



Poznań University of Life Sciences

Faculty of Economic and Social Sciences

Department of Economy and Economic Policy in Agribusiness

*Evolution of the performance framework  
in the Common Agriculture Policy*

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1. Defining the types of farms in the EU
2. Investment outlays in agriculture in Poland
3. Allocation of EU funds
4. Distribution of direct payments in Poland

The future CAP  
*ensure only genuine farmers receive  
income support*

Defining the types of farms in the EU

Attempt to estimate the role and **importance of  
different types of farms** in EU agriculture

The European model of agriculture



Sustainable agriculture:  
economically, socially and environmentally



Family farm

# Farm models

## Family farms

- individual farms,
- more than 50% of labor is own workforce
- income per 1 person (workforce) is higher than the minimum wage in the country,

## Corporate *(also individual large-scale commercial farm)*

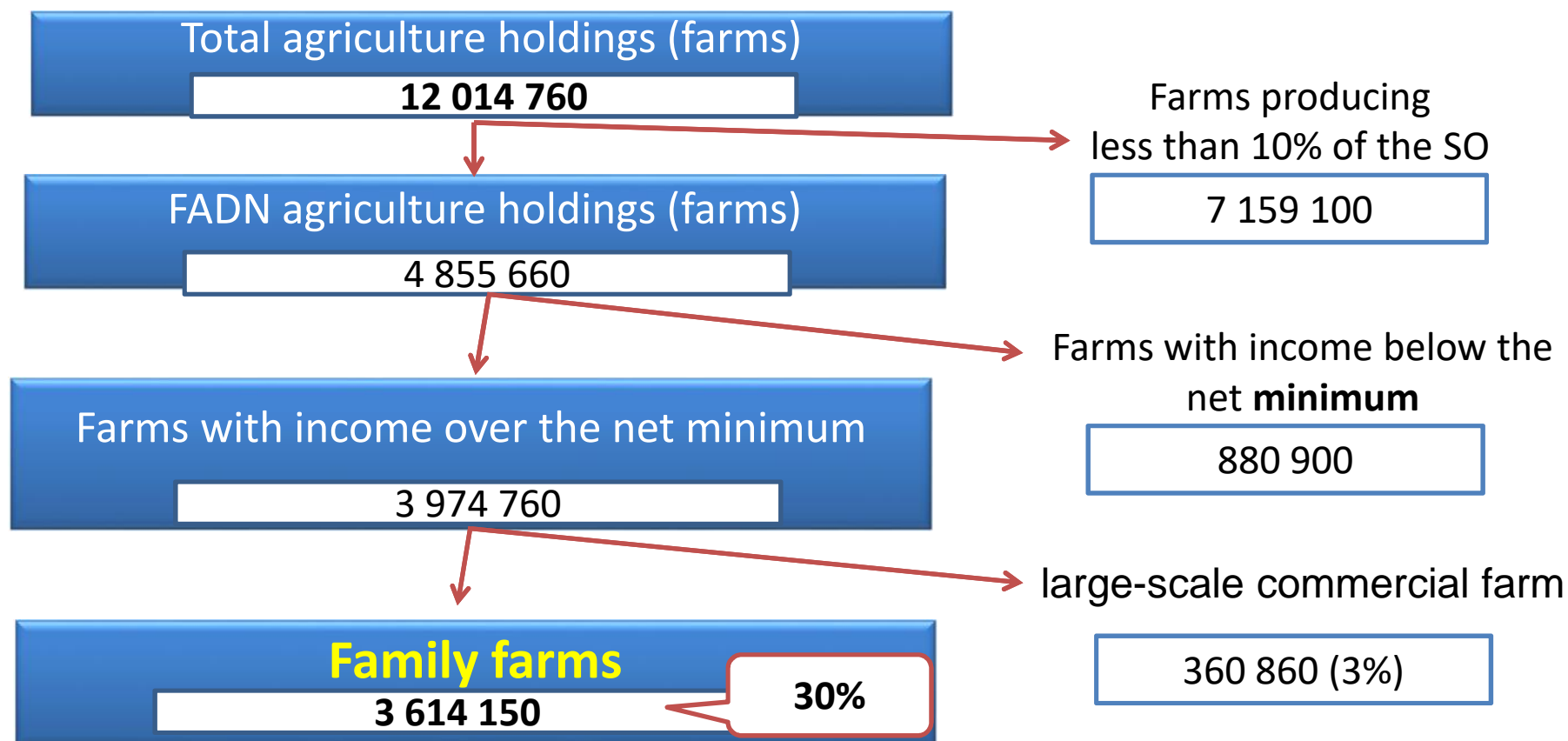
- characterized by a predominance of external workforce

## Small (economically marginal importance)

- obtained income per 1 person own work is lower than the net minimum wage in the country.

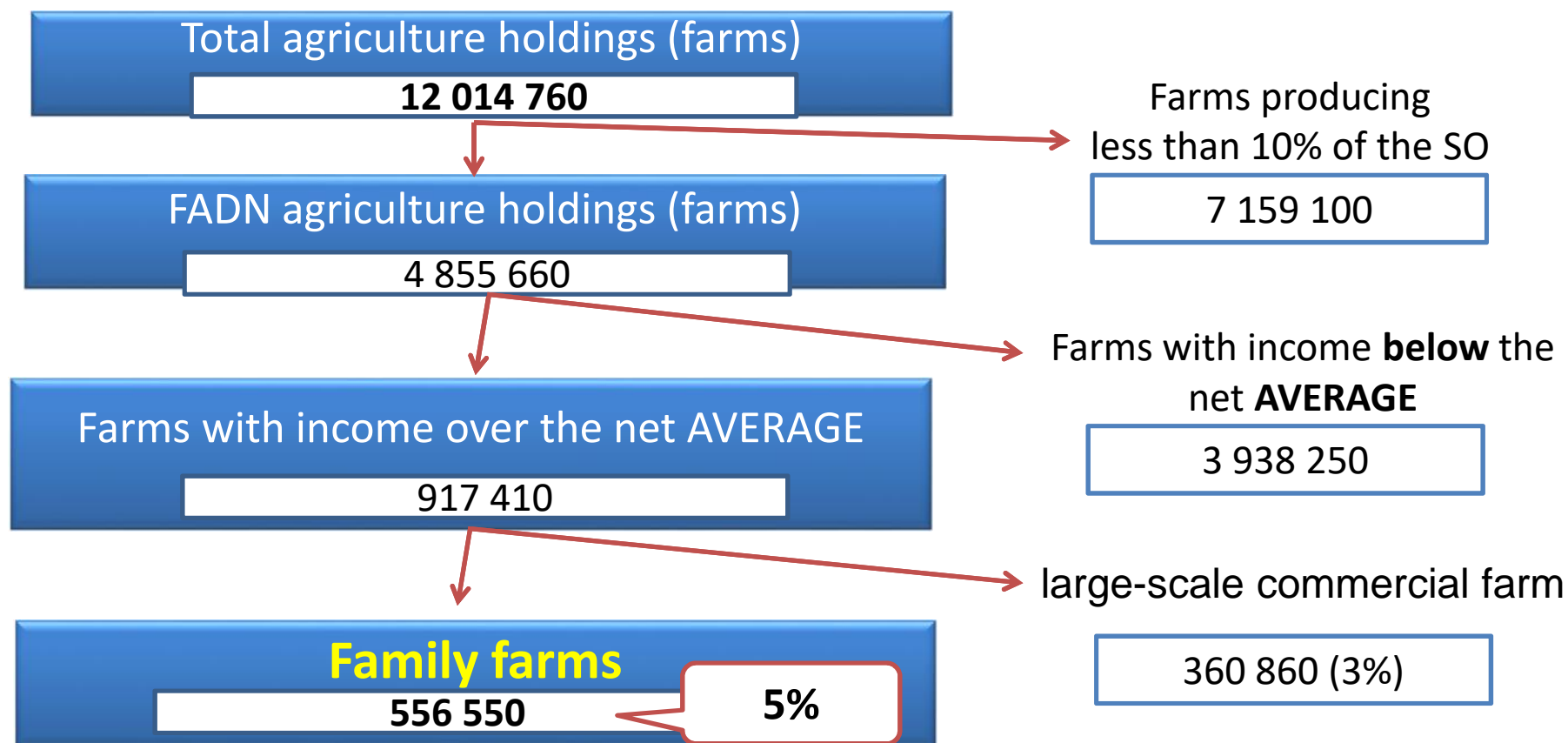
# Estimation of the number of family farms

The criterion of delimitation:  
**net minimum wage**



# Estimation of the number of family farms

The criterion of delimitation:  
**net average wage**



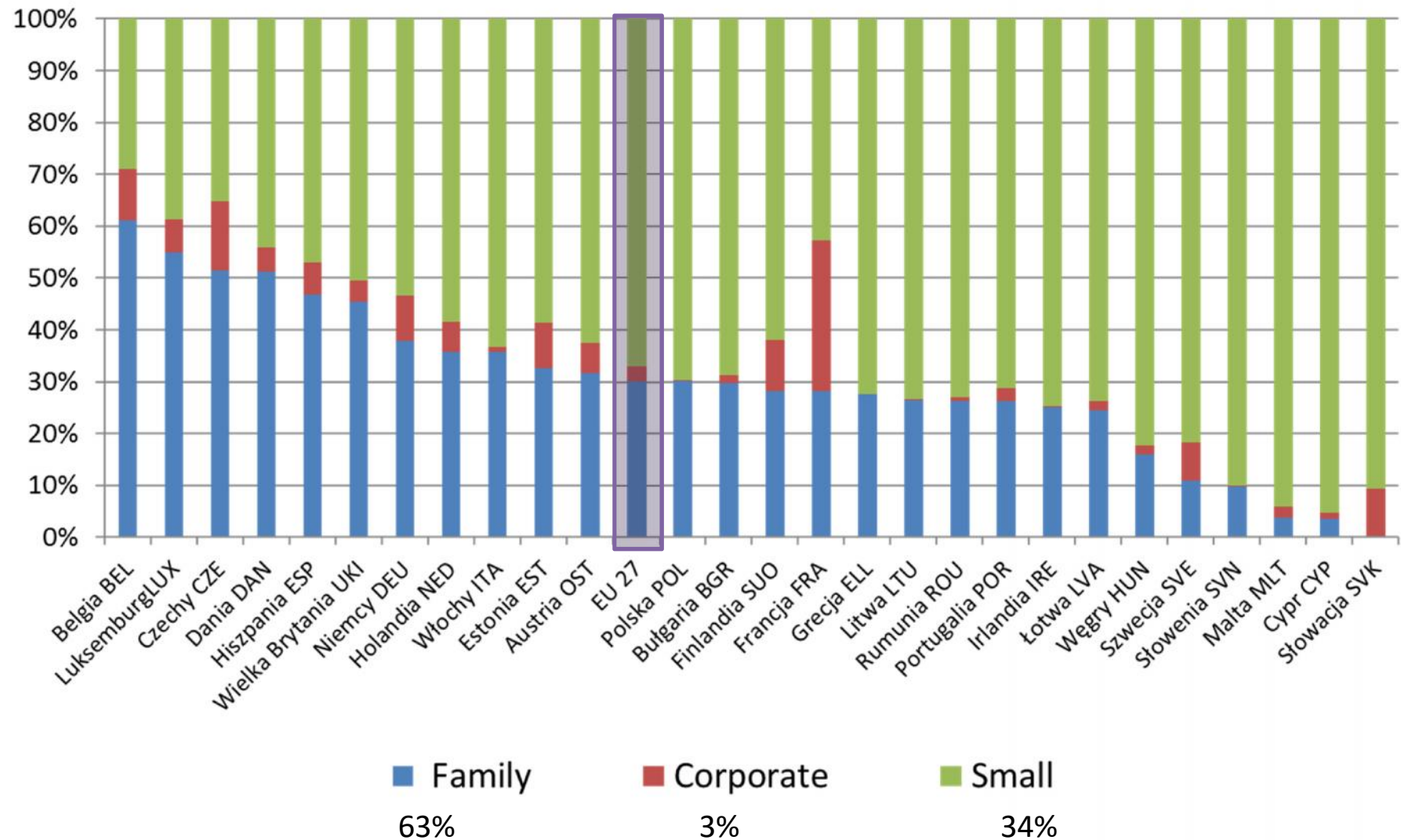
**The criterion of delimitation:  
net average wage**

## Poland vs EU

	PL	EU
Number of farms	9,6%	4,6 %
UAA	37,0%	14,6 %
FWU	15,1%	17,1 %
The value of production	56,5%	20,7 %
Direct payments	40,9%	14,5 %



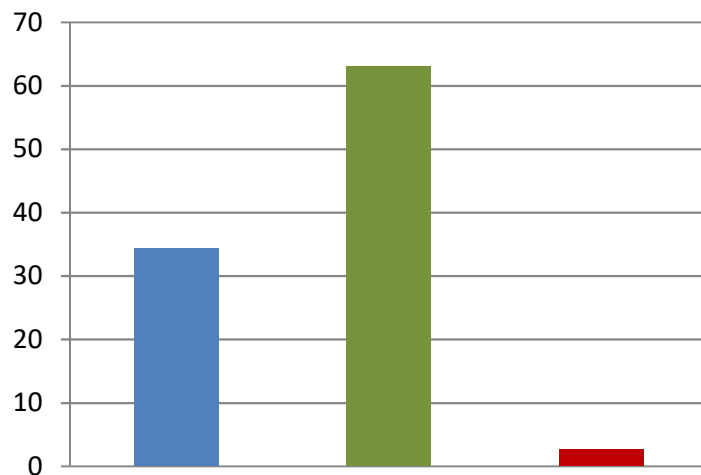
## Share of family farms in total agriculture holdings (farms)



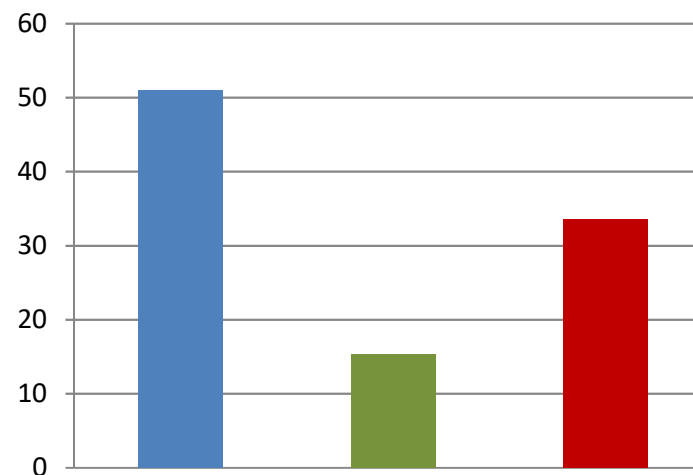
Family Small Corporate

## The share of different types of farms in:

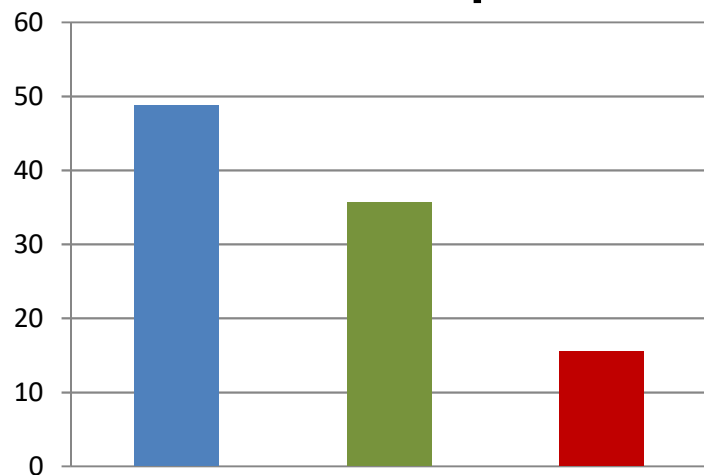
Number of farms



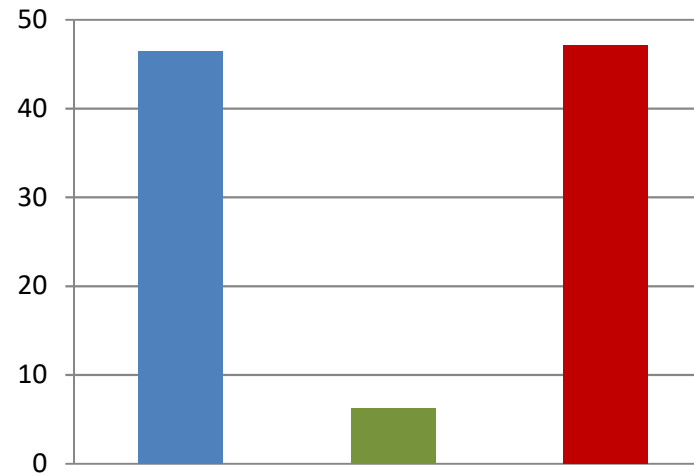
Area of agricultural land



Labour input

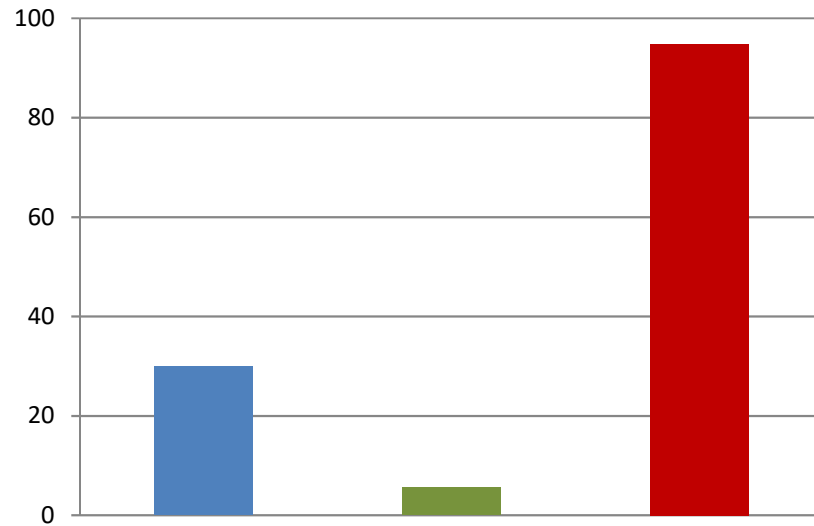


Value of agricultural output

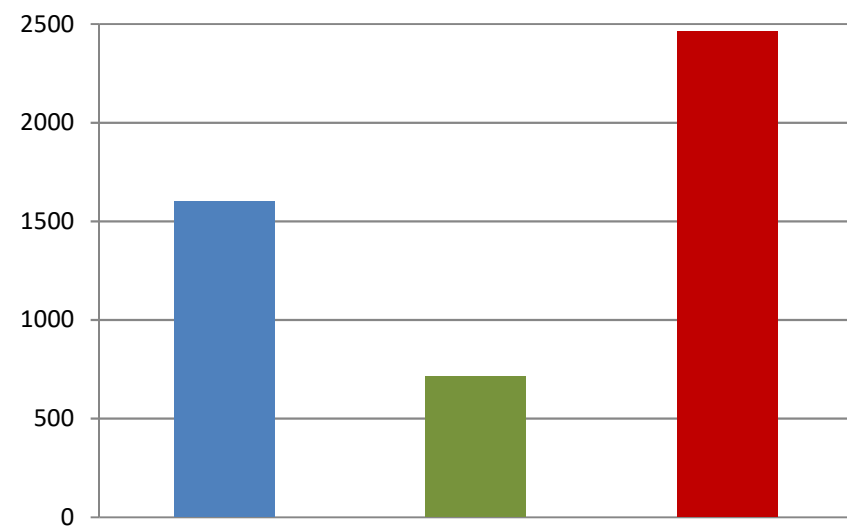


# Productivity (euro)

**Agricultural land**  
(Standard Output/AWU)



**Labour**  
(Standard Output/ha)



Family Small Corporate

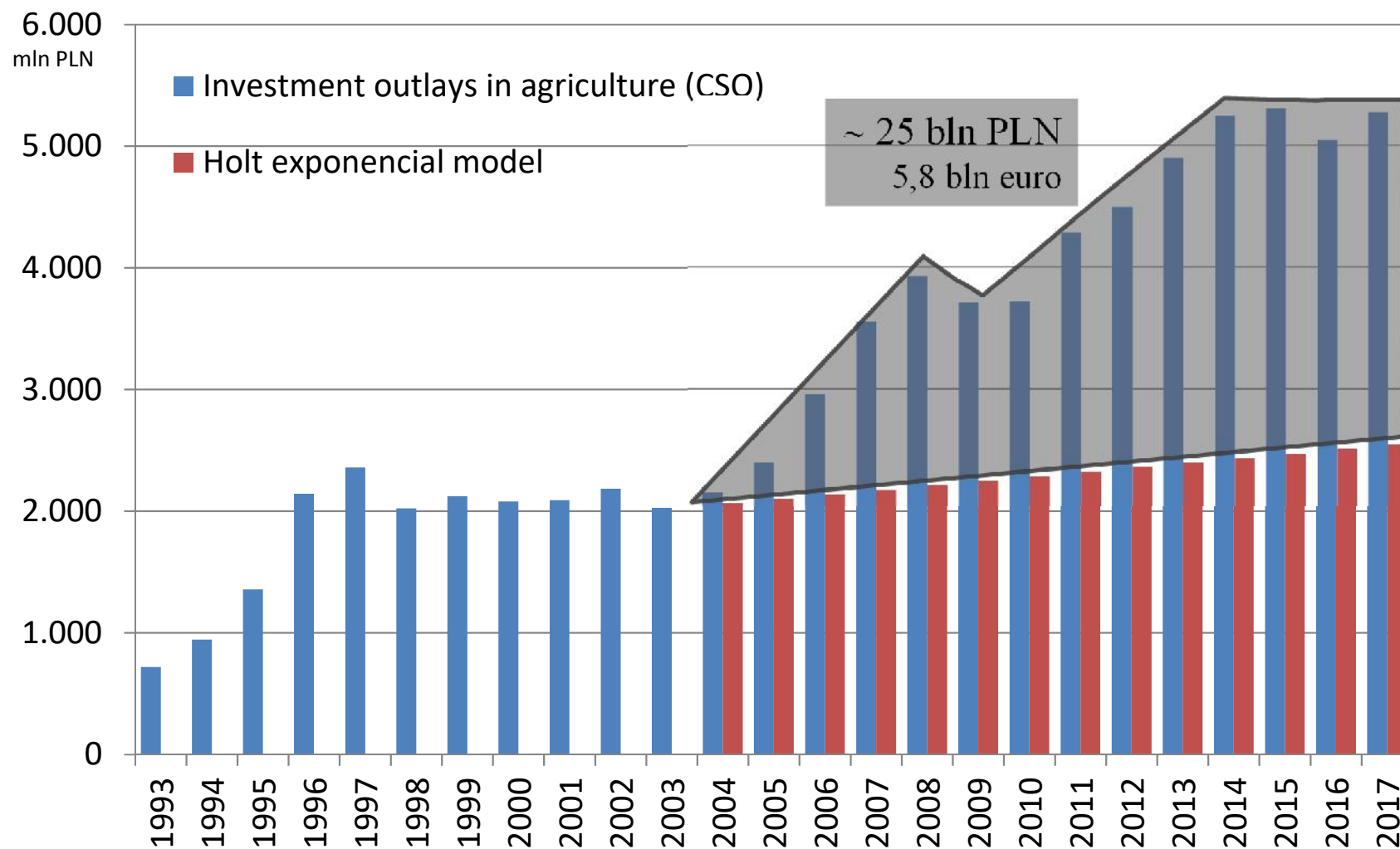
# Investment outlays in agriculture-

Polish example of UE accession

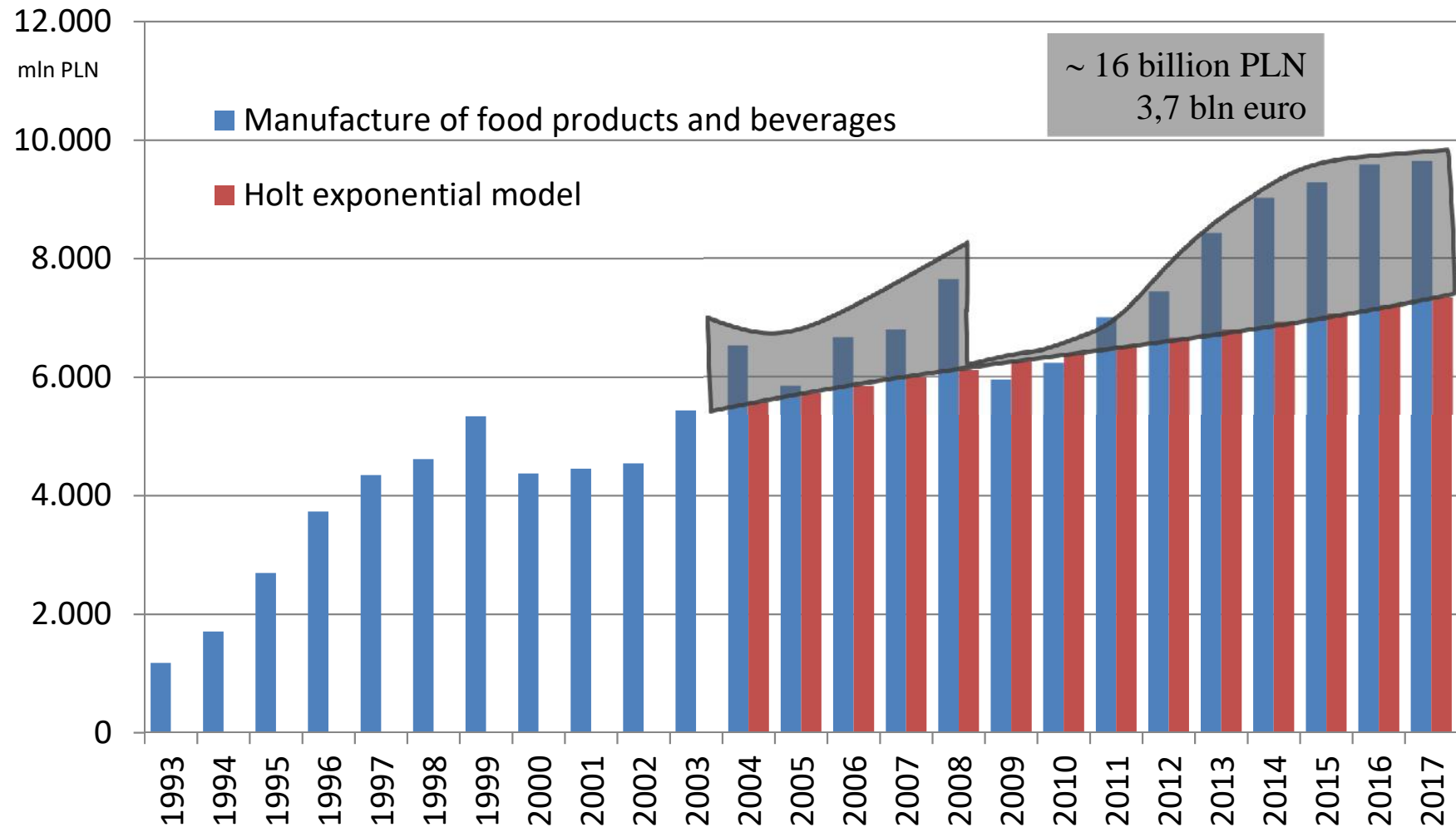
## The future CAP

*More favourable conditions for knowledge transfer,  
eco-friendly investments, innovation*

## Investment outlays in agriculture in 1993-2011 and the results of exponential model for 2004-2017



# Investment outlays in food industry



the estimated net increase from 2004 to 2017 is 16 billion PLN, which with a total capital expenditure of 106 billion PLN means an increase of 15%

# CAP flexible system

- specific needs of their farmers and rural communities

## **The future CAP**

*An extensive toolbox of measures will be agreed at the EU level, establishing what Member States can do with the money allocated to them; each country is then free to select and further design the specific measures*

# direction of financial mechanisms

## - what we support?

### **model of industrial agriculture**

strongly emphasizing the increasing labor productivity and the intensity of resource management in agriculture production

#### **High economic efficiency**

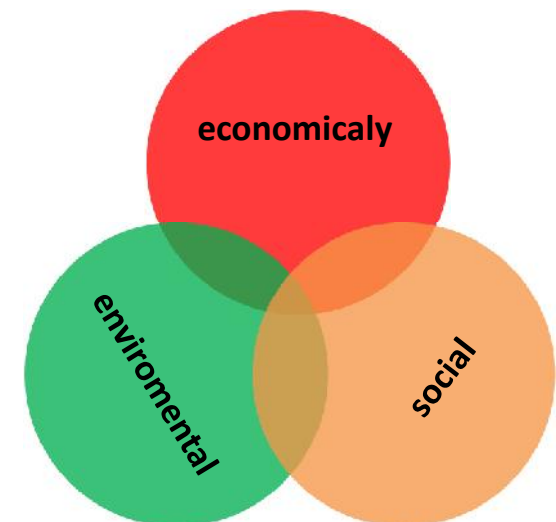
with respect for the basic requirements of environmental protection

### **model of socially sustainable agriculture**

provide a satisfactory conditions for the agricultural population and rural areas

### **model of environmentally sustainable agricultural**

ability to self-renewal of natural resources

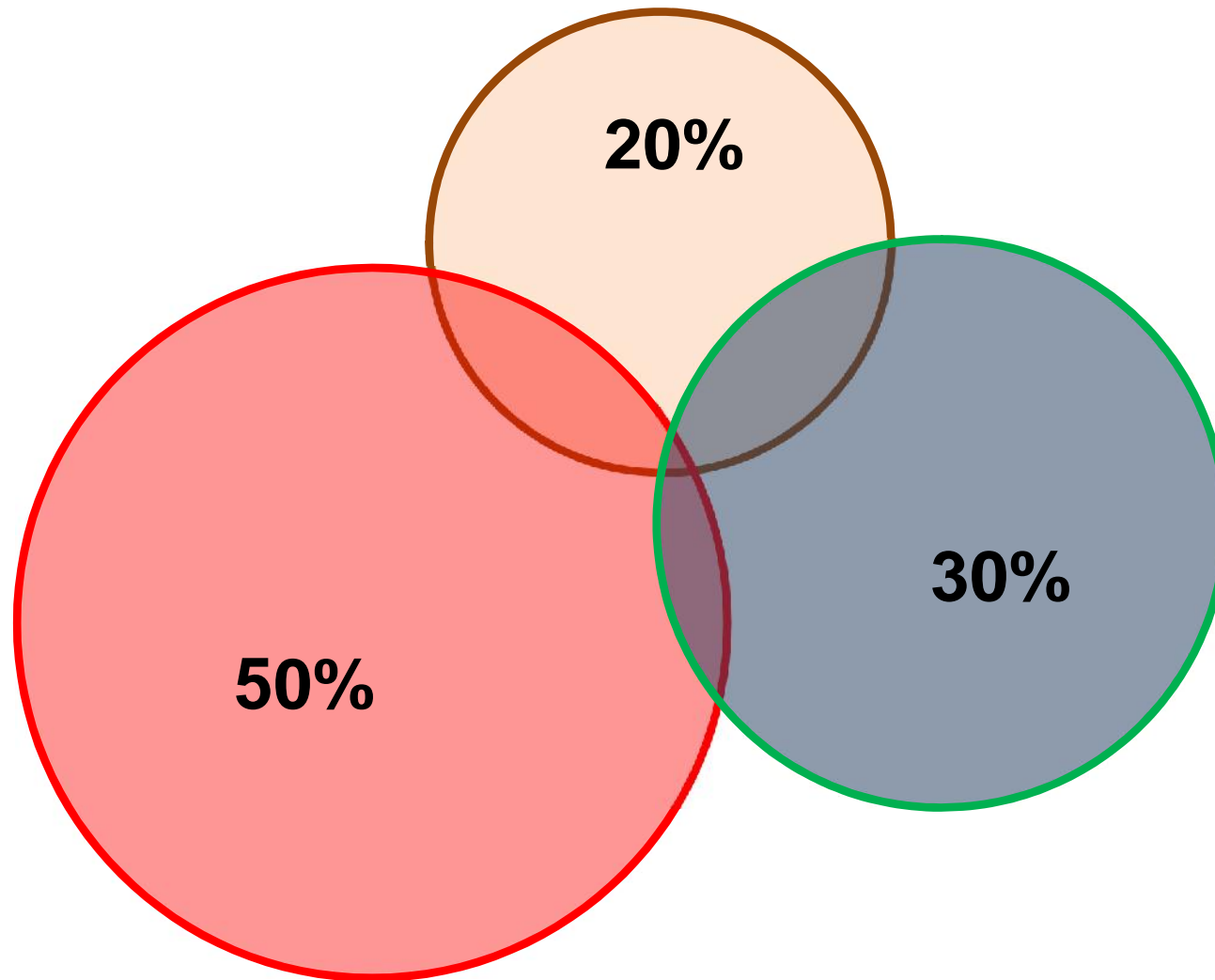




Total public expenditure + co-financing  
without direct subsidies  
in millions of euro

allocation	2002-2004 SAPARD	2004-2006 SPO i RDP	2007-2013 RDP	TOTAL
mln euro				
Industrial	1 236	3 166	12 384	<b>16 786</b>
Social	168	1 317	7 452	<b>8 936</b>
Environmental	257	1 752	4 958	<b>6 966</b>
Total	1 661	6 234	24 794	<b>32 689</b>
%				
Industrial	75	51	50	<b>51</b>
Social	10	21	30	<b>27</b>
Environmental	15	28	20	<b>22</b>

# Polish RDP 2014-2020



# Research methods - The criteria for allocation

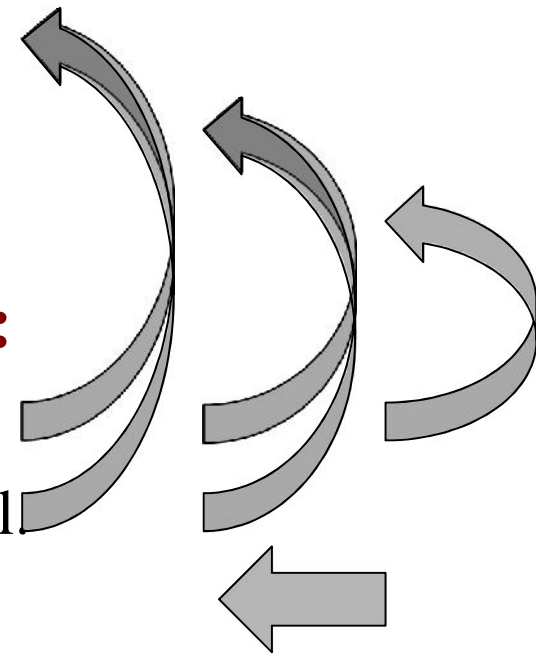
Moving away from the classification/division in the axes of the RDP to own category on the basis of:

– **1. THE TARGET GROUP OF BENEFICIARIES:**

- a) residents of rural areas,
- b) farms and forest owners.
- c) an agri-food industry,

– **2. THE TARGET OF THE SUPPORT:**

- a) improving the fixed assets (capital),
- b) to improve human and social capital
- c) improving the environment.

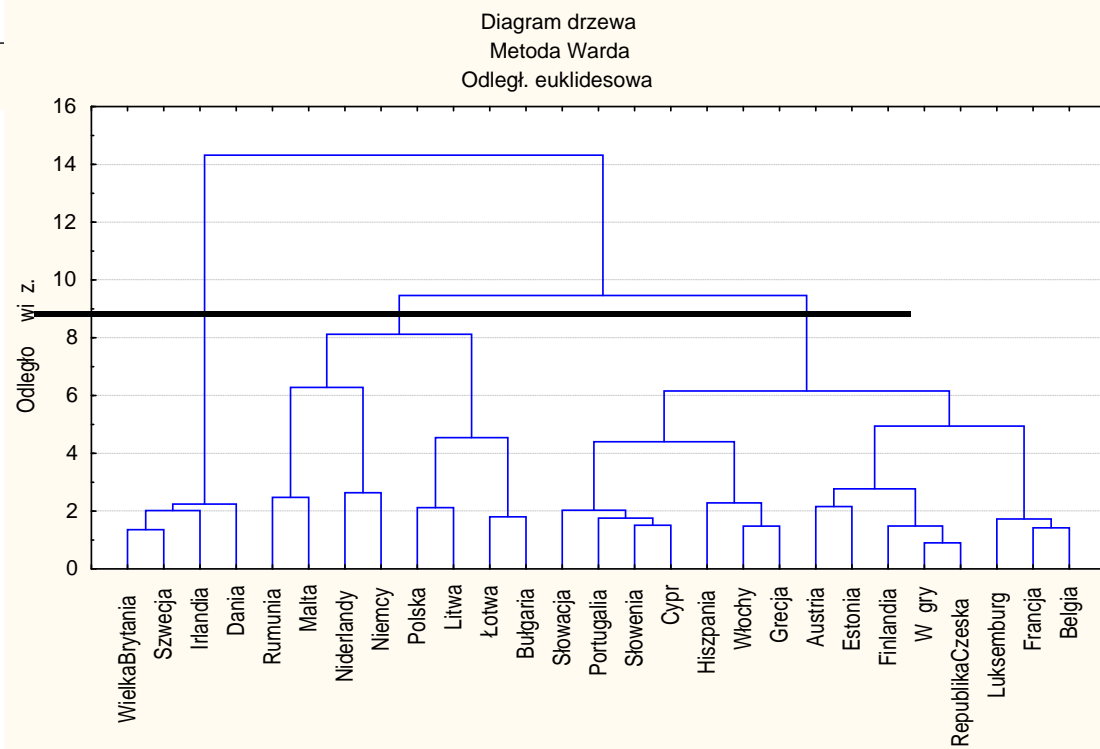
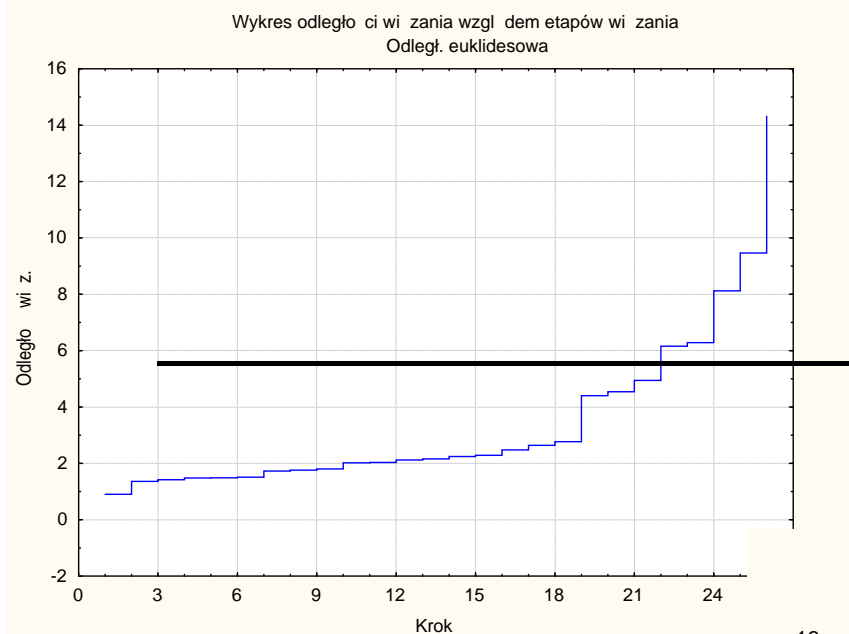


# Allocation of EU funds for rural development programs





- |   |   |                                 |
|---|---|---------------------------------|
| 1 | Improvement of <b>assets</b>                  | in <b>rural areas</b>           |
| 2 | Improving the <b>human and social capital</b> | in <b>rural areas</b>           |
| 3 | Improving <b>assets</b> only or mainly        | on <b>farms</b>                 |
| 4 | Improving the <b>human and social capital</b> | on <b>farms</b>                 |
| 5 | Improvement of <b>assets</b> of               | <b>food processing industry</b> |
| 6 | The afforestation and improving of the        | <b>environment</b>              |

				Bulgaria	Czechy
axis 1	111	Vocational training and information actions	4	102 413 694	12 523 785
	112	Setting up of young farmers	3	102 413 694	57 659 843
	113	Early retirement	4		34 377 370
	114	Use of advisory services	4		19 752 279
	121	Modernisation of agricultural holdings	3	572 311 816	288 618 615
	122	Improvement of the economic value of forests	5	24 097 340	25 543 479
	123	Adding value to agricultural and forestry products	6	240 973 396	117 391 575
	124	Cooperation for development of new products	3, 6		39 542 381
	125	Infrastructure related to the development and adaptation ...	3		228 386 772
	126	Support for business creation and development	3		
axis 3	311	Diversification into non-agricultural activities	3		
	312	Support for business creation and development	1		
	321	Basic services for the economy and rural population	1		
	322	Village renewal and development + Encouragement of tourism activities + Conservation and upgrading of the rural heritage	1	144 584 038	
				12 048 670	16 726 398
	331	Training and information	2		
	341	Skills acquisition, animation and implementation of ...	2		
axis 2	211	Natural handicap payments to farmers in mountain areas + Payments to farmers in areas with h., other than mountain (HNV)	3		
	213	Natura 2000 payments and payments linked to Directive 2000/60/EC	5		
	214	Agri-environment payments	5		
	215	Animal welfare payments	5		
	216	Non-productive investments	5		
	221	First afforestation of agricultural land + First afforestation of non-agricultural land	5		
axis 4	222	First establishment of agroforestry systems on ...	5		
	411	Implementing local development strategies. Competitiveness + Environment/land + Quality of life	2		
	421	Implementing cooperation projects	2		
	431	Running the local action group, acquiring skills and ...	2		

# *k clusters* - agglomeration method of grouping



# cluster analysis

Denmark	
Ireland	
Sweden	
United Kingdom	

Greece	
Cyprus	
Latvia	
Lithuania	
Portugal	
Slovenia	
Slovakia	
Bulgaria	
Poland	
Romania	
Spain	

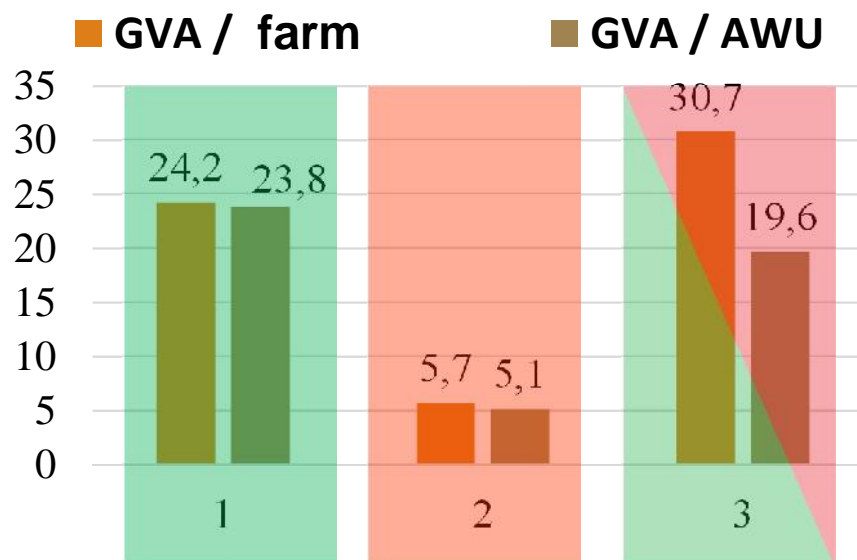
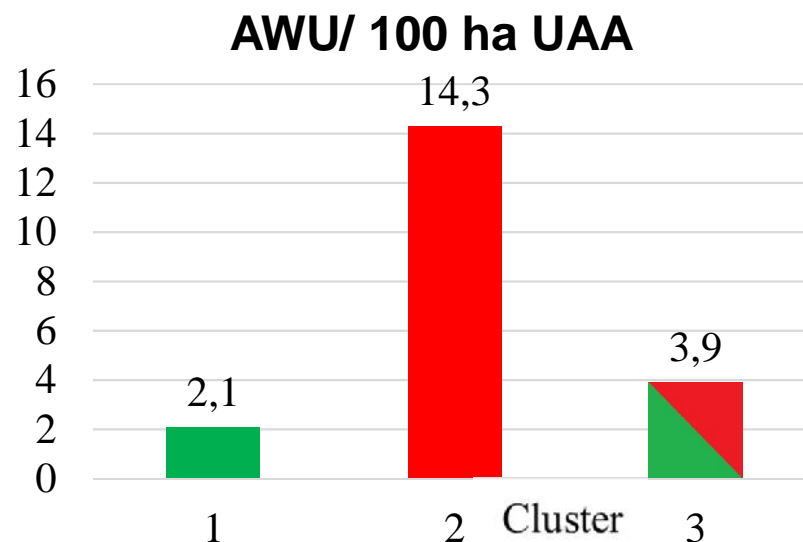
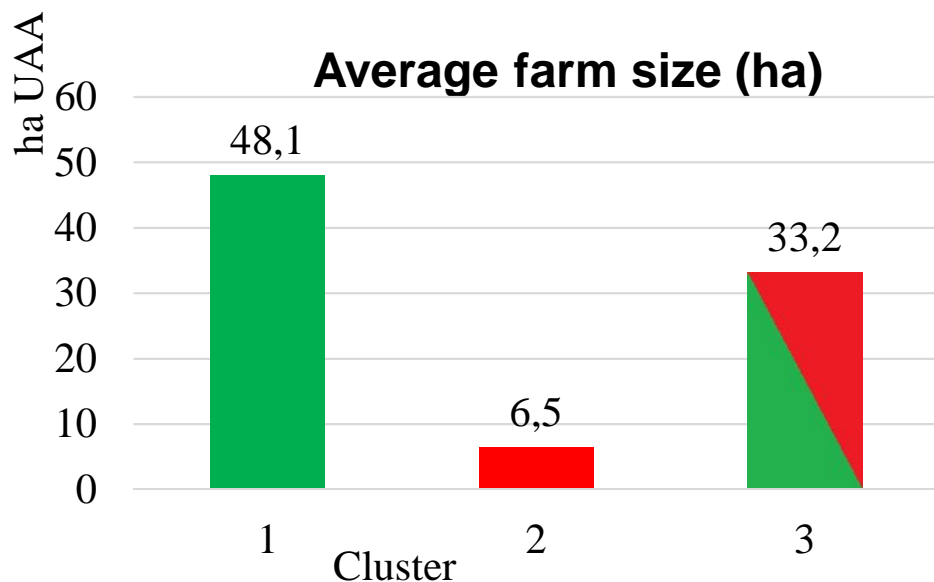
Belgium	
France	
Luxembourg	
Finland	
Czech Republic	
Germany	
Estonia	
Italy	
Hungary	
Netherlands	
Austria	

# Allocation of EU funds

Country	assets in rural areas	human and social capital in rural areas	assets only or mainly on farms	human and social capital only or mainly on farms	assets of food processing industry	afforestation and improving of the environment
UE 27	7,8	9,2	37,6	4,4	5,1	31,0
Denmark Ireland Sweden United Kingdom	5,0	9,7	18,8	6,2	2,5	60,8
Greece Cyprus Latvia Lithuania Portugal Slovenia Slovakia Bulgaria Poland Romania Spain	10,0	8,7	39,3	5,3	7,8	26,6
Belgium France Luxembourg Finland Czech Republic Germany Estonia Italy Hungary Netherlands Austria	7,8	9,2	36,0	3,2	3,5	33,5
Malta	11,8	26,1	37,0	6,6	7,1	11,4



# Indicators of production and economic situation of agriculture

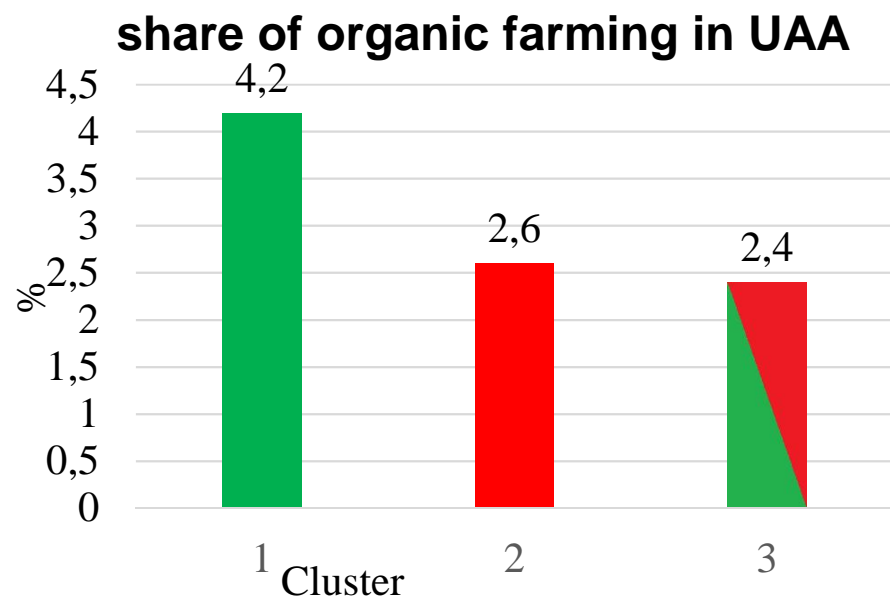
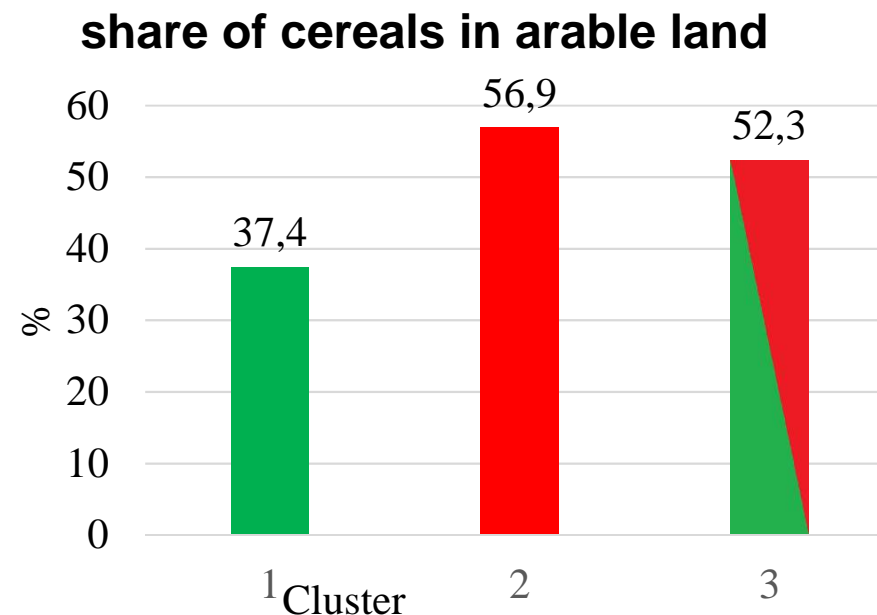
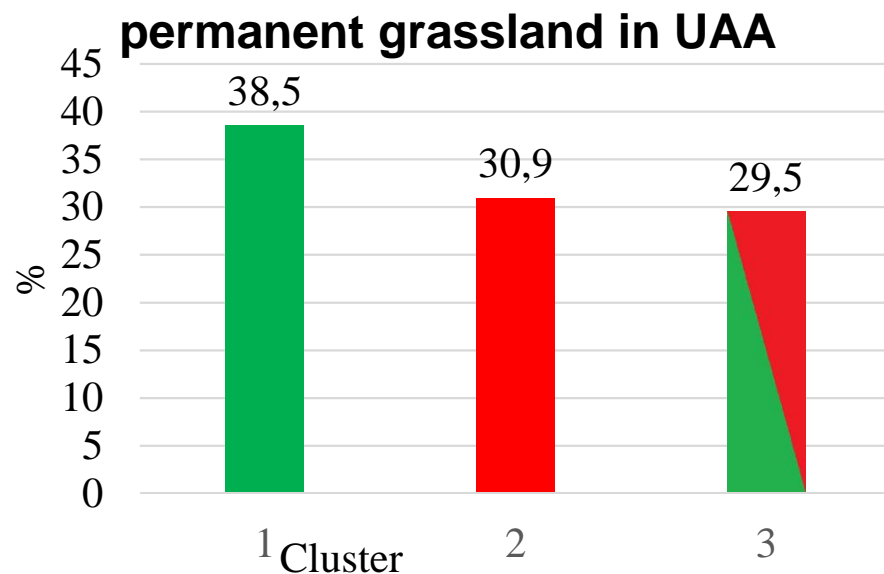


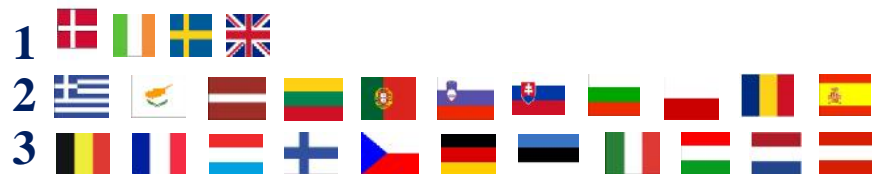
1 

2 

3 

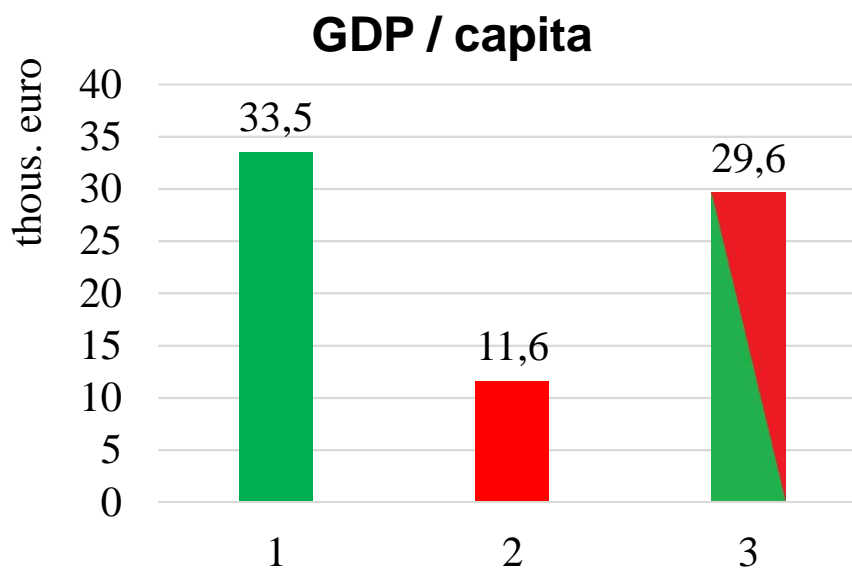
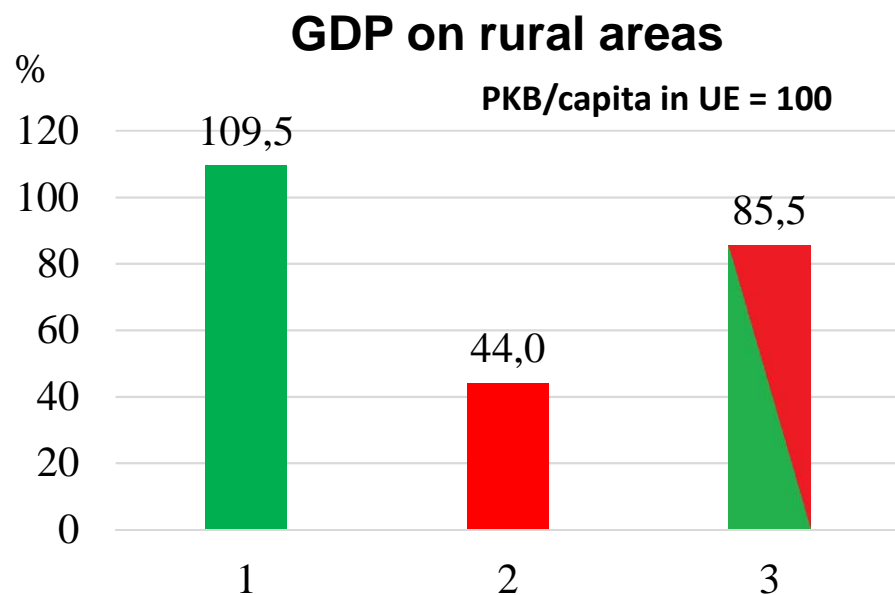
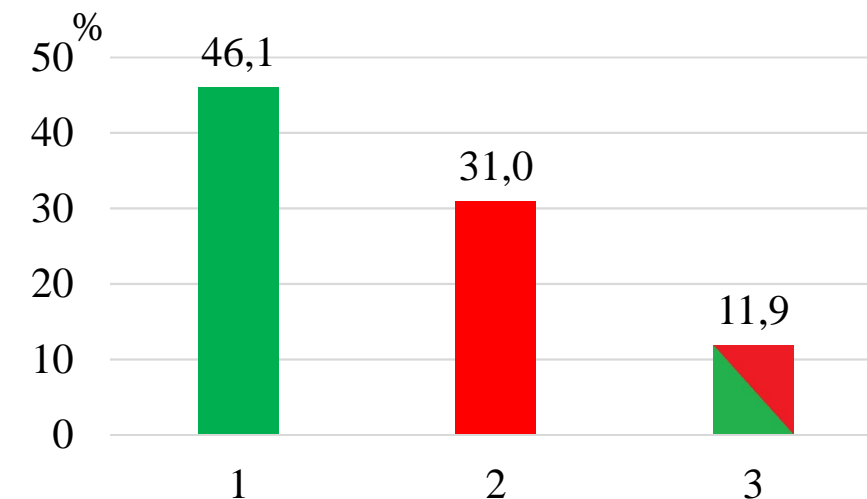
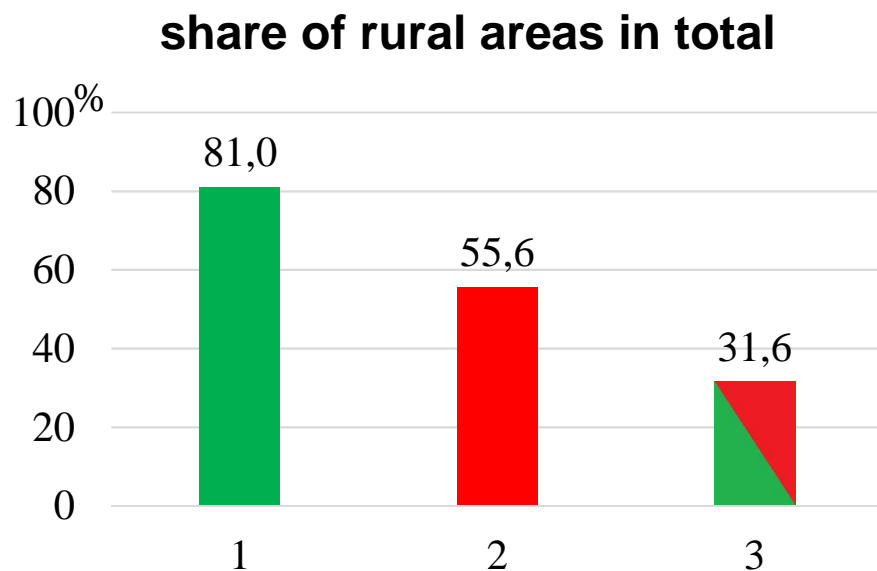
## Agri-environmental indicators





## development indicators

### share of the population from rural areas



# Conclusions

The specificity of the national allocation of funds under the rural development programs corresponds to the level of development of individual Member States and the resulting needs of the different dimensions of sustainability in agribusiness and rural areas.

An important role in determining the allocation of funds played a **time of the accessions to the European Union**.

The most important criterion influencing the allocation of II pillar of the CAP was the wealth of rural societies and the competitiveness of agri-food sector

# cluster analysis

Bulgaria
Romania



Latvia
Lithuania
Poland
Slovenia
Slovakia



Czech Republic
Estonia
Hungary



## Allocation of EU funds

### cluster analysis

Direction	Cluster 1 Bulgaria, Romania		Cluster 2 Lithuania, Latvia, Poland, Slovakia, Slovenia		Cluster 3 Czech Republic, Estonia, Hungary	
	1 000 EUR	%	1 000 EUR	%	1 000 EUR	%
1. Improvement of real capital in rural areas	2 881 160	<b>28,4</b>	3 039 445	<b>16,2</b>	910 696	<b>12,6</b>
2. Improvement of human and social capital in rural areas	408 182	<b>4,0</b>	867 599	<b>4,6</b>	476 360	<b>6,6</b>
3. Improvement of real capital only or mostly in farms	3 826 434	<b>37,7</b>	8 095 204	<b>43,1</b>	2 873 352	<b>39,6</b>
4. Improvement of human and social capital only or mostly in farms	97 719	<b>1,0</b>	2 079 884	<b>11,1</b>	138 607	<b>1,9</b>
5. Improvement of the environment and afforestation	1 797 919	<b>17,7</b>	3 590 493	<b>19,1</b>	2 462 121	<b>34,0</b>
6. Improvement of real capital in agri-food processing	1 137 876	<b>11,2</b>	1 094 623	<b>5,8</b>	383 710	<b>5,3</b>
Total	10 149 290	<b>100,0</b>	18 767 243	<b>100,0</b>	7 246 999	<b>100,0</b>

# Allocation of EU funds

## cluster analysis

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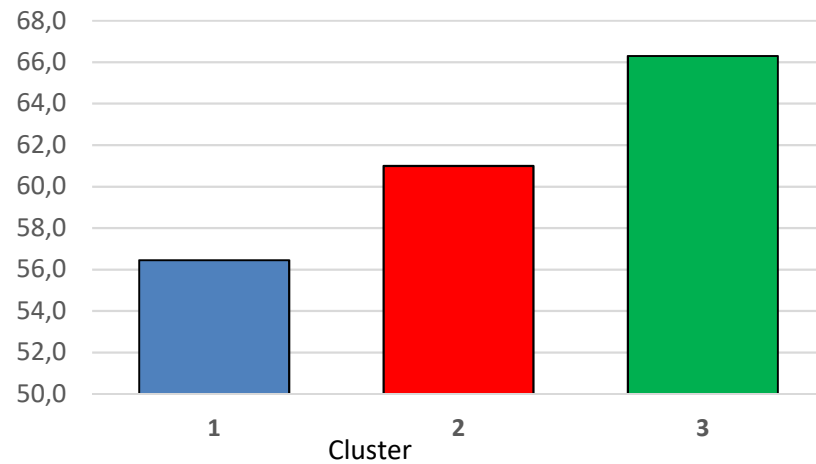
1/3

55%

1/3

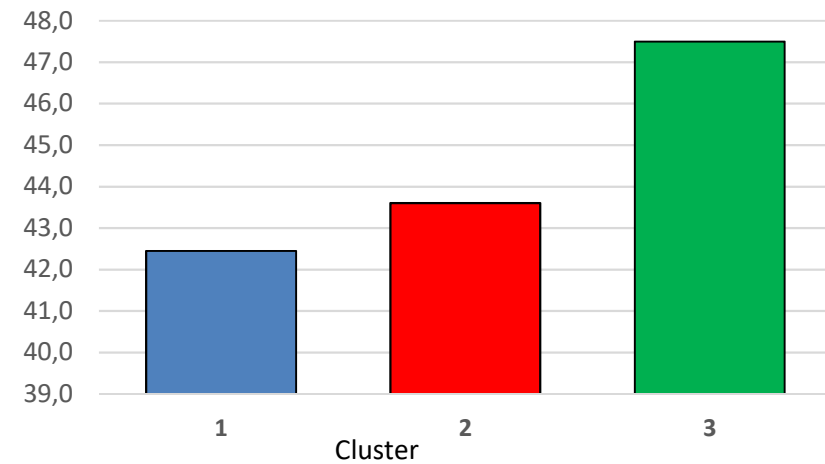


**share of rural areas in total**



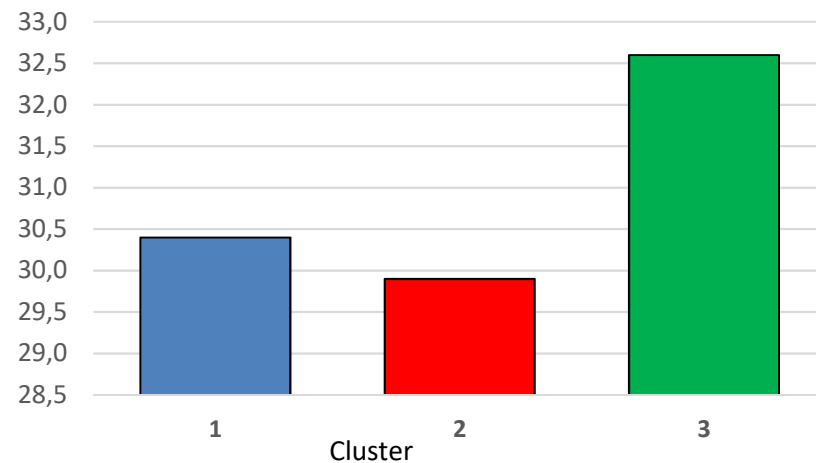
## RD development indicators

**share of the population from rural areas**

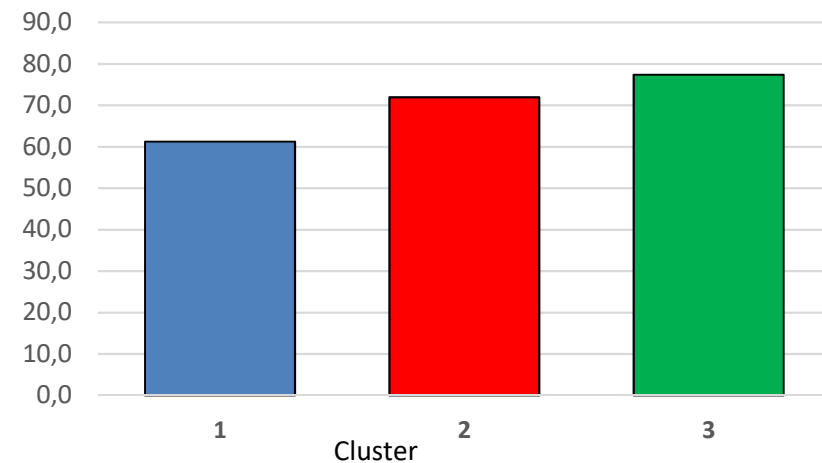


**GDP on rural areas**

GDP/capita in UE = 100



**Population density on rural areas**  
(inhab/km<sup>2</sup>)

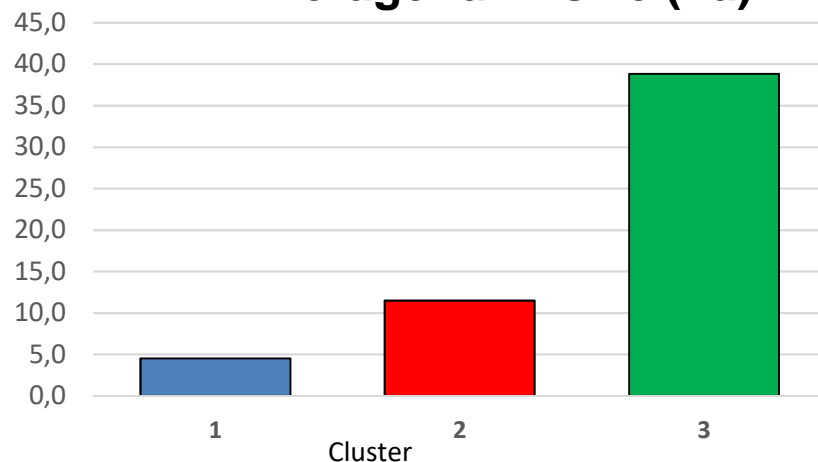




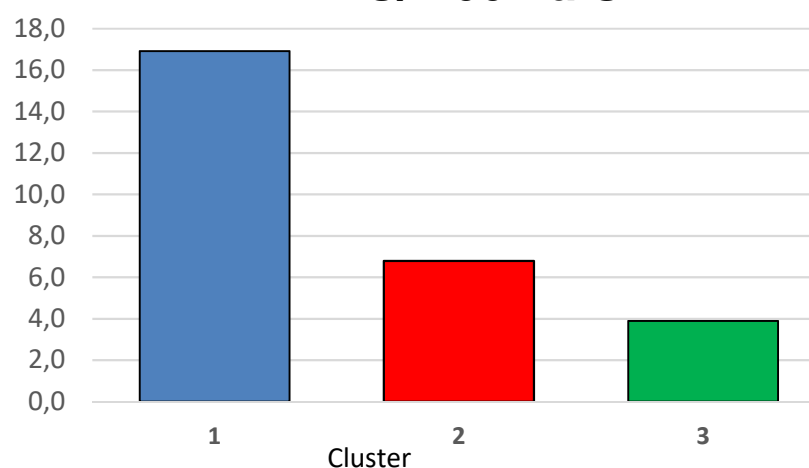


# Indicators of production and economic situation of agriculture

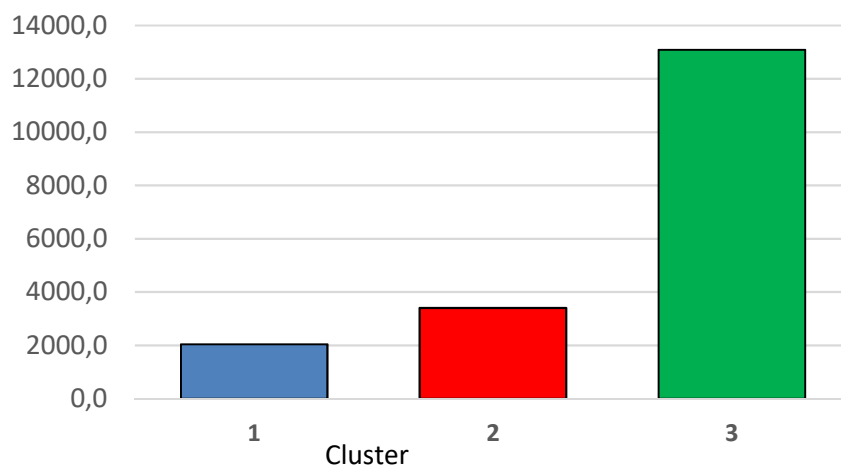
**Average farm size (ha)**



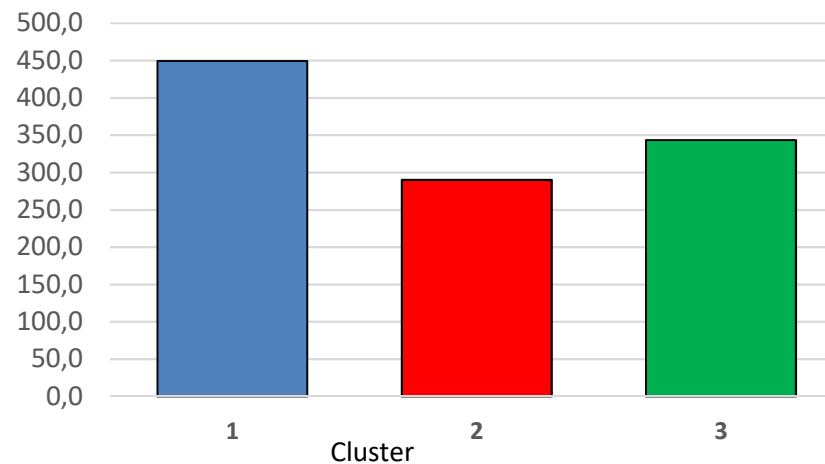
**AWU/ 100 ha UAA**



**GVA / farm [000 €]**

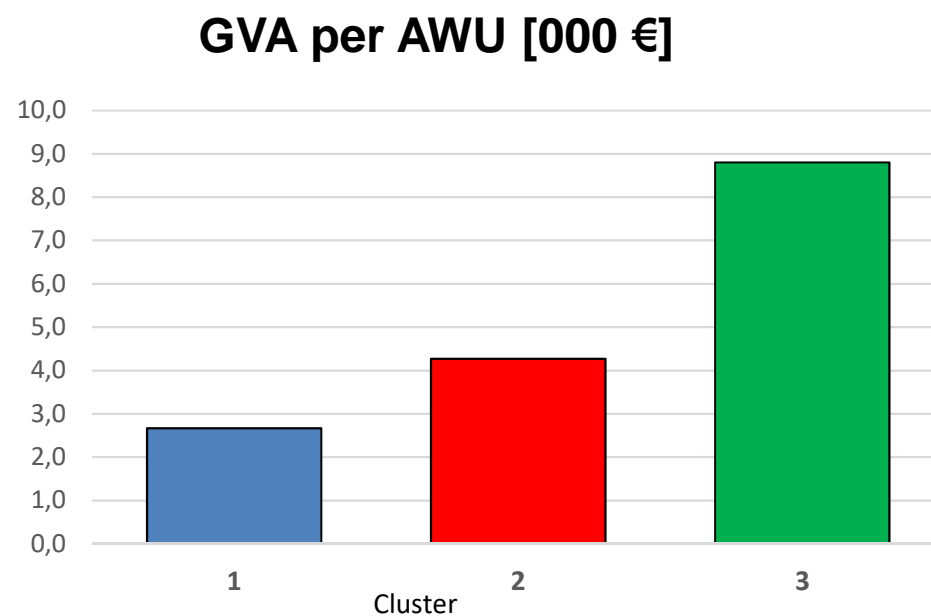


**GVA / 1 ha UAA [000 €]**





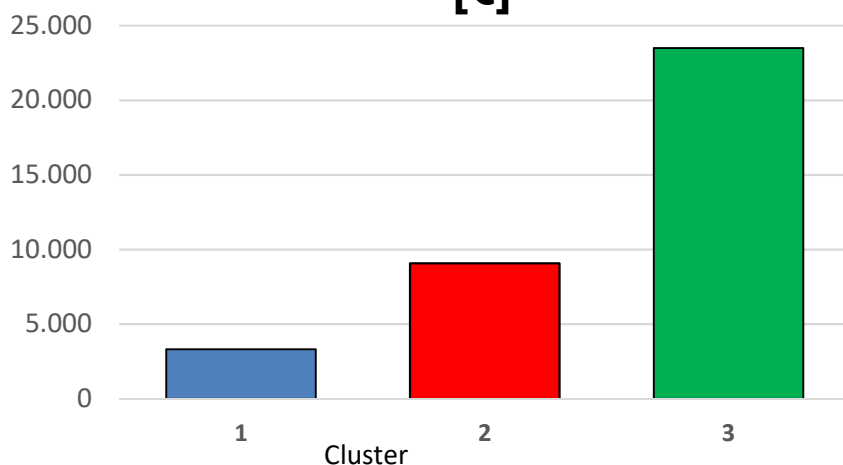
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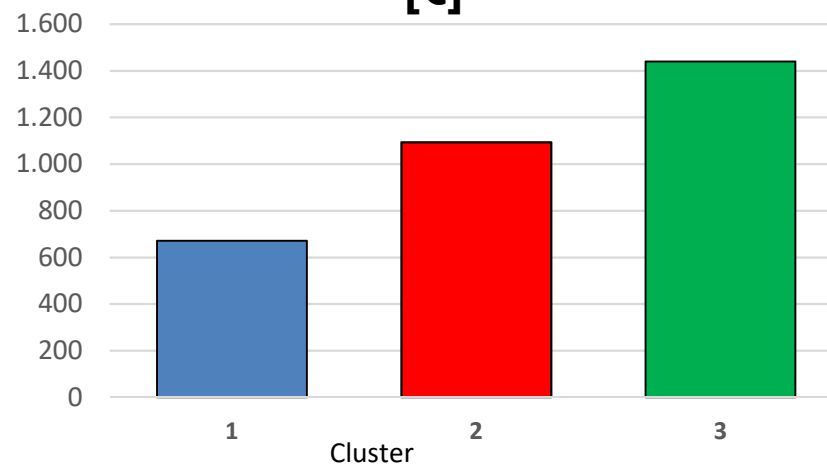


# Direct payments (in the financial framework 2007-2013)

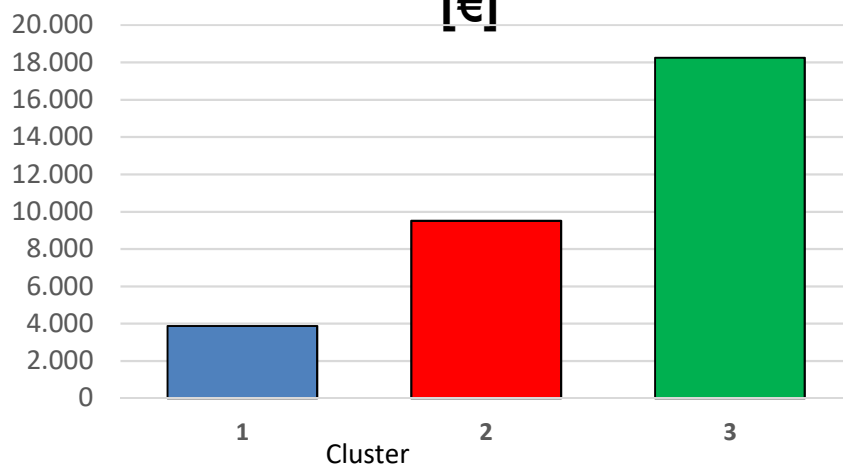
Direct payments **per farm**  
[€]



Direct payments **per ha UAA**  
[€]



Direct payments / **AWU**  
[€]



## **Direct support for farmers**

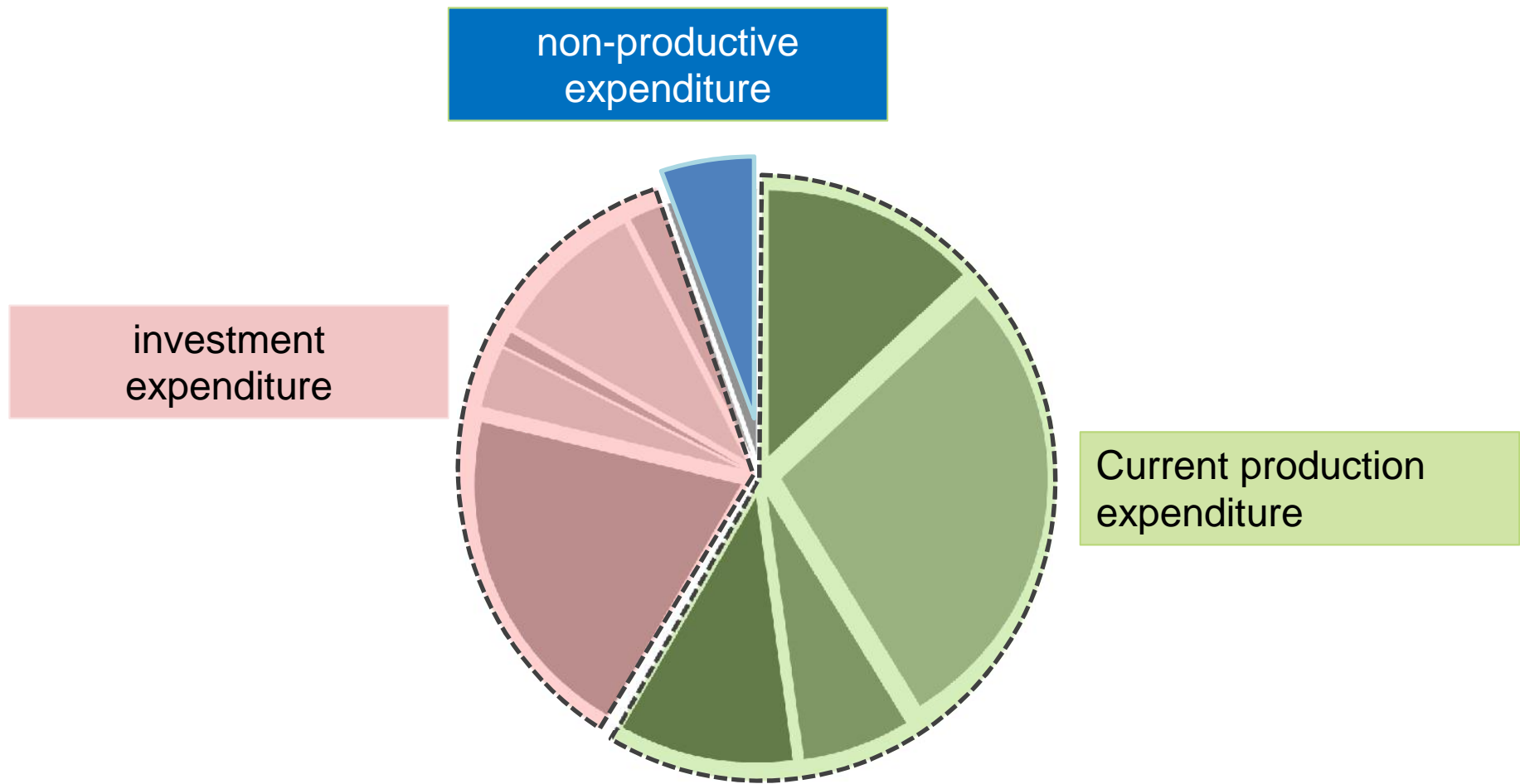
to ensure stability and predictability to farmers

### **The future CAP**

*There will be EU involvement at each stage to set rules, assess plans, monitor progress and ensure delivery*

*Obligation for Member States to reserve part of the direct payments to farmers for those participating in **specific eco-schemes***

# The distribution of direct payments to the various directions of their use



Source: Own elaboration, 2006-2013

# Demand factors - domestic demand

Growth in individual consumption of food and non-alcoholic beverages  
in the household sector (previous year = 100, constant prices)

1998	1999	2000	2001	2002	2003	2004								
102,7	101,7	101,8	102,1	101,4	100,0	101,6								
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017	
													2005 =100	2010 =100
101,4	103,7	101,6	102,4	100,1	100,1	99,0	101,0	101,1	98,3	102,2	103,8	101,8	<b>108,2</b>	<b>100,1</b>

## CAP 2020+

the future CAP retains both pillars

**more flexibility and simplification**

**more oriented to results**

**more balanced distribution** of payments:

- compulsory capping at farm level
- degressive payments decreasing with farm size

reinforced link **with environmental objectives**: voluntary eco-schemes introduced in the budget for direct payments; greater flexibility for Member States

**new crisis reserve**

MFF 2021/2027 includes 365 billion EUR for the CAP in current prices -5% (28.5% MFF); 324,2 billion EUR in 2018 constant prices -12%

### CAP sub ceilings in the MFF (commitments in millions – current prices)

	<b>EU-28 2014/2020 A</b>	<b>EU-27 2020 (x 7) B</b>	<b>EU-27 2014/2020 C</b>	<b>EU-27 2021/2027 D</b>	<b>% B/D change E</b>	<b>% C/D change F</b>
<b>1. EAGF</b>	302 797	284 803	280 351	286 195	0.5%	2%
<b>2. EAFRD</b>	100 273	97 670	95 078	78 811	-19%	-17%
<b>3. TOTAL CAP</b>	403 070	382 473	375 429	365 005	-5%	-3%
<b>4. TOTAL MFF</b>	1 115 919	1 151 866	1 063 101	1 279 408	11%	20%
<b>5. % CAP (3/4)</b>	36.1%	33.2%	35.3%	28.5%	--	--

### CAP sub ceilings in the MFF (commitments in millions – constant 2018 prices )

	<b>EU-28 2014/2020 A</b>	<b>EU-27 2020 (x 7) B</b>	<b>EU-27 2014/2020 C</b>	<b>EU-27 2021/2027 D</b>	<b>% B/D change E</b>	<b>% C/D change F</b>
<b>1. EAGF</b>	309 064	273 743	286 143	254 247	-7%	-11%
<b>2. EAFRD</b>	102 004	93 877	96 712	70 037	-25%	-28%
<b>3. TOTAL CAP</b>	411 068	367 621	382 855	324 284	-12%	-15%
<b>4. TOTAL MFF</b>	1 136 105	1 107 138	1 082 320	1 134 583	2%	5%
<b>5. % CAP (3/4)</b>	36.1%	33.2%	35.3%	28.5%	--	--

The transformation from current in constant prices has been undertaken using the fixed 2% annual deflator



## VOLUNTARY for farmers

- Farmers will be rewarded for going beyond mandatory requirements in relation to agri-environment and/or climate commitments undertaken

- Each Member State will develop eco-schemes to support and/or incentivise farmers to observe agricultural practices beneficial for the climate and the environment, beyond their mandatory requirements

## MANDATORY for farmers

- All direct payments will be conditional to enhanced environmental and climate requirements. In line with the EU's ambitious environmental and climate objectives, the mandatory requirements with which farmers have to comply will be further strengthened.

### New obligations include

- preserving carbon-rich soils through protection of wetlands and peatlands
- obligatory nutrient management tool to improve water quality, reduce ammonia and Nitrous oxide levels
- crop rotation instead of crop diversification

- A minimum 30% of pillar 2 funding will be spent on climate and environment-related measures
- 40% of the CAP's overall budget is expected to contribute to climate action;
- Annual monitoring of progress made
- Suspension of payments in case of serious under-performance

- Financial performance reserve of up to 5% of rural development allocation to reward Member States that meet their climate, environment and biodiversity targets
- Obligation for Member States to reserve part of the direct payments to farmers for those participating in specific eco-schemes
- Improved synergies with other EU policies and programmes on climate action and the environment, such as the LIFE programme
- More favourable conditions for knowledge transfer, eco-friendly investments, innovation and cooperation

