁷ Table 4 illustrates the decoupling dynamic for rice support with

²³ Data used are individual figures extracted by Farmsubsidy.org from a French Ministry of Food, Agriculture and Fisheries website which release individual farm support amounts: <https://www1.telepac.agriculture.gouv.fr>. They cover 378,812 recipients of direct payments from 92 French *départements* (overseas *départements*, Seine-Saint-Denis, Val de Marne, Hauts-de-Seine and City of Paris are excluded).

²⁴ Gini index is an indicator which aims at measuring income inequality within a population. An index of 0 means a perfect equality in direct payment distribution whereas a Gini index of 1 means a perfect inequality.

²⁵ Agreste Provence-Alpes-Côte d’Azur, Conjoncture, n°55, August 2008.

²⁶ Council Regulation (EC) 3072/95 of 2 December 1995 on the common organisation of the market in rice.

²⁷ Before French metropolitan decoupling, the higher per hectare support in Guyana reflected higher yields.

marginal impacts on production, surface and yield – and thus tends to corroborate the fact that even more decoupled, direct payments which result from a past price market policy remain production and price distorting.

Table 4.
Coupled support framework for rice producers
several marketing years, euros

| | Full price support | Partial price and production decoupling | | | | |
|---|--------------------|---|-----------|-----------|-----------|-----------------|
| Marketing year | before 1996-1997 | 1997-1998 | 1998-1999 | 1999-2004 | 2004-2005 | after 2005-2006 |
| Intervention price (euros/tonne) | 351.00 | 333.45 | 315.90 | 298.35 | 150 | 150 |
| Coupled subsidy (euros/hectare) | | | | | | |
| • Metropol. France | 0 | 96.35 | 192.70 | 289.05 | 971.73* | 411.75 |
| • French Guyana | 0 | 131.80 | 263.60 | 395.40 | 1329.27 | 1329.27 |
| French total data | | | | | | |
| Production (1000t) | 127.0** | 113.8 | 110.3 | 109.2 | 102.3 | 106.2*** |
| Surface (1000ha) | 24.9** | 19.5 | 18.1 | 19.4 | 17.9 | 18.8*** |
| Yield (100kg/ha) | 51.3** | 58.3 | 60.9 | 56.4 | 57.3 | 56.5*** |

*This impressive amount takes into account the *compensatory direct payment* (559.98 euros/hectare, decoupled from 2005-2006) and the *specific measure for rice* (411.75 euros/hectare, decoupled from 2011-2012).

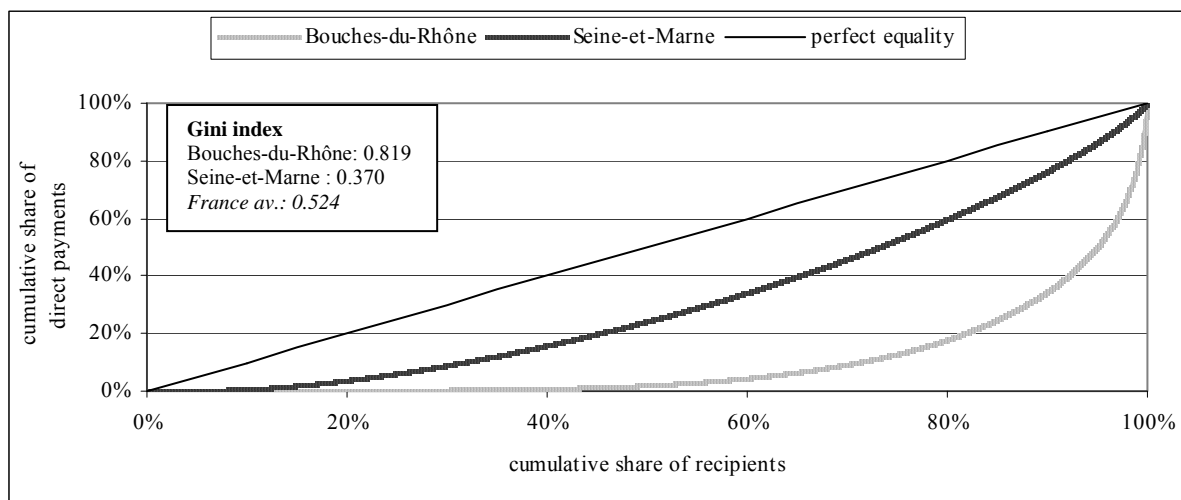
** 1991-1997 average. For the 1981-1991 period, averages for the production (1000t), surface (1000ha) and yield (100kg/ha) were 69.9, 13.1 and 52.0 respectively.

*** 2005-2009 average.

Source: Data from French Ministry of Food, Agriculture and Fisheries and Eurostat; Author's calculations.

Diversified territories inevitably present notable dispersion as regards direct payment distribution – whether decoupled or not. Bouches-du-Rhône and Gard *départements* present a high Gini index, 0.819 and 0.726 respectively. By contrast, Seine-et-Marne – a *département* specialised in arable crops – offers the lowest French Gini index which amounts 0.370. Figure 8 presents graphically these two extreme distribution cases. Geographical specialisation tends to converge both holdings' size and production system. Beyond historical privileged support to high productivity and arable crop, the diversity of French agriculture is the key factor of inequity in distribution of support.

Figure 8.
Lorenz curves for direct payments to *départemental* extreme Gini index
 2007



Source: Individual data released by French Ministry of Food, Agriculture and Fisheries; then extracted by Farmsubsidy.org from <https://www1.telepac.agriculture.gouv.fr>; Author's calculations.

Two farm holdings producing rice in Guyane *département* receive 1.95 and 1.32 million euros respectively. These two huge amounts are paid in an outermost territory which benefits from a special status as regards CAP implementation. Direct payments are not decoupled and excluded from the modulation mechanism. There are specific measures and funds – part of the POSEI²⁸ arrangement within the first pillar of the CAP.

In France, there are 37 farm-holding which receive more than one million a year in direct payments. Among them, 35 are in Martinique and Guadeloupe and produce banana. The banana regime – which experiences a high border protection – has typically suffered from fierce critics from European trade partners. Reformed in 2006, it is pointed out in this paper due to the highest concentration level of subsidy recipients. As presented in Appendixes 5 and 6, four fifth of direct payments benefit 2% and 15% of farm holdings in Guadeloupe and Martinique respectively. Thus it is not unexpected that these two *départements* present skyrocketing Gini indexes, 0.959 and 0.813 respectively. The agricultural policy tends to substitute a social policy which benefits few landowners – not the roughly 10,000 workers who are employed in the outermost banana sector.²⁹ Those rents tend to increase the amount

²⁸ The POSEI (*Programme d'Options Spécifiques à l'Eloignement et l'Insularité*) arrangement aims at fostering sustainable economic and social development of the overseas regions. In France, they include four *départements* : La Réunion, Guadeloupe, Martinique and Guyane.

²⁹ The number of workers employed in the banana sector is a broad statistic provided by the French Agency in charge of outermost agricultural development (ODEADOM).

of resources devoted to the banana sector and run against the development of the outermost economy.

Reforming direct payment cannot be driven by equity considerations but public policy efficiency. The diversity of French agriculture enlightens the inequity in distribution of support. This latter should be evaluated in view of policy objectives. By being compensatory payments, French coupled and decoupled direct payments are income supporting – this results from market past-policy. The challenge is thus to progressively shift direct payment objectives from income to amenity support.

3.3 THE HYBRID STATUS OF THE FRENCH HISTORICAL DECOUPLING SCHEME

Between 1992 and 2008, some French political decisions have interfered with the distribution of direct payments: (i) the 1997 rebalancing between national and *départemental* yields in subsidy computation and (ii) the 1999-2001 voluntary modulation are the only attempts. The choice of a historical decoupling model and related entitlement market constraints has almost frozen the French distribution of support in order (i) to prevent income and wealth effects, (ii) to maintain specific type of production, and (iii) to avoid sudden land abandonment. However, from 2010 on, one may expect some shifts within the historical system.

3.3.1. The post health check adjustments

Examining the French options as regards new provisions provided by the CAP health check tends to point out the premises of a strategy for the CAP beyond 2013. The CAP health check agreement deepened the 2003 reform. It settled a full decoupling for arable, hops, durum wheat, olive oil, energy crops payments (2010) and for beef and veal (except suckler cow), nuts, seeds and protein crops (2012 at the latest). It provided *à la carte* reorientation tools for which voluntary implementation could start by 2010. They include two articles which allow shifting funds within the first pillar of the CAP. First, article 63 (and related operational articles 64-67) deals with the redistribution of support from further decoupling. Second, article 68 (and related operational articles 69-72) frames the redistribution of up to 10% of national direct payment ceiling towards specific types of targeted measures. There is also a compulsory provision which aims at shifting further funds from the first to the second pillar of the CAP. Article 7 (and related articles 9 and 10) set up a progressive increase of up to 10% in 2012 with one threshold – and additional 4% cut for payments over 300,000 euros. These new redistributive tools endow further flexibility in national and regional implementation.

France had to make up for 2003 reform implementation's lost opportunities. Three main reasons were behind this certitude. First, the legitimacy of a historical decoupling model was – and still is – declining rapidly. Tax-payers are increasingly reluctant to pay subsidies to large farmers based on increasingly faraway productions and yields. Farmers themselves are sceptical about a public support model which discriminates farm holdings and territories as regards past production processes and commodities. Despite the possible SFPs' grant to newcomers, their amounts are thoroughly incoherent with their needs and duties – or their entrepreneurship prospects. Citizens wonder at the rationale of a massive sector-based redistribution mechanism, especially in a period of economic crisis. Second, any partial decoupling of support deserves a renewed justification. Third, and consequential to the two previous points, French authorities had to demonstrate their ability to anticipate the expected 2013 CAP reform. Hence, relaxing its conservatism stand and adopting adjustments in the distribution of direct payments was indispensable.

French decision as regards CAP health check provision resulted from a wide decentralised debate which involved all stakeholders from French administration, farming and agribusiness sector, environmental, consumers and land owners organisations. The ministerial basis document for the French debate gave an apparent idea of the key offensive positions of France through the consolidation of the first pillar of the CAP.³⁰

³⁰ Launched in September 2007, the “*Assises de l’Agriculture*” aimed to set up the French position during the CAP health check and prepare a “new” policy beyond 2013. On November 14, 2007, an orientation document which agreed on rehabilitated objectives of an appropriate farm policy was adopted. The challenges that this *primarily* economic policy has to face were described as demographic, environmental, energetic and territorial. Objectives in this context are (i) to ensure independence and food security of the EU, (ii) to contribute to world food equilibrium, (iii) to preserve rural territorial harmony and (iv) to consider climate change and environmental issues. According to official French document, the CAP must respect at least the following principles: (i) European preference, (ii) markets stabilisation, (iii) ambitious budget and (iv) targeted measures for sustainable agriculture. Having set up these broad (and apparently non-negotiable) concepts, a debate on concrete instruments and methods of funding was opened in Paris. From January 30 to February 11, 2008, a broad consultation in each French *département* was initiated before establishing the official position of France on the health check and on the CAP beyond 2013 – the European debate which started under the French presidency of the EU with an Informal Council in Annecy on September 21-23, 2008.

Table 5.**Matrix on French redistributive options following the CAP health check**

| | First pillar | | Second Pillar* | Total amount | |
|---|--------------|--|---|---|--|
| Objective | Tool | Use of Article 63 New (or re-valued) SFPs for: | Use of Article 68 New subsidies for: | Use of Article 7 Further fining (by means of increased rate of modulation) for: | |
| (i) setting up new support for grass-based livestock and fodder | | <ul style="list-style-type: none"> ▶ productive grassland <i>707 million euros</i> ▶ fodder <i>30 million euros</i> | | <ul style="list-style-type: none"> ▶ agri-environmental grass premiums <i>240 million euros</i> <i>EU: 176 million euros</i> <i>FR: 64 million euros</i> | 977 million euros <i>EU: 913 million euros</i> <i>FR: 64 million euros</i> |
| (ii) strengthening the rural economy and employment in the territories: | | <ul style="list-style-type: none"> ▶ potatoes and field vegetables <i>30 million euros</i> | <ul style="list-style-type: none"> ▶ sheep and goats <i>135 million euros</i> ▶ milk in mountain areas <i>45 million euros</i> ▶ durum wheat in traditional areas <i>8 million euros</i> ▶ suckling calves <i>4.6 million euros</i> | <ul style="list-style-type: none"> ▶ compensatory allowances for natural handicaps <i>42 million euros</i> <i>EU: 23 million euros</i> <i>FR: 19 million euros</i> | 264.6 million euros <i>EU: 245.6 million euros</i> <i>FR: 19 million euros</i> |
| (iii) setting up a risk management scheme | | | <ul style="list-style-type: none"> ▶ risk management tools <i>100 million euros</i> | | 100 million euros <i>EU: 100 million euros</i> |
| (iv) promoting sustainable development | | <ul style="list-style-type: none"> ▶ protein crops <i>40 million euros</i> ▶ maintenance of organic farming*** <i>50 million euros</i> | <ul style="list-style-type: none"> ▶ organic farming conversion <i>7 million euros</i> <i>EU: 4 million euros</i> <i>FR: 3 million euros</i> ▶ new challenges <i>32 million euros</i> <i>EU: 18 million euros</i> <i>FR: 14 million euros</i> | | 129 million euros <i>EU: 112 million euros</i> <i>FR: 17 million euros</i> |
| Total amount | | 767 million euros | 382.6 million euros** | 321 million euros <i>EU: 221 million euros</i> <i>FR: 100 million euros</i> | 1,470.6 million euros <i>EU: 1,370.6 million euros</i> <i>FR: 100 million euros</i> |

*The European budget funds the first pillar direct payments whereas both European (EU) and national (FR) budgets fund the second pillar measures. **Article 68 allows new spending without any individual new charging. New supports result from unspent direct payments (130 million euros). They cover the establishment of a risk mutual fund (40 million euros, from 2011, objective iii) and a support for rotations of crops (90 million euros, only in 2010, objective iv). ***From 2011, subsidies for organic farming conversion from the second pillar of the CAP should be funded by the first pillar (objective iv). Source: Data from French Ministry of Food, Agriculture and Fisheries.

In February 2009, French authorities presented four objectives that the reorientation of direct payments would have to fulfil from 2010 onwards: (i) setting up new support for grass-based livestock and fodder; (ii) strengthening the rural economy and employment in the territories; (iii) setting up a risk management scheme; and (iv) promoting sustainable development. These four objectives would mobilise a total of roughly 1.6 billion euros of which 80% (1.280 billion euros) would result from shifted spending within the first pillar of the CAP – by means of articles 63 and 68³¹ – 20% (321 million euros) would be transferred from the first towards the second pillar of the CAP by means of an increased rate of compulsory modulation.³²

The matrix presented in Table 5 presents the redistributive objectives linked to respective financial provisions. Accordingly 18.8% of French direct payments – supported by the European budget – would be targeted in 2010 in view of the four new objectives.

Table 6.
Redistributed support from further French decoupling by commodity (use of article 63)
2010, million euros

| | Initial amount of support | Share of total | Charging rate | Charged amount | Share of total | Remained amount | Share of total |
|------------------|---------------------------|----------------|---------------|----------------|----------------|-----------------|----------------|
| Arable crop | 1,154 | 71.95% | 55.5% | 640 | 83.44% | 514 | 61.41% |
| Suckler cow* | 183 | 11.41% | 50.8% | 93 | 12.13% | 90 | 10.75% |
| Slaughter | 181 | 11.28% | 12.7% | 23 | 3.00% | 158 | 18.88% |
| Ewe and she-goat | 86 | 5.36% | 12.7% | 11 | 1.43% | 75 | 8.96% |
| Total | 1,604 | - | 47.8% | 767 | - | 837 | - |

*Suckler cow premiums are partially decoupled (25%).

Source: Data from French Ministry of Food, Agriculture and Fisheries; Author's calculations.

The arable sector is the main contributor to the reorientation process. On the one hand, as presented in Table 6, 55.5% of the amount resulted from the full decoupling of arable crop direct payment will be redistributed in view of new objectives. As a result, more than four fifth of total amount released with article 63 was previously spent through arable crop direct payments. On the other hand, article 68's spending will require the charging of basic SFPs

³¹ This amount considers 130 million euros of new support which will result from unspent direct payments. As a matter of fact, article 68 allows new spending without any further individual charging. In France this will cover the establishment of a risk mutual fund (40 million euros, from 2011, objective iii) and a support for rotations of crops (90 million euros, only in 2010, objective iv).

³² Since rural development measures are cofounded by member states, the increased amount devoted to the second pillar of the CAP will induce an increase in national spending. Hence the European and French budget will contribute to the extra 321 million euros with 221 and 100 million euros respectively.

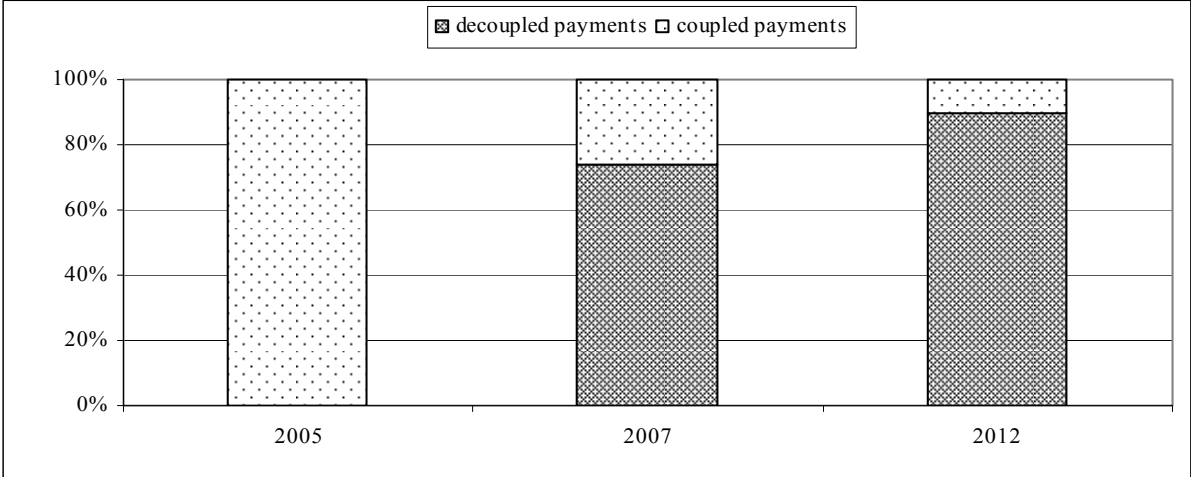
and suckler cow premium with a linear rate of 4.55%, in addition to unspent direct payments. Since most of SFPs result from past arable crop direct payments, the arable sector should be the main budgetary contributor of article 68’s targeted support.

One should however stress that contributing arable sector may benefit from new expenditures resulting from the activation of both articles (risk management tool, support to protein crops, etc.).

3.3.2. The new coupling ground

Roughly nine tenth of direct payments may be decoupled on the eve of an eventual 2013 reform. Figure 9 presents the progressive – and partial – decoupling of French direct payments. French authorities had decided on an original territorial and environmental re-coupling scheme. The use of articles 63 and 68 shows a shift in the budget towards grass-based livestock producers characterised by extensive, less-favoured area and/or environment friendly farm holdings. Most of new support is either coupled to environmental/extensive practices or specific territories. For the sheep and goat support, this coupling is indirect since its distribution tends to follow a path similar to the one of agri-environmental – as demonstrated below.

Figure 9.
Progressive decoupling of French support to agricultural market-commodity production
 2003, 2007, 2012, %



Source: Data from European Commission and French Ministry Food, Agriculture and Fisheries; Author’s calculation.

French authorities decided to partially decouple suckler cow premium (25%) and anticipated the full decoupling of slaughter premium in 2010. Also, they decided to fully decouple the she-goat premium and to set up a new coupled and more valued premium with the use of article 68. These decisions illustrate the environmental and territorial focus French authorities

want to grant to first pillar subsidies. We use Pearson and Spearman coefficients of correlation in order to provide evidence for this assertion. Thus we measure the strength of distribution path considering second pillar environmental and territorial support on the one hand, first pillar disaggregated subsidies on the other hand.

Table 7 presents unequivocal results. The distribution of direct payments coupled to suckler cow on the one hand, ewe and/or she-goat on the other hand, follow distribution paths similar to those of environmental and territorial measures.

Table 7.
Pillar consistency issue: the French case
2007

| Pillar I | SFP | Arable crop payment | Suckler cow premium | Slaughter premium | Ewe and/or she-goat premium | All direct payments |
|--|------------------------|------------------------|----------------------|----------------------|-----------------------------|---------------------|
| Pillar II | | | | | | |
| Environmental and territorial measures | -0.279*** -0.334*** | -0.416*** -0.435*** | 0.498*** 0.446*** | Non sig. Non sig. | 0.726*** 0.656*** | -0.184* -0.252** |
| | -- | -- | ++ | | +++ | - |

This table presents (i) Spearman and (ii) Pearson coefficients of correlation with (*) 10%, (**) 5% and (***) 1% significance level. They measure the strength of association between two variables – not the causality. Those indicators amount to (-1) in presence of perfect negative correlation, (0) in absence of any correlation, (1) in presence of a perfect positive correlation.

We use data at the French *département* level (92) which reflects the administrative level of French direct payment implementation. Data on all French (metropolitan) farm holdings are used (506,926) and not only professional holdings (335,233) in order to consider the broad spectrum of agricultural and rural actors. Pillar II environmental and territorial support covers compensatory allowances for natural handicaps, agri-environmental grass premiums, sustainable agriculture and territorial management contracts, other agri-environmental measures. We divide for each *département* the amount of subsidy with the number of Annual Work Units (AWU) in order to take into account the income support dimension of the CAP.

Source: Data from French Ministry of Food, Agriculture and Fisheries; Author's calculations.

The partial redistribution of support which results from the health check shows that France conservatism is declining progressively. This observation can be commented as follows.

First, a re-legitimised CAP is a way to preserve direct payments – and related European budgetary flows. Thus, France has developed a hybrid model when attempting to renew the CAP with a strong first pillar mostly through new targeted subsidies and not common historical SFPs. Within the French historical decoupling model, the use of articles 63 and 68 enhances a kind of uniformity in SFPs per hectare. However one should bear in mind that less than 20% of French direct payments will be targeted in line with CAP health check policy objectives. It thus does not exempt the need for a sound reform of the French direct payment scheme after 2013.

Second, French authorities grant to the first pillar a *rural development* dimension. They magnify related-responsibilities attributed to national authorities without bearing the co-

funding principle. It jeopardises the relevancy of CAP dichotomisation. This latter tends to exist only for historical and budgetary reasons. It thus confirms the sensitive connection which surrounds the CAP and budget reforms.

4. SUSTAINABILITY AND CONCENTRATION OF SUPPORT: THE CASE OF WATER QUANTITATIVE MANAGEMENT IN FRANCE

This section examines the setting up and distribution of irrigation subsidies. It illustrates a public policy incoherency at a time of an expected persistent disequilibrium between water demand and supply. As a result, this case study also contributes to question the legitimacy and sustainability of French SFPs.

“Water management” has been designated as one of the five “*crucial new challenges for European agriculture*”³³ which result from the CAP health check. This section focuses on the quantity issue of water management, not on quality. Human pressures on limited water resources call for various actors’ responsibilities and public policy coherence. France is facing a water problem and agriculture has a prime role in it. Farm holdings use 14% of all water used in France, but return hardly half of it. As a result, agriculture is the largest French water consumer, with almost 50% of total water consumption as presented in Table 8 – rising to 80% during the summer (French Ministry of Ecology and Sustainable Development, 2005).³⁴ The CAP has been favouring intensive irrigated agriculture in France.

Table 8.
Quantities of used and consumed water by usage type
2006, billion m³, %

| Uses | Power plant | Drinking water | Irrigation | Industry | Total |
|-----------------------------|-------------|----------------|------------|----------|-------|
| Volume of used water | | | | | |
| • in billion m ³ | 19.1 | 5.9 | 4.7 | 2.9 | 32.6 |
| • % of total use | 59% | 18% | 14% | 9% | 100% |
| Volume of restituted water | | | | | |
| • in billion m ³ | 17.8 | 4.5 | 1.9 | 2.7 | 26.9 |
| • % of total restitution | 66% | 17% | 7% | 10% | 100% |
| Volume of consumed water | | | | | |
| • in billion m ³ | 1.3 | 1.4 | 2.8 | 0.25 | 5.75 |
| • % of total consumption | 23% | 24% | 49% | 4% | 100% |

Source: Data from Agences de l’eau – SOeS, 2008.

The preamble of the directive establishing *a framework for Community action in the field of water policy*³⁵ underlines the necessity to integrate the protection and sustainable management

³³ Council Regulation (EC) No 74/2009 of 19 January 2009 amending Regulation (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

³⁴ A distinction needs to be made between “used” water (restituted after use) and “consumed” water (a definitive loss of the water resource).

³⁵ Directive 2000/60/EC of the European Parliament and of the Council, October 23 2000.

of water in European policies. The CAP is thus directly affected by this objective. Nevertheless, the French implementation of the 2003 reform did not rationalise European funding in irrigation system.³⁶ The decoupling model has been integrated to historical irrigating holdings extra SFPs. It has thus been financially valorising large scale production processes which create some uncertainty in view of sustainable development. Moreover, the 2006-2009 partial decoupling of direct payments has been maintaining discrimination between dry and irrigated arable productions. Ultimately, the 2010 full decoupling does not consider any correcting mechanism.

4.1 IRRIGATION SUBSIDIES CARRYING OUT

France has been the European State with the largest annual increase in irrigated fields: 25,000 hectares per year between 1961 and 1980, 48,000 between 1980 and 1996, and 59,000 during the 1990's (IEEP, 2000). Since irrigation ensures and increases arable crop yield, market support indirectly pushed irrigation resort. The computation of direct payments which resulted from the 1992 reform noticeably favoured irrigated fields. The French scheme introduced those higher yields in direct payment computation through discrimination between dry and irrigated arable productions. As a result it set up specific subsidies for irrigating land. Those additional farm subsidies incited both the maintaining and expansion of irrigation systems. These coupled subsidies introduced a bias between costs (initial investment, system maintenance and improvement) and benefits (yield assurance and increase, additional subsidies).

Irrigation grants were high – up to 262 euros per hectare in the Hérault *département* – and they were on top of common direct payments. For instance, a crop farmer in the *département* of Vienne received less than 340 euros per non-irrigated hectare, but more than 530 euros per irrigated hectare – a 56% increase. Roughly 80% of grants paid for irrigating lands devoted to arable production were captured by corn producers – bearing in mind that France is the largest European corn producer and exporter.

The rise in irrigated schemes, in order to ensure and increase hectare yields and theoretically farm incomes, is associated with changes in the type of production. Thus, in 1995, the share of irrigated land used for – non subsidised – market gardening, horticulture and orchards in the total irrigated land fell from 41% in 1975 to 27%. An opposite trend was observed for

³⁶ One should also emphasise that France is among the most condemned European Member States for not having applied European water regulations. France has been condemned six times, the UK five times, Spain seven times (French Financial Court, 2010).

irrigated acreages of corn which represented 56.3% of the total irrigated land in 2000, with 43% in 1995 and 34.6% in 1975 (Rainelli and Vermersch, 1999). The production of corn is however not conditioned to systematic irrigation – 28.6% of the 2.9 million hectares of corn produced in France used an irrigating system in 2005. However, this ratio is greater than 50% in three large production regions (Midi Pyrénées, Aquitaine and Poitou-Charentes), three large recipients of irrigation grants.

It is possible to estimate the total amount of irrigation grants using data from French CAP payment agencies³⁷, national rates of support and crop yield reference for each French *département/sub-département*.³⁸ For the entire France, estimated irrigation grants amounted to more than 134 million euros in 2005 – the last year before implementation of French decoupling. This huge amount deserves the following four remarks.

First, public support to irrigation structures is under-estimated here as it does not consider measures from the national rural development plan. Irrigation systems and water storage benefit from the second pillar of the CAP measures through support to farm holding modernisation and agricultural infrastructure (these measures are part of the “*improving competitiveness*” Axis 1). They may also benefit support from environmental programmes which are put together in the “*improving environment and supporting land management*” Axis 2.

Second, according a report from the French Senate released in 2000, the agricultural sector contributes to 6.5% of the total receipts of the French Water Agencies (French Senate, 2000) – whereas it represents 49% of total water consumption. In 2010, the French financial Court was highlighting the point that irrigation water was still under-taxed (French Financial Court, 2010). This implies that the price paid by farmers for their water consumption is clearly lower than the average water price in France. Farm holdings benefit therefore from a strong water price support. Revealing the price of water bears a crucial aspect. The relative low price paid by farmers for their water consumption in France is an unsustainable situation in the long run.

³⁷ We use data from ONIC-ONIOL. ONIC-ONIOL resulted from the union in 1999 of *Office national interprofessionnel des céréales* (ONIC) and *Office national interprofessionnel des oléagineux, protéagineux et cultures textiles* (ONIOL) creating the largest public payment office for farm subsidies in Europe. In 2004, *Fonds d'intervention et de régularisation du marché du sucre* (FIRS) joined the two entities and created *Office national interprofessionnel des grandes cultures* (ONIGC). In 2006, payment agencies are reorganized in three broad sector-based pole: ONIGC, *Office national interprofessionnel de l'élevage et de ses produits* (ONIEP), *Office national interprofessionnel des fruits, des légumes, des vins et de l'horticulture* (VINIFLHOR). The same year *Agence unique de paiement* (AUP) was created. Since 2009, *Agence de services et de paiements* (ASP), a new structure, manages the totality of CAP payments whether from the first or the second pillar, which are handled by AUP and CNASEA respectively.

³⁸ See Appendix 3.

Far from penalising French farmers in international competition, a sound price policy may well reveal one of their decisive advantages (Le Vernoy, 2006).

Third, considering that 81.9% of subsidised fields were devoted to corn, irrigation grants benefited mainly large holdings which were farming 95% of irrigated arable lands and represented roughly 80% of irrigating holdings.³⁹ Thus, irrigation support contributes to irrigation system mechanisation on a large scale. It penalises the rotation of cultivation with negative agri-environmental impacts (lose of organic matters, soil erosion) and threat to soil productivity – which runs against any sustainable productivity support objective. Also, awareness campaigns which aim at spreading a *reasoned* use of water tend to address smaller farm holdings rather than larger ones. Substantial investments of the latter require making profitable large scale pumps and hose pipes – which can be detrimental to long term farming.

Four, as a result of corn specialisation, irrigation grants were highly geographically concentrated: 80% (109 million euros) went to 20 *départements* (13 came from just 3 regions), mainly located in the western part of central and southern France. Appendix 7 presents the 20 largest beneficiaries of irrigation subsidies.

4.2 THE IRRIGATION SUBSIDIES’ “TRAP”

Subsidies have always perverse effects – even for their beneficiaries – as best illustrated with the recurrent drought raging in localised parts of France. We build a water restriction index based on 2005-2006 data in order to illustrate such a situation.

On August 22, 2005, 71 *départements* enforced decrees restricting the use of water. Among them, 29 implemented the so-called “level 3” decrees imposing a ban on water use in at least one river-basin. Tables 9 and 10 illustrate the situation. The 20 largest beneficiaries of irrigation subsidies exhibited a restriction index roughly twice as high as that prevailing in the 72 other *départements*. Observations from summer 2006 corroborated those from summer 2005. Thus, on August 22, 2006, the 8 largest recipient *départements* of irrigation subsidies set up a maximal restriction index while the index average for the 72 other *départements* decreased slightly.

³⁹ ONIC-ONIOL made a distinction between small and large producers depending on their theoretical production (inferior or superior to 92 metric tons).

Table 9.
State of decrees restricting the use of water
 2005, 2006

| Decree restricting the use of water | Number of <i>départements</i> concerned | | |
|-------------------------------------|---|-------------------|-----------------|
| | August 22, 2005 | December 20, 2005 | August 22, 2006 |
| None | 13 | 21 | 8 |
| Planned measures | 8 | 65 | 21 |
| Effective limited measures | 15 | 0 | 14 |
| Effective strong measures | 27 | 1 | 16 |
| Total bans | 29 | 5 | 33 |

*Data cover 92 French *départements*. Overseas *départements*, Seine-Saint-Denis, Val de Marne, Hauts-de-Seine and City-of-Paris are excluded.

*Based on the information provided by the Water Directorate of the French Ministry of Ecology and Sustainable Development, the following restriction index was set up by the author:

No decree (restriction index: 0).

Planned measures: Non-effective limitation measures on water use but measures have been planned in the long-run in case of necessity (restriction index: 0.5).

Effective limited measures: limitation measures on water use inferior or equal to 1 day per week or to 15% of the volume in at least one river-basin (restriction index: 1).

Effective strong measures: limitation measures on water use superior or equal to 1 day per week in at least one river-basin but inferior to 7 days per week (restriction index: 2).

Total bans: bans on water use in at least one river-basin (restriction index: 3).

Sources: Data from French Ministry of Food, Agriculture and Fisheries and French Ministry of Ecology and Sustainable Development; Author's calculations.

Drought being not just a “summer phenomenon”, on December 20, 2005, only 6 *départements* still had at least one decree in force, with 5 among them implementing “level 3” decrees. All of them belonged to the 20 largest beneficiaries of irrigation subsidies. They showed a restriction index three times as high as that prevailing in the 72 other *départements*.

Table 10.
The irrigation subsidies “trap”
 2005, 2006

| Rankings of largest beneficiaries of irrigation subsidies | Average of restriction index | | |
|---|------------------------------|-------------------|-----------------|
| | August 22, 2005 | December 20, 2005 | August 22, 2006 |
| 4 largest recipient <i>départements</i> | 2.75 | 1.12 | 3 |
| 8 largest recipient <i>départements</i> | 2.87 | 1.75 | 3 |
| 12 largest recipient <i>départements</i> | 2.83 | 1.33 | 2.92 |
| 20 largest recipient <i>départements</i> | 2.60 | 1.12 | 2.7 |
| 72 other <i>départements</i> | 1.50 | 0.37 | 1.41 |
| the whole of France (92 <i>départements</i>) | 1.74 | 0.54 | 1.69 |

Sources and notes: see Table 9.

Water subsidies are also a trap for other economic sectors. For instance the severe problems faced by oyster producers of the Marennes-Oléron area are largely due to scarcity of water from two rivers (the Seudre and the Charente) flowing in a region where irrigated fields increased by tenfold between 1961 and 1996 – the largest ever increase in France (IEEP, 2000). Finally, in addition to the quantitative approach mentioned previously, water subsidies

are a trap because CAP-driven intensive farming has a negative impact on the quality of water in many French regions, even if some measures are now being implemented in order to decrease water pollution of agricultural origin.⁴⁰

In sum, the more farmers are subsidised for irrigating, the more they suffer in time of drought. The latter being a collective phenomenon, the Public fund against farm calamities⁴¹ rewarded indemnities amounting to 238 million euros in 2005. In 2003, public compensation for drought raised 582 million euros while the same year 148 million euros of irrigation subsidies were paid.⁴² Subsidies become a trap for the recipients, a trap that the most recent CAP reform leaves almost untouched.

4.3 INTEGRATION OF IRRIGATION SUBSIDIES WITHIN THE DECOUPLING SCHEME

The historical decoupling scheme, implemented by French authorities in 2006, allows French farmers to keep up to 75% of irrigation subsidies granted during the past. Nevertheless SFP payment does not lay any conditions for the preservation of the irrigation system. As regards statutory management requirements (European level cross compliance), they focus on water quality⁴³ but not quantitative management. According to Good agricultural and environmental conditions (GAEC) requirement (national level cross compliance), the only obligations for irrigating farm holding are (i) to be equipped with a counting mechanism able to assess the volume of water used and (ii) to own an administrative authorisation for using water.

More than 100 million euros of “irrigation SFPs” were paid in 2006. The number and the value of SFPs are based on 2000-2001-2002 rotation of irrigated crops and 2002 support rates. This huge amount considers the 2.2% levy system applied to all direct payments when starting the decoupling scheme. It also considers the 4% modulation rate applied this year. Thus, with a 5% modulation rate applied in 2007-2009, “irrigation SFPs” still amounted to roughly 100 million euros per year.

⁴⁰ “60% of European fields contain fertiliser and pesticides at dangerous levels for the quality of underground aquifers”. European Commission, 1999. Gestion durable et qualité de l’eau, Research General Directorate, RDT Info n°21, February.

⁴¹ *Fonds national de garantie contre les calamités agricoles* (FNGCA).

⁴² These considerable amounts of public drought allowance should incite public authorities to develop risk management instruments.

⁴³ Council Directive 80/68/EEC of 17 December 1979 on the protection of groundwater against pollution caused by certain dangerous substances (OJ L 20, 26.1.1980, p. 43); Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1).

These huge amounts of decoupled payments, unequivocally related to past irrigation processes, are also underestimated for three reasons. First, in addition to the 2000-2001-2002 historical references, a clause specifies that investments in irrigation equipment occurred between 2000 and May 15, 2006 permit the procurement of extra SFPs for farms whose irrigated acreage increases have been higher than 20% and 5 hectares. Those extra SFPs must thus be added to previous results.⁴⁴

Second, our estimations are based on arable crop direct payment decoupling. The decoupling of tobacco subsidies (partial from 2006 and total from 2010) is not considered in spite of the frequent use of irrigation processes. It should be highlighted that the reference basis for such decoupling is not the amount of hectares but the volume of subsidised tobacco – which is increased through intensive irrigation. Third, since there is no information at farm level, the modulation mechanism is applied to aggregated amount of subsidies without considering the fact that only payments above 5,000 euros are subject to reductions.

Table 11.
Recipients of “irrigation SFPs”: the 20 largest départements
 2006, million euros, %

| <i>Département</i> | Irrigation SFPs (euros) | Share of total (%) | <i>Département</i> | Irrigation SFPs (euros) | Share of total (%) |
|--------------------|-------------------------|--------------------|--------------------|-------------------------|--------------------|
| GERS | 8,906,955 | 8.84% | ISÈRE | 2,859,416 | 2.84% |
| LOT-ET-GARONNE | 6,939,127 | 6.89% | LOIRET | 2,745,530 | 2.72% |
| LANDES | 6,688,389 | 6.64% | DORDOGNE | 2,598,108 | 2.58% |
| CH.-MARITIME | 5,981,838 | 5.94% | HAUTES-PYRÉNÉES | 2,579,114 | 2.56% |
| VIENNE | 5,568,251 | 5.53% | TAM | 2,436,891 | 2.42% |
| HAUTE-GARONNE | 5,304,358 | 5.26% | DEUX-SÈVRES | 2,329,411 | 2.31% |
| TARN-ET-GARONNE | 5,286,335 | 5.25% | EURE-ET-LOIR | 2,140,666 | 2.12% |
| VENDÉE | 4,224,258 | 4.19% | PYRÉNÉES-ATL. | 1,905,063 | 1.89% |
| CHARENTE | 3,999,897 | 3.97% | GIRONDE | 1,740,148 | 1.73% |
| MAINE-ET-LOIRE | 3,851,533 | 3.82% | OTHERS DÉPT. (72) | 19,188,417 | 19.04% |
| DRÔME | 3,484,992 | 3.46% | FRANCE | 100,758,697 | 100.00% |

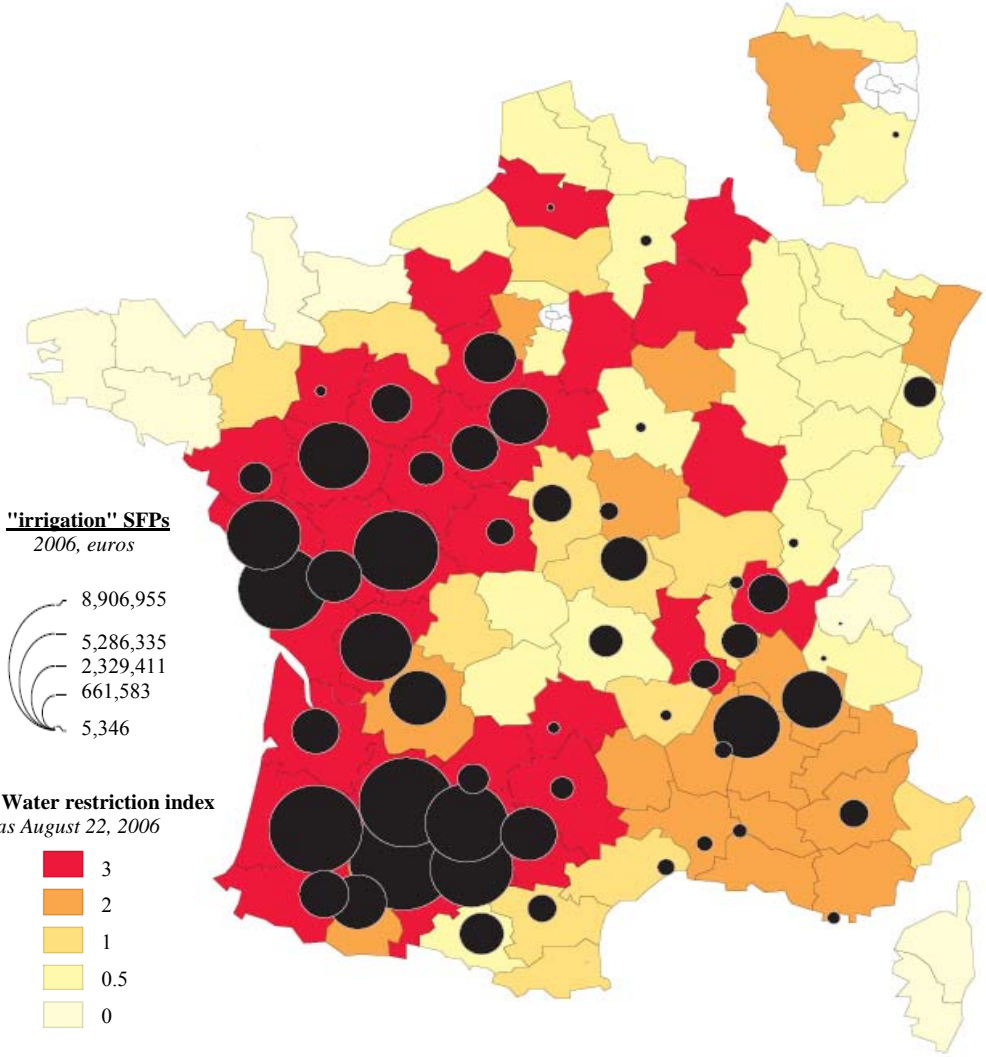
Source : Data from French Ministry of Food, Agriculture and Fisheries; Author’s calculations.

Table 11 presents the 20 largest recipient *département* of “irrigation SFPs” in 2006. Figure 10 puts together the territorial distribution of “irrigation SFPs” and water restriction indexes. It illustrates a true public policy incoherency at a time of an expected persistent disequilibrium between water demand and supply. In addition, since subsidies to arable crops are partially decoupled, roughly 30 million euros of irrigation grants were paid in the same year. Those

⁴⁴ One may mention that extra SFPs run against the WTO Agreement on Agriculture annex 2 as regards the eligibility of decoupled payments within the green box. Since the SFPs have not to be related to, or based on, the factors of production employed in any year after the 2000-2001-2002 reference period, those extra SFPs clearly jeopardise the whole European decoupling scheme.

grants which are conditional to an effective irrigation inhibit changes in irrigation processes and thus limit the positive effects of decoupling. The full decoupling of arable crop subsidies and the modalities of integration within SFPs in 2010 may indirectly disfavour irrigating structures since they will conserve 44.5% of past coupled subsidies (*cf. supra*).⁴⁵ Reference subsidy amounts in the computation of further SFPs consider the “best” year as regards subsidy received during the 2005-2008 period.

Figure 10.
"Irrigation" SFPs and drought
 2006, euros



Map prepared with Philcarto : <http://philcarto.free.fr>
 Sources: Data from French Ministry of Food, Agriculture and Fisheries and French Ministry of Ecology and Sustainable Development; Author's calculations.

⁴⁵ Official statistics on coupled support to irrigated lands are no more available since the beginning of the French decoupling process (2006). As a result, micro-estimation of “irrigation SFPs” from 2010 would not be robust and are therefore not provided in this paper.

“Water management” has been designated as one of the five “*crucial new challenges for European agriculture*”⁴⁶ which result from the CAP health check. Rural development measures which improve (i) the efficiency in water consumption, (ii) the capacity in water storage and (iii) the development in water saving production techniques may benefit from increased modulation funds and higher European co-funding rate (75:25 and 90:10 in convergence regions instead of 50:50 and 75:25 respectively).

It is interesting to highlight that Polluter Pays Principle lies at the basis of the EU environmental policy. However a higher public support which aims at enhancing a sustainable management of water tends to contradict this principle since subsidising a more efficient use of water has been preferable to taxing the reverse. Under the hypothesis that water is a public good, farm holdings should pay if they do not manage irrigation structures in a sustainable way. The same remark works as regards cross compliance which links the support to the respect of requirements set both at European and national level⁴⁷ – but scarcely legitimises the received amount.⁴⁸ Concluding this case-study, one may say that the progressive dissolving of irrigation subsidies within a complex decoupling support makes the rationale of support distribution even more vulnerable.

⁴⁶ Council Regulation (EC) No 74/2009 of 19 January 2009 amending Regulation (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

⁴⁷ From 2010 on, a new European standard for irrigating holdings makes the possession of an administrative authorisation to use water for irrigation compulsory (this requirement was already implemented in France).

⁴⁸ European and national requirements aim to address environmental, animal welfare and quality standard objectives, while also providing direct income support to farmers. Cross-compliance may thus aim to increase the effectiveness of enforcement of regulatory requirements – most of them being already established in existing legislation before the 2003 CAP reform. Cross-compliance thus may aim to increase the effectiveness of enforcement of regulatory requirements. As a result, most of the obligations have marginal impacts on farm incomes and production costs (Alliance Environnement, 2007). If cross-compliance regulations can increase unit costs for farmers when significant changes in farming practices arise, there is no relation between this cost and the support received.

5. CONCLUDING REMARKS: A RENEWED POLITICAL ECONOMY OF DIRECT PAYMENT RATIONALE AND DISTRIBUTION

Distribution of support has to be considered in line with policy objectives. The progressive decoupling of market-commodity direct payments goes in line with minor redistribution. From 2010 on, less than 20% of French direct payments – entirely supported by the European budget – are targeted in view of recent policy objectives. Most of the direct payments remain broad SFPs labelled within the European regulation with “*income support scheme for farmers*”. It is a sector-based redistributive policy which tends to slow down structural adjustments and suffers from anaemic low income targeting (OECD, 2003). As a result, in spite of marginal adjustments resulting from the CAP health check, equity continues to be a burning topic deferred to national discretionary decisions.

The 1992 and 2003 market-oriented reforms resulted from resilient external pressures. Hence, after almost two decades of policy improvement, the European Union benefits from an impressive scope as regards expected internal support concessions to be made within the Doha Round⁴⁹ – if one believes that European SFPs respect green-box criteria. Hence, a direct payment reform for the post 2013 period is mostly pushed by internal considerations – in line with the 1997 Buckwell Report.⁵⁰ One should consider that the motivation of direct payments has to shift from income to amenity support. A sector-based income policy does not appear relevant at the European level – as well as a policy which remunerates local amenities. It raises subsidiarity – and budgetary – issues which exacerbate national authority trade-offs. These latter have to take into account the widening number of stakeholders from environmental, pro-development, consumer or taxpayer groups. This leads to the constitution of civil society broad-alliances or unexpected coalitions⁵¹ on CAP reforms whereas farmers’ trade unions appear divided with internal tensions and a declining number of adherents.⁵² This

⁴⁹ On European aggregate measurement of support (AMS) concession issue, see Jean, Josling and Laborde (2008). For a global overview of WTO commitments and disciplines on agricultural support, see Orden, Josling and Blandford (2010).

⁵⁰ This Report (European Commission, 1997) made clear that the CAP has to continue to move away from sector-based policy which distorts agricultural commodity markets towards a territorially defined and integrated policy which remunerates public goods and amenities resulting from agricultural activities.

⁵¹ For instance, an unexpected joint position paper on the future of the CAP from the European Landowners’ Organisation and Birdlife International was released in January 2010; a proposal paper gathering together 15 French environmental and development NGOs (*Groupe PAC 2013*) was published in February 2010.

⁵² For instance, during the CAP health check negotiations, the FNSEA (the largest French farmer’s trade union) was split up between financial losers and winners i.e. crop and livestock producers.

new political environment is strengthened with the increasing political power bestowed on the European Parliament which owns a co-decision on CAP issues from 2010 onwards.

The European direct payment scheme is at stake. On the one hand, the post-2013 scheme should appear as a further step within the reform dynamic introduced in 1992. On the other hand, it should materialise a new paradigm in direct payment rationale, and thus in direct payment distribution.

Appendix 1.

Transparency initiative as regards French farm support recipients

A1.1 Context

In 2005, GEM completed field inquiries in collaboration with *Confédération Paysanne*, second French farmer's trade union (19.6% of the January 2007 agricultural election) in order to estimate the subsidies granted to some French large farms. Since then, GEM has started to nurture a vigorous campaign on more transparency in France. It has been founding member of the Farmsubsidy.org network which has brought together European journalists, analysts and campaigners. On December 1, 2005 first few available nominative data was centralized on the project website.⁵³ In the United States, such data were already published on line thanks to the activities of the Environmental Working Group.⁵⁴

Between August 2005 and November 2006, (i) 37 requests were made to the French Ministry of Food, Agriculture and Fisheries and units under its supervision and (ii) 13 procedures to the French Committee of Access to Administrative Documents (CADA⁵⁵) were launched. Both for legal and political reasons, nominative and exhaustive divulgence of French farm subsidy data seemed inevitable while GEM produced a continuous flow of fresh information on farm subsidies by releasing tables on major beneficiaries from direct payments, irrigation subsidies and export refunds for dairy products.⁵⁶

The *European Transparency Initiative* adopted by the European Commission on November 9, 2005, led to the adoption of a *European Transparency Initiative Green Paper* to which GEM made a written contribution (see below). On March 21, 2007, the European Commission

⁵³ farmsubsidy.org

⁵⁴ farm.ewg.org/farm

⁵⁵ The Law of 17 July 1978 gives everyone the right of access to documents that have been in the possession of public bodies. It guarantees the right of everyone, without condition of age or nationality, to access all administrative documents freely and free of charge. The only documents which are excluded are those which contain confidential information, such as national defence secrecy or information about a person's private life.

The CADA is an independent administrative authority in charge of ensuring freedom of access to administrative documents. The CADA is not a jurisdiction:

- (i) it gives opinions on the communicable character of administrative documents that it addresses to the people who approach it and to the administrations which refused the communication,
- (ii) it cannot be approached to get to a document directly,
- (iii) it can intervene only after a previous denial by the requested administration,
- (iv) it advises administrative bodies on the communicable character of the documents they hold or on how to communicate them to the public,
- (v) it intervenes for all the documents held by an administrative service, a local authority, a publicly-owned establishment or an organisation in charge of the management of a public utility, whether this organisation is public or private,
- (vi) it must be approached before any appeal proceeding to the administrative court.

⁵⁶ For a policy brief on legal actions for getting transparent and adequate information on farm subsidies in France, see Nougaret (2007).

published the results of the *European Transparency Initiative* consultation. It adopted a communication which established the follow-up of the process. The European Commission also adopted a proposal for the Council amending Regulation on the Financing of the CAP in order to oblige Member States to release beneficiaries of EU funds.

On October 22-23, 2007, the Agriculture and Fisheries Council of the EU agreed on a draft Regulation amending the Regulation on the financing of the CAP. It includes a compulsory ex-post publication of all recipients of community funds paid under the CAP. Thus publication of expenses from the European Agricultural Guarantee Fund (EAGF in charge of market measures and direct payments) and the European Agricultural Fund for Rural Development (EAFRD in charge of rural development measures) has been made compulsory from October 16, 2007 and July 1, 2007 respectively. Member States are responsible for such publication.

On November 26, 2007, the Council adopted the Regulation (EC) 1437/2007 amending the Regulation (EC)1290/2005 on the financing of the CAP. Member States have to ensure the ex-post publication of the EAGF and EAFRD recipients and the amount received per beneficiary under each of these Funds. The publication has to contain at least (i) the amount in direct payments and other expenditure incurred by the EAGF from October 16, 2007 onwards, (ii) the total amount of public founding per beneficiary incurred by the EAFRD from January 1, 2007 onwards.

On March 18, 2008, the European Commission adopted the Regulation (EC) 259/2008 laying down rules for the publication of information on the beneficiaries of farm subsidies. Data have to be published, on a website set up by each Member State, by April 30 each year for the previous financial year. Publication has to include at least the name, the municipality and where available the postal code, the amount of (i) direct payments, (ii) other payments from the EAGF, and (iii) public spending from the EAFRD which includes both the European and national contribution. The Commission has to set up a website which includes links to Member States' websites.

Since September 30, 2008, a French governmental website⁵⁷ releases individual and nominative European amounts of aggregated rural development measures. Since April 30, 2009, individual and nominative European amounts of market measures and direct payments are also published on the same French governmental website.

⁵⁷ <https://www1.telepac.agriculture.gouv.fr>

A1.2 GEM contribution to the *European Transparency Initiative Green Paper*

August 25, 2006, by Pierre Boulanger and Patrick Messerlin

The *European Transparency Initiative* addresses the issue of disclosing the beneficiaries of EU funds under shared management. It thus constitutes a crucial step in the necessary reform of the CAP which still absorbs almost half of the EU budget and involves a growing number of beneficiaries since the 2004 EU enlargement.

Increasing CAP legitimacy and restoring a faltering trust is impossible in a Europe which would remain opaque. The need of transparency is so strong that even subsidy beneficiaries recognise it. The President of *Fédération Nationale des Syndicats d'Exploitants Agricoles* (FNSEA, the largest French farmers' trade union) has called for "full transparency".⁵⁸ National and regional leaders of *Confédération Paysanne* (the second largest French farmers' union) published the detailed amounts of the farm subsidies they received.⁵⁹ The *Transparency Initiative* will contribute to go beyond such good intentions and fragmented information.

By generating legitimacy, transparency helps to build better public policies. Systematic information on the beneficiaries of such complex subsidy schemes is needed for a thorough understanding of the European farm structures. It is a prerequisite for designing, during the European budget's 2008-2009 review, an economically sound CAP reform that will also meet social, territorial and environmental constraints. It is precisely with this goal in mind that GEM launched its research program "*CAP Efficiency, Equity and Transparency*" in 2005.

Such a research is even more necessary as many distortions generated by the CAP are not fully captured by existing official data. For instance, in every French *département*, tight regulations are imposed on newcomers and on the sales and purchases of farm land. Such a micromanagement favours vested interests and farmers skillful enough to build ownership structures allowing them to bypass rural regulations. As a result, official data give a distorted idea of the situation of the French agriculture, especially of the real size of the farms, a crucial efficiency parameter.

Lacking a European framework for providing data would maintain heterogeneous transparency situations, including within a given Member State. For instance, the French Ministry of Food, Agriculture and Fisheries released the names of the 2004 top 20 major

⁵⁸ Le Parisien Newspaper, November 4, 2005.

⁵⁹ Confédération paysanne, *Les vérités sur les aides à l'agriculture*, Press release, October 13 and November 2, 2005.

beneficiaries of crop and livestock subsidies. Such discriminatory information makes an exhaustive disclosure legally inevitable. But the French authorities refuse to provide any additional information, even though the French *Commission d'Accès aux Documents Administratifs* (CADA) specified that regarding “*support paid for economic and cultural activities, or in order to improve the environment, independently of the personal situation of a natural person, [...] the name of recipients of such support, being natural or legal persons, is not covered by the secret of private life, nor by business confidentiality. It works the same for the amount received, provided that the release of such amount does not enable the inference of information covered by the commercial and industrial secret such as turnover or investment figures. [CADA] notices that the support paid out [...] is operating support which amount is not determined by the personal situation of the recipient. [...] The list of beneficiaries of such support, associated with the global amount received by each recipient, is therefore available to anyone who requests the information according to the article 2 of the law of 17 July 1978*”.⁶⁰

The Ministry of Food, Agriculture and Fisheries justifies its opposition to more transparency quoting the fact that there is no centralised database providing, by farm, the amount paid by the various Agencies in charge of allocating CAP subsidies. It argues that creating such a database would be costly. This argument is not acceptable. From December 2006, the Single Farm Payments (SFPs) will be paid by a single Agency. The creation of this latter is part of a process aiming to achieve a gathering of French Agencies in charge of paying the first CAP pillar subsidies. Regarding the second CAP pillar support (rural development measures), the *Centre National pour l'Aménagement des Structures et des Exploitations Agricoles* (CNASEA) will be the sole body in charge of their payment in France from next year on. Last but not least, a unique body will ensure the payment of all CAP subsidies (first and second pillars) by January 1, 2013 at the latest.⁶¹

It is essential that all Member States publish under a common format the amount paid to each farm for all the measures under co-management (from the first and second CAP pillars). This obligation should be extended to national measures in order to guarantee a level playing field in European farm markets. Such information should allow the identification of natural and legal persons for getting a thorough knowledge of the European current farm structures. Moreover, a sound rural development policy requires the release of recipients' localisation.

⁶⁰ CADA, *opinion n°20055081-FP*, January 19, 2006.

⁶¹ See *Loi n°2006-11 du 5 janvier 2006 d'orientation agricole*, article 95.

Finally, all this information should be made available to any EU citizen through a single website endorsed by both the Commission and Member States.

Economic efficiency, public policies legitimacy, social justice, sustainable development, territorial harmony, all these aspects argue for the best possible transparency in farm subsidy management. It is an absolute prerequisite for a rigorous diagnosis leading to an appropriate reform to be designed during the European budget's 2008-2009 review.

Appendix 2.

2008 CAP health check main issues and outcomes

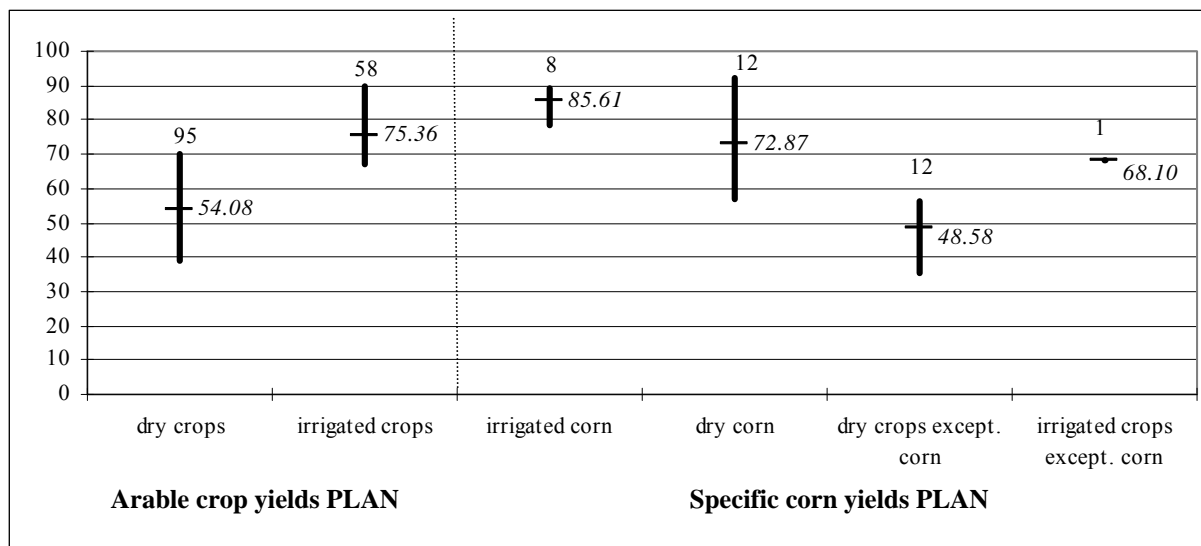
| | |
|--------------------------------|---|
| Set-aside | <ul style="list-style-type: none">• Abolish the requirement to leave 10% of arable lands fallow |
| Milk quotas | <ul style="list-style-type: none">• Increase quotas by 1% annually from 2009 to 2013 (milk quotas will be phased out by April 2015) |
| Decoupling | <ul style="list-style-type: none">• Arable crops, olives and hops to be fully decoupled from 2010• Seeds, beef and veal payments (except the suckler cow premium) to be decoupled by 2012 |
| SPS model | <ul style="list-style-type: none">• Additional flexibility granted to member states distributing decoupled support under the historic model with funds to be distributed on a regional basis |
| SAPS | <ul style="list-style-type: none">• Extend the SAPS to 2013 (initially SAPS needed to be converted to the SPS by 2010-2011) |
| Cross compliance | <ul style="list-style-type: none">• Simplify the requirements by withdrawing some irrelevant and redundant rules• Implement new requirements on landscape features and water management |
| Article 68 (article 69 review) | <ul style="list-style-type: none">• Member states may use up to 10% of their financial ceiling to grant measures to address disadvantages for farmers in certain regions specialising in dairy, beef, goat and sheep meat, and rice farming• Risk management measures broadened to include crop, animal and plant insurance and mutual funds for animal diseases and environmental incidents |
| Modulation | <ul style="list-style-type: none">• Overall increase in modulation by 5 per cent distributed over four steps beginning in 2009, to reach 10 per cent by 2012• Progressive modulation of 4 per cent for direct payments above 300,000 euros |
| Intervention mechanisms | <ul style="list-style-type: none">• Abolish intervention for pigmeat• Set at zero the intervention quantity for barley and sorghum• Introduce tendering for common wheat, butter and skim milk powder once threshold has been reached |
| Payment limitations | <ul style="list-style-type: none">• Apply either a minimum payment (100 euros) or a minimum size of eligible area per holding (1 hectare) with the exception of Portugal, Hungary and Slovenia for which the minimum size remains 0.3 hectares |
| Specific scheme | <ul style="list-style-type: none">• Protein crops, rice and nuts will be decoupled by 1 January 2012• Abolish the energy crop premium in 2010 |
| Rural development | <ul style="list-style-type: none">• Reinforce programmes in the fields of climate change, renewable energy, water management, biodiversity, dairy restructuring (funded with additional modulation) |

Source: European Commission, 2009a.

Appendix 3.

Crop yield reference plan used in coupled direct payment computation by French *départements/sub-départements*

quintal per hectare, with average and number of French *départements/sub-départements* for each class



This crop yield reference plan is fixed since 2002 in order to decouple direct payments partially. The final amount of subsidy per hectare results from the association of the *départemental/sub-départemental* yield reference and the national rate of support (see Figure 6).

Source : Data from French Ministry of Food, Agriculture and Fisheries: Author's calculations.

| <i>Départements, sub-départements, and régions</i> | Arable crop yields PLAN | | Specific corn yields PLAN | | | |
|--|-------------------------|-----------------|---------------------------|----------|------------------------|------------------------------|
| | Dry crops | Irrigated crops | Irrigated corn | Dry corn | Dry crops except. corn | Irrigated crops except. corn |
| SEINE ET MARNE | 65.4 | | | | | |
| YVELINES | 62.2 | | | | | |
| ESSONNE | 62.2 | 67.3 | | | | |
| SEINE ST DENIS | 66.4 | | | | | |
| VAL DE MARNE | 63.9 | | | | | |
| VAL D'OISE | 65.4 | | | | | |
| ILE DE FRANCE | | | | | | |
| ARDENNES | 62.2 | | | | | |
| AUBE | 65.0 | | | | | |
| MARNE | 66.0 | | | | | |
| HAUTE MARNE | 55.9 | | | | | |
| CHAMPAGNE ARDENNES | | | | | | |
| AISNE | 66.2 | 79.9 | | | | |
| OISE | 65.4 | | | | | |
| SOMME | 67.0 | 78.0 | | | | |
| PICARDIE | | | | | | |
| EURE | 64.1 | | | | | |
| SEINE MARITIME | 66.1 | | | | | |
| HAUTE NORMANDIE | | | | | | |
| CHER | 56.7 | 71.0 | | | | |
| EURE ET LOIR | 62.7 | 74.7 | | | | |
| INDRE | 54.6 | 70.3 | | | | |
| INDRE ET LOIRE | 55.8 | 71.2 | | | | |

| <i>Départements, sub-départements, and régions</i> | Arable crop yields PLAN | | Specific corn yields PLAN | | | |
|--|----------------------------|--------------------|------------------------------|-------------|------------------------------|------------------------------------|
| | Dry crops | Irrigated crops | Irrigated corn | Dry corn | Dry crops except. corn | Irrigated crops except. corn |
| LOIR ET CHER | 58.0 | 74.7 | | | | |
| LOIRET | 58.9 | 70.8 | | | | |
| CENTRE | | | | | | |
| CALVADOS | 64.5 | | | | | |
| MANCHE | 57.1 | | | | | |
| ORNE | 59.7 | | | | | |
| BASSE NORMANDIE | | | | | | |
| COTE D'OR | 56.4 | | | | | |
| NIÈVRE | 55.4 | 68.7 | | | | |
| SAÔNE ET LOIRE A | 46.7 | 67.0 | | | | |
| SAÔNE ET LOIRE B | 54.1 | 67.0 | | | | |
| YONNE | 59.7 | 67.2 | | | | |
| BOURGOGNE | | | | | | |
| NORD | 66.1 | | | | | |
| PAS DE CALAIS | 66.0 | | | | | |
| NORD PAS DE CALAIS | | | | | | |
| MEURTHE ET MOSELLE | 56.4 | | | | | |
| MEUSE | 56.5 | | | | | |
| MOSELLE | 55.5 | | | | | |
| VOSGES | 52.6 | | | | | |
| LORRAINE | | | | | | |
| RHIN(BAS) | | | 84.1 | 78.9 | 55.8 | |
| RHIN (HAUT) | | | 83.3 | 77.8 | 56.3 | |
| ALSACE | | | | | | |
| DOUBS A | 54.8 | | | | | |
| DOUBS B | 51.7 | | | | | |
| DOUBS C | 45.0 | | | | | |
| JURA A | 45.0 | | | | | |
| JURA B | 56.2 | 69.3 | | | | |
| SAÔNE (HAUTE) | 55.5 | | | | | |
| BELFORT (TERRITOIRE) | 53.4 | | | | | |
| FRANCHE-COMTE | | | | | | |
| LOIRE ATLANT.IQUE | 52.5 | 77.2 | | | | |
| MAINE ET LOIRE | 53.8 | 80.6 | | | | |
| MAYENNE | 58.7 | 70.9 | | | | |
| SARTHE | 56.4 | 70.9 | | | | |
| VENDÉE | 54.9 | 73.6 | | | | |
| PAYS DE LA LOIRE | | | | | | |
| CÔTES D'ARMOR | 58.9 | | | | | |
| FINISTÈRE | 55.6 | | | | | |
| ILLE ET VILAINE | 55.3 | | | | | |
| MORBIHAN | 55.9 | | | | | |
| BRETAGNE | | | | | | |
| CHARENTE | 52.0 | 81.5 | | | | |
| CHARENTE MAR.ITIME | 54.7 | 74.4 | | | | |
| DEUX SÈVRES | 53.3 | 75.6 | | | | |
| VIENNE | 53.8 | 85.5 | | | | |
| POITOU CHARENTES | | | | | | |
| DORDOGNE | | | 78.7 | 56.9 | 49.1 | 68.1 |
| GIRONDE A | | | 85.9 | 58.7 | 49.3 | |
| GIRONDE B | 70.3 | | | | | |
| LANDES | | | 88.1 | 71.4 | 50.4 | |
| LOT ET GARONNE | 50.6 | 76.4 | | | | |
| PYRÉNÉES ATL. | | | 88.1 | 71.4 | 50.8 | |
| AQUITAINE | | | | | | |

| <i>Départements, sub-départements, and régions</i> | Arable crop yields PLAN | | Specific corn yields PLAN | | | |
|--|------------------------------------|--------------------|--------------------------------------|-------------|------------------------------|------------------------------------|
| | Dry crops | Irrigated crops | Irrigated corn | Dry corn | Dry crops except. corn | Irrigated crops except. corn |
| ARIÈGE | 47.1 | 76.0 | | | | |
| AVEYRON | 47.2 | 69.0 | | | | |
| GARONNE (HAUTE) | 48.7 | 76.3 | | | | |
| GERS | 50.8 | 77.4 | | | | |
| LOT A | 52.6 | 74.5 | | | | |
| LOT B | 43.5 | 74.5 | | | | |
| PYRÉNÉES (HAUTES) | | | 87.4 | 66.4 | 45.7 | |
| TARN | 49.9 | 78.4 | | | | |
| TARN ET GARONNE | 49.0 | 77.9 | | | | |
| MIDI PYRENEES | | | | | | |
| CORRÈZE | | | | 79.4 | 45.5 | |
| CREUSE | 49.4 | | | | | |
| VIENNE (HAUTE) | 49.4 | | | | | |
| LIMOUSIN | | | | | | |
| AIN | 55.8 | 75.6 | | | | |
| ARDÈCHE | 44.8 | 73.2 | | | | |
| DROME | 46.9 | 79.2 | | | | |
| ISÈRE | 53.0 | 90.1 | | | | |
| LOIRE CHAMBONS | 56.9 | 75.8 | | | | |
| LOIRE PLAINE | 50.6 | 75.8 | | | | |
| LOIRE MONTAGNE | 42.6 | 75.8 | | | | |
| RHÔNE | 52.3 | 89.7 | | | | |
| SAVOIE | | | 89.3 | 70.7 | 52.3 | |
| HAUTE SAVOIE | 53.2 | 72.6 | | | | |
| RHONE ALPES | | | | | | |
| ALLIER A | 55.9 | 82.2 | | | | |
| ALLIER B | 49.1 | 82.2 | | | | |
| CANTAL | 48.4 | 84.7 | | | | |
| HAUTE LOIRE A | 57.1 | 67.2 | | | | |
| HAUTE LOIRE B | 48.6 | 67.2 | | | | |
| HAUTE LOIRE C | 42.7 | 67.2 | | | | |
| PUY DE DÔME A | 62.3 | 82.2 | | | | |
| PUY DE DÔME B | 45.5 | 74.7 | | | | |
| AUVERGNE | | | | | | |
| AUDE A | 46.6 | 71.4 | | | | |
| AUDE B | 41.2 | 71.4 | | | | |
| GARD | 44.5 | 75.3 | | | | |
| HÉRAULT | 40.6 | 82.2 | | | | |
| LOZÈRE | 43.6 | | | | | |
| PYRÉNÉES ORIENT.ALES | 40.8 | 76.6 | | | | |
| LANGUEDOC ROUSSILLON | | | | | | |
| ALPES DE HTE PROVENCE | 43.0 | 81.7 | | | | |
| HAUTES ALPES | | | | 78.8 | 47.2 | |
| ALPES MAR. | 42.4 | | | | | |
| BOUCHES DU RHÔNE | | | | 71.9 | 45.1 | |
| VAR | 40.8 | 79.0 | | | | |
| VAUCLUSE | 46.5 | 74.7 | | | | |
| PROV-ALP-COTE D'AZUR | | | | | | |
| CORSE DU SUD | 38.8 | | | | | |
| HAUTE CORSE | | | | 92.2 | 35.5 | |
| CORSE | | | | | | |

Source : Data from French Ministry of Food, Agriculture and Fisheries.

Appendix 4.

First and second pillar's Gini index for French metropolitan *départements* in 2007

| PILLAR 1 DIRECT PAYMENTS | |
|-------------------------------------|-------|
| VAR | 0.819 |
| BOUCHES-DU-RHONE | 0.794 |
| ALPES-MARITIMES | 0.773 |
| GARD | 0.726 |
| HERAULT | 0.718 |
| VAUCLUSE | 0.711 |
| GIRONDE | 0.705 |
| ALPES-DE-HAUTE-PROVENCE | 0.616 |
| ISERE | 0.614 |
| MANCHE | 0.612 |
| HAUTE-GARONNE | 0.609 |
| AUDE | 0.608 |
| DROME | 0.606 |
| DORDOGNE | 0.599 |
| PYRENEES-ORIENTALES | 0.598 |
| TERRITOIRE DE BELFORT | 0.598 |
| ARIEGE | 0.589 |
| SAVOIE | 0.587 |
| LOT-ET-GARONNE | 0.587 |
| BAS-RHIN | 0.586 |
| LANDES | 0.582 |
| VOSGES | 0.573 |
| ARDECHE | 0.573 |
| CALVADOS | 0.570 |
| HAUT-RHIN | 0.570 |
| CHARENTE | 0.565 |
| TARN-ET-GARONNE | 0.565 |
| ORNE | 0.554 |
| HAUTE-SAVOIE | 0.553 |
| AIN | 0.550 |
| CHARENTE-MARITIME | 0.549 |
| RHONE | 0.548 |
| LOT | 0.543 |
| PUY-DE-DOME | 0.543 |
| HAUTE-SAONE | 0.538 |
| TARN | 0.537 |
| LOIRE | 0.535 |
| HAUTES-ALPES | 0.534 |
| MOSELLE | 0.533 |
| SEINE-MARITIME | 0.523 |
| HAUTE-VIENNE | 0.522 |
| GERS | 0.521 |
| JURA | 0.519 |
| PYRENEES-ATLANTIQUES | 0.512 |
| MAYENNE | 0.508 |
| CREUSE | 0.504 |
| CORREZE | 0.504 |
| HAUTE-CORSE | 0.502 |
| NORD | 0.501 |
| DEUX-SEVRES | 0.500 |
| HAUTES-PYRENEES | 0.495 |
| ALLIER | 0.493 |
| INDRE | 0.493 |
| SARTHE | 0.493 |

| PILLAR 2 RURAL DEVELOPMENT MEASURES | |
|--|-------|
| MEURTHE-ET-MOSELLE | 0.675 |
| GIRONDE | 0.667 |
| FINISTERE | 0.630 |
| LANDES | 0.625 |
| DORDOGNE | 0.602 |
| BAS-RHIN | 0.598 |
| YVELINES | 0.595 |
| ILLE-ET-VILAINE | 0.591 |
| AISNE | 0.591 |
| LOT-ET-GARONNE | 0.587 |
| MAINE-ET-LOIRE | 0.583 |
| VOSGES | 0.580 |
| VAR | 0.580 |
| CHARENTE | 0.577 |
| LOIRE-ATLANTIQUE | 0.572 |
| INDRE-ET-LOIRE | 0.570 |
| CHARENTE-MARITIME | 0.560 |
| ISERE | 0.558 |
| TERRITOIRE DE BELFORT | 0.556 |
| BOUCHES-DU-RHONE | 0.554 |
| HERAULT | 0.552 |
| MEUSE | 0.548 |
| ORNE | 0.546 |
| TARN-ET-GARONNE | 0.545 |
| COTES-D'ARMOR | 0.544 |
| GERS | 0.543 |
| MANCHE | 0.542 |
| SEINE-MARITIME | 0.538 |
| SARTHE | 0.534 |
| HAUTE-GARONNE | 0.532 |
| PAS-DE-CALAIS | 0.531 |
| LOIRET | 0.526 |
| HAUTE-MARNE | 0.525 |
| CALVADOS | 0.524 |
| MOSELLE | 0.521 |
| HAUTES-PYRENEES | 0.519 |
| EURE | 0.517 |
| TARN | 0.516 |
| AUBE | 0.514 |
| YONNE | 0.512 |
| DEUX-SEVRES | 0.512 |
| HAUTE-SAONE | 0.509 |
| MARNE | 0.509 |
| GARD | 0.507 |
| HAUTE-VIENNE | 0.506 |
| MORBIHAN | 0.506 |
| CHER | 0.506 |
| VIENNE | 0.505 |
| SAONE-ET-LOIRE | 0.503 |
| MAYENNE | 0.503 |
| PYRENEES-ATLANTIQUES | 0.500 |
| VENDEE | 0.499 |
| ARDENNES | 0.498 |
| HAUTE-SAVOIE | 0.496 |

| PILLAR 1 DIRECT PAYMENTS | |
|-------------------------------------|-------|
| VIENNE | 0.492 |
| EURE | 0.491 |
| SAONE-ET-LOIRE | 0.489 |
| ILLE-ET-VILAINE | 0.488 |
| LOIRE-ATLANTIQUE | 0.484 |
| VAL-D'OISE | 0.478 |
| HAUTE-LOIRE | 0.476 |
| MAINE-ET-LOIRE | 0.475 |
| SOMME | 0.474 |
| INDRE-ET-LOIRE | 0.471 |
| CHER | 0.463 |
| CORSE-DU-SUD | 0.462 |
| LOIR-ET-CHER | 0.459 |
| ARDENNES | 0.456 |
| DOUBS | 0.455 |
| FINISTERE | 0.455 |
| PAS-DE-CALAIS | 0.454 |
| AISNE | 0.453 |
| NIEVRE | 0.452 |
| MORBIHAN | 0.452 |
| HAUTE-MARNE | 0.450 |
| COTE-D'OR | 0.448 |
| OISE | 0.445 |
| MEUSE | 0.443 |
| AVEYRON | 0.441 |
| COTES-D'ARMOR | 0.441 |
| LOZERE | 0.440 |
| YVELINES | 0.435 |
| CANTAL | 0.435 |
| VENDEE | 0.433 |
| MEURTHE-ET-MOSELLE | 0.432 |
| ESSONNE | 0.429 |
| AUBE | 0.419 |
| YONNE | 0.414 |
| EURE-ET-LOIR | 0.412 |
| LOIRET | 0.406 |
| MARNE | 0.401 |
| SEINE-ET-MARNE | 0.370 |

| | |
|----------------|-------|
| AVERAGE | 0.524 |
| MEDIAN | 0.504 |
| STANDARD VALUE | 0.088 |
| MAX | 0.819 |
| MIN | 0.370 |

| PILLAR 2 RURAL DEVELOPMENT MEASURES | |
|--|-------|
| SOMME | 0.495 |
| ESSONNE | 0.492 |
| CORREZE | 0.490 |
| LOIR-ET-CHER | 0.489 |
| VAUCLUSE | 0.487 |
| CREUSE | 0.482 |
| HAUT-RHIN | 0.477 |
| NORD | 0.474 |
| ARIEGE | 0.474 |
| DROME | 0.474 |
| AIN | 0.472 |
| PYRENEES-ORIENTALES | 0.471 |
| SEINE-ET-MARNE | 0.471 |
| SAVOIE | 0.470 |
| RHONE | 0.465 |
| NIEVRE | 0.464 |
| JURA | 0.455 |
| VAL-D'OISE | 0.454 |
| ALLIER | 0.452 |
| AUDE | 0.451 |
| INDRE | 0.450 |
| OISE | 0.448 |
| COTE-D'OR | 0.443 |
| ARDECHE | 0.440 |
| LOIRE | 0.440 |
| HAUTES-ALPES | 0.428 |
| ALPES-DE-HAUTE-PROVENCE | 0.427 |
| AVEYRON | 0.418 |
| HAUTE-LOIRE | 0.416 |
| ALPES-MARITIMES | 0.415 |
| LOT | 0.413 |
| EURE-ET-LOIR | 0.412 |
| LOZERE | 0.404 |
| PUY-DE-DOME | 0.404 |
| DOUBS | 0.384 |
| CANTAL | 0.381 |

| | |
|----------------|-------|
| AVERAGE | 0.508 |
| MEDIAN | 0.506 |
| STANDARD VALUE | 0.062 |
| MAX | 0.675 |
| MIN | 0.381 |

Source : Individual data released by French Ministry of Food, Agriculture and Fisheries; then extracted by Farmsubsidy.org from <https://www1.telepac.agriculture.gouv.fr>. They count for 378,812 recipients of Pillar I direct payments and 133,839 recipients of Pillar II rural development measures in 2007. Data cover 92 French *départements*. Overseas *départements*, Seine-Saint-Denis, Val de Marne, Hauts-de-Seine and City of Paris are excluded. In addition, for Pillar II rural development measures, Corse-du-Sud and Haute-Corse are excluded; Author's calculations.

Appendix 5.

Farm holdings receiving more than one million euros a year in French outermost départements

2007, euros

Guyane : Rice farm holdings

| # | Municipality | Direct payments |
|---|--------------|-----------------|
| 1 | MANA | 1,948,138 |
| 2 | MANA | 1,320,138 |

Source: French Ministry of Food, Agriculture and Fisheries.
<https://www1.telepac.agriculture.gouv.fr>

Guadeloupe : Banana farm holdings

| # | Municipality | Direct payments |
|---|----------------------|-----------------|
| 1 | CAPESTERRE BELLE EAU | 4,225,628 |
| 2 | CAPESTERRE BELLE EAU | 1,586,078 |
| 3 | PETIT BOURG | 1,023,593 |
| 4 | CAPESTERRE BELLE EAU | 1,003,577 |

Source: French Ministry of Food, Agriculture and Fisheries.
<https://www1.telepac.agriculture.gouv.fr>

Martinique : Banana farm holdings

| # | Municipality | Direct payments |
|----|----------------|-----------------|
| 1 | LAMENTIN | 3,859,391 |
| 2 | SAINT JOSEPH | 3,518,134 |
| 3 | GROS MORNE | 2,005,423 |
| 4 | LE LAMENTIN | 1,803,759 |
| 5 | TRINITE | 1,709,206 |
| 6 | BASSE POINTE | 1,671,167 |
| 7 | BASSE POINTE | 1,520,715 |
| 8 | BASSE POINTE | 1,466,930 |
| 9 | BASSE POINTE | 1,445,015 |
| 10 | LE FRANCOIS | 1,440,266 |
| 11 | MACOUBA | 1,420,911 |
| 12 | BASSE POINTE | 1,387,312 |
| 13 | SAINTE MARIE | 1,331,556 |
| 14 | LE LAMENTIN | 1,305,234 |
| 15 | BASSE POINTE | 1,287,446 |
| 16 | MACOUBA | 1,278,801 |
| 17 | MARIGOT | 1,264,976 |
| 18 | BASSE-POINTE | 1,226,177 |
| 19 | SAINT JOSEPH | 1,178,685 |
| 20 | MACOUBA | 1,169,528 |
| 21 | SAINTE-MARIE | 1,155,123 |
| 22 | LE LAMENTIN | 1,144,190 |
| 23 | LORRAIN | 1,139,362 |
| 24 | ST PIERRE | 1,134,619 |
| 25 | TRINITE | 1,113,362 |
| 26 | TRINITE | 1,093,396 |
| 27 | MARIGOT (LE) | 1,092,310 |
| 28 | LE LAMENTIN | 1,083,643 |
| 29 | LE LAMENTIN | 1,079,298 |
| 30 | FORT DE FRANCE | 1,029,437 |
| 31 | SAINTE MARIE | 1,000,329 |

Source: French Ministry of Food, Agriculture and Fisheries.
<https://www1.telepac.agriculture.gouv.fr>

Basic statistics as regards Guadeloupe and Martinique

| | SGM per AWU (2007) | SGM per AWU var. (2000-2007) | Unemploy. rate (2007, 3 rd trim.) | Less-than-24-years-old unemployment rate (2007, 3 rd trim.) | Number of banana holding var. (2000-2007) | Banana fields as a share of total UAA (2007) | Share of banana fields in mountain areas (2006) |
|-------------|--------------------|------------------------------|--|--|---|--|---|
| GADELOUPE | 11.0 | 13.9% | 22.0% | 55.7% | -50% | 5.2% | 45% |
| MARTINIQUE | 13.4 | 19.6% | 22.4% | 52.5% | -40% | 23.2% | 20% |
| FRANCE met. | 35.4 | 17.1% | 7.9% | 18.4% | ns | ns | ns |

AWU: Annual Work Unit

SGM: Standard Gross Margin

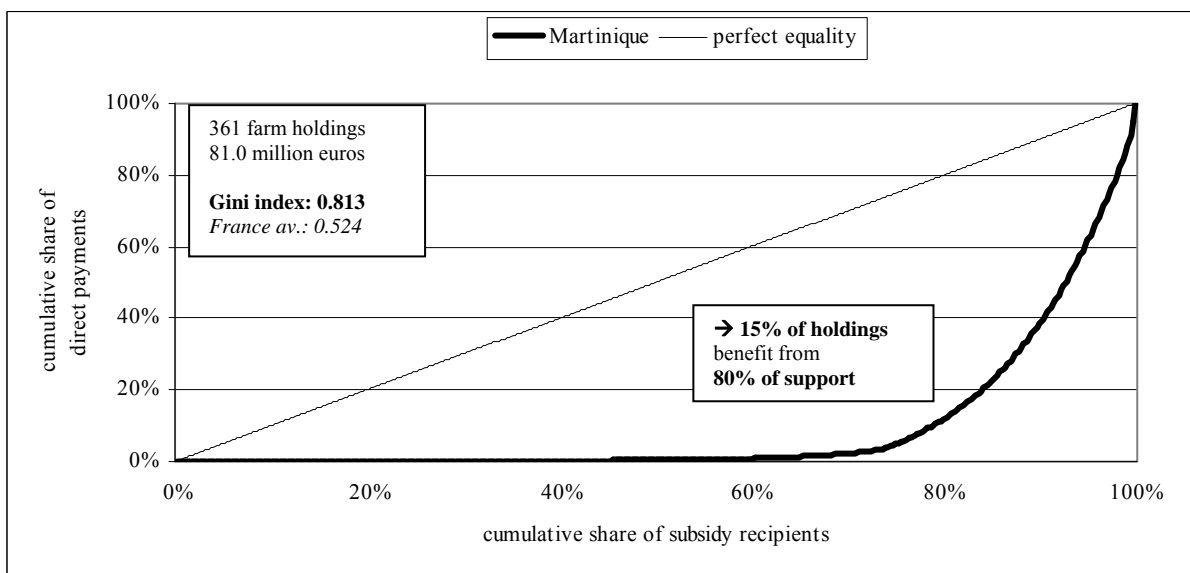
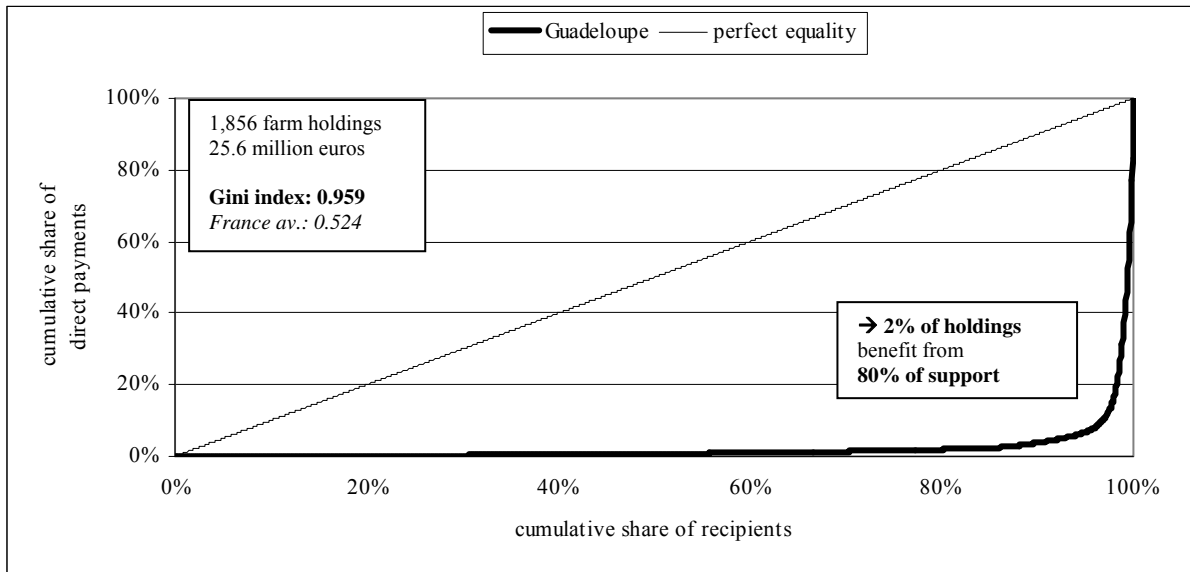
UAA : Utilised Agricultural Area

Source: Data from French Ministry of Food, Agriculture and Fisheries, INSEE.

Appendix 6.

Lorenz curves for direct payments in Guadeloupe and Martinique

2007



Source: Individual data released by French Ministry of Food, Agriculture and Fisheries; then extracted by Farmsubsidy.org from <https://www1.telepac.agriculture.gouv.fr>; Author's calculations.

Appendix 7.

Recipients of irrigation subsidies: the 20 largest French *départements*

2005, euros

| <i>Départements</i> | Irrigated fields – corn seed and ensilage (ha) | Irrigated arable land - corn seed and ensilage excluded (ha) | Irrigation subsidies – corn seed and ensilage (euros/ha) | Irrigation subsidies – corn seed and ensilage excluded (euros/ha) | Total irrigation subsidies paid (euros) | Shares of total irrigation subsidies paid (%) | State of decree restricting water use ^[b] | | |
|----------------------|--|--|--|---|---|---|--|-------------------|-----------------|
| | | | | | | | August 22, 2005 | December 20, 2005 | August 22, 2006 |
| GERS | 55,523 | 20,360 | 167.58 | 167.58 | 12,716,473 | 9.43% | 3 | 0.5 | 3 |
| LANDES | 88,419 | 4 | 162.54 | 162.54 | 9,302,563 | 6.90% | 3 | 3 | 3 |
| LOT-ET-GARONNE | 46,159 | 8,064 | 105.21 | 0 | 8,813,406 | 6.54% | 3 | 0.5 | 3 |
| HAUTE-GARONNE | 26,318 | 15,603 | 173.88 | 173.88 | 7,289,223 | 5.41% | 2 | 0.5 | 3 |
| CHARENTE-MARITIME | 40,786 | 17,701 | 124.11 | 124.11 | 7,258,822 | 5.38% | 3 | 3 | 3 |
| VIENNE | 31,520 | 4,698 | 182.07 | 182.07 | 7,233,097 | 5.36% | 3 | 3 | 3 |
| TARN-ET-GARONNE | 25,537 | 10,143 | 199.71 | 199.71 | 6,496,258 | 4.82% | 3 | 0.5 | 3 |
| MAINE-ET-LOIRE | 27,694 | 4,285 | 185.85 | 185.85 | 5,399,334 | 4.00% | 3 | 0.5 | 3 |
| CHARENTE | 24,454 | 3,531 | 168.84 | 168.84 | 5,201,012 | 3.86% | 3 | 3 | 3 |
| VENDÉE | 39,737 | 2,336 | 203.49 | 203.49 | 4,956,620 | 3.68% | 3 | 0.5 | 3 |
| DRÔME | 17,739 | 5,066 | 117.81 | 117.81 | 4,640,589 | 3.44% | 2 | 0.5 | 2 |
| LOIRET | 29,497 | 26,934 | 74.97 | 74.97 | 4,230,632 | 3.14% | 3 | 0.5 | 3 |
| ISÈRE | 14,093 | 2,381 | 233.73 | 233.73 | 3,850,468 | 2.86% | 2 | 0.5 | 2 |
| HAUTES-PYRÉNÉES | 27,182 | 30 | 179.55 | 179.55 | 3,596,179 | 2.67% | 2 | 0.5 | 2 |
| DORDOGNE | 23,786 | 1,817 | 137.34 | 119.7 | 3,484,264 | 2.58% | 3 | 0.5 | 2 |
| TAM | 13,810 | 5,120 | 132.3 | 0 | 3,398,882 | 2.52% | 2 | 0.5 | 3 |
| PYRÉNÉES-ATLANTIQUES | 27,248 | 21 | 75.6 | 75.6 | 2,866,762 | 2.13% | 1 | 0.5 | 3 |
| EURE-ET-LOIR | 19,319 | 17,739 | 140.49 | 140.49 | 2,801,585 | 2.08% | 3 | 0.5 | 3 |
| DEUX-SÈVRES | 16,226 | 3,633 | 105.21 | 0 | 2,789,991 | 2.07% | 3 | 3 | 3 |
| ALLIER | 12,444 | 907 | 187.11 | 187.11 | 2,498,106 | 1.85% | 2 | 0.5 | 1 |
| OTHER DÉPTS. (72) | 223,631 | 33,820 | 65.83 ^[a] | 62.52 ^[a] | 25,999,087 | 19.28% | 108 | 27 | 101.5 |
| FRANCE | 831,125 | 184,203 | -- | -- | 134,823,353 | 100.00% | 160 | 49.5 | 155.5 |

*Data cover 92 French *départements*. Overseas *départements*, Seine-Saint-Denis, Val de Marne, Hauts-de-Seine and City-of-Paris are excluded.

^[a] The two irrigation subsidies “corn seed and ensilage” and “corn seed and ensilage excluded” of the “Other *departments*” included in the table are the results of a simple average of the 72 *départementale* subsidies which have been used for subsidy estimates by *départements*.

^[b] Based on the information provided by the Water Directorate of the French Ministry of Ecology and Sustainable Development, the following restriction index has been set up by the author:

No decree (restriction index: 0).

Planned measures: non-effective limitation measures on water use but measures have been planned in the long-run in case of necessity (restriction index: 0.5).

Effective limited measures: limitation measures on water use inferior or equal to 1 day per week or to 15% of the volume in at least one river-basin (restriction index: 1).

Effective strong measures: limitation measures on water use superior or equal to 1 day per week in at least one river-basin but inferior to 7 days per week (restriction index: 2).

Total bans: bans on water use in at least one river-basin (restriction index: 3).

Sources : French Ministry of Food, Agriculture and Fisheries; Author’s calculations.

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