



CAP 2014-2020

An impact assessment of the proposed direct payment system in Hungary

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AKI



Financed by the MRD

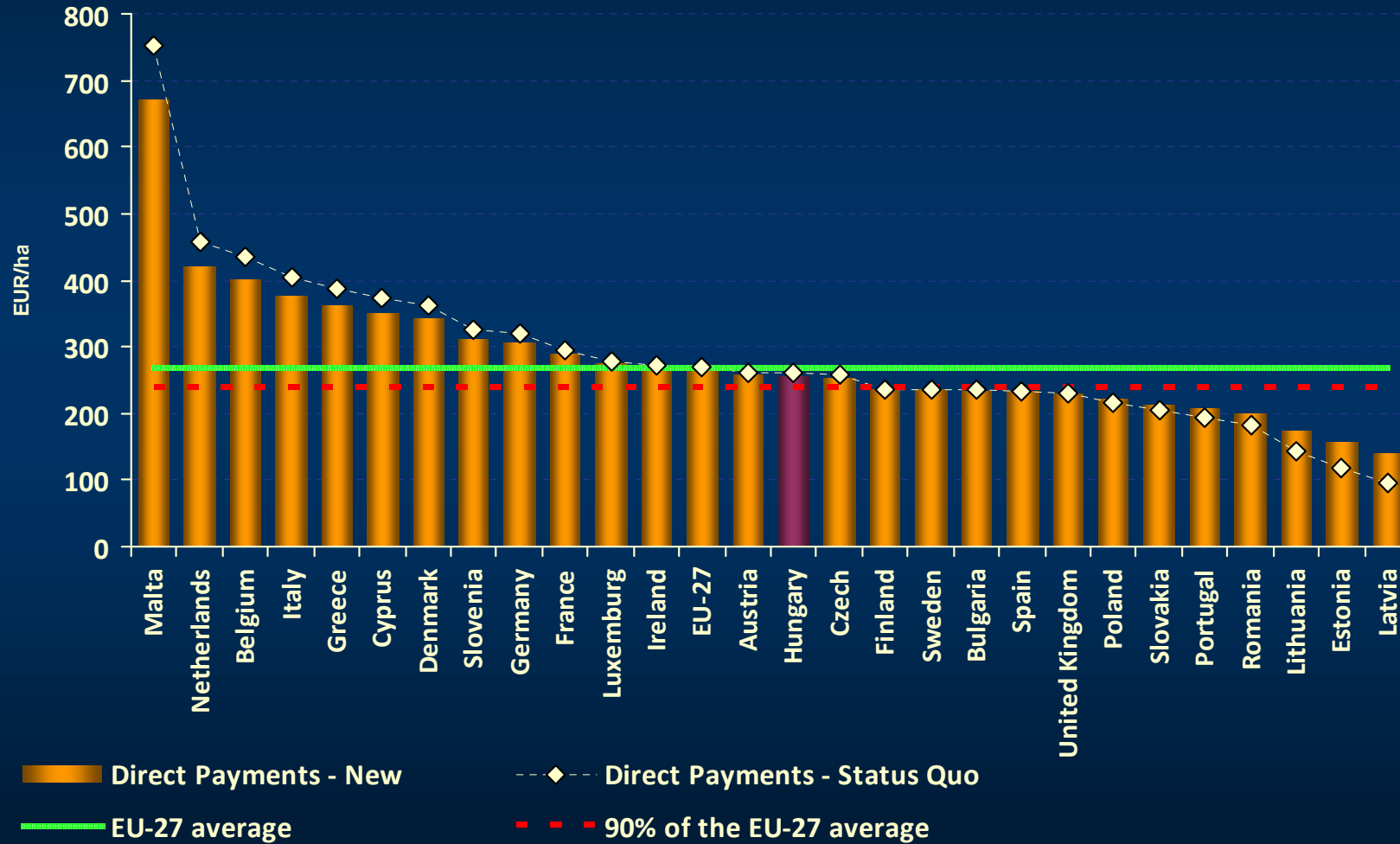
Research supporting:

- **Ag policy / decision makers**

Dissemination helping:

- **Farmers & other stakeholders**
- **Universities**

P1 Budget post 2013



Questions

➤ Small farmers

- Potential applicants
- Total amount redistributed

➤ Greening

- Potential applicants
- Costs and opportunity costs versus the amount of support

➤ Young farmers

- Potential applicants
- Total amount of support

➤ Coupled support

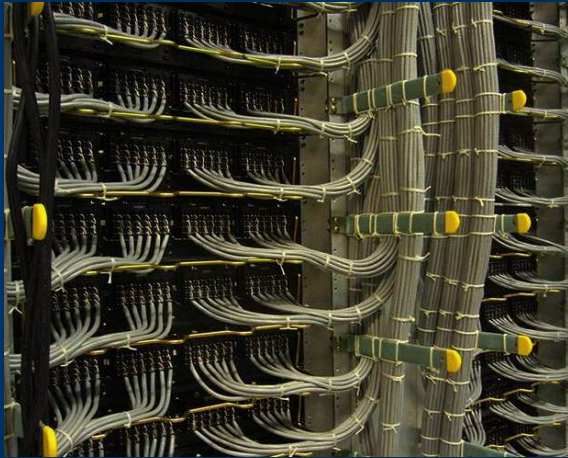
- Preferences

➤ Capping

- Farms potentially affected
- Total amount of reductions

➤ Possible structural changes

Databases



ARDA database of 2010

- **180,000 applicants (4.97 M ha)**

FADN database of 2010

- **1,900 farms (395,000 ha)**

FADN moving averages

Small Farmers



1000 EUR/applicant

69,300 applicants (38%)

3% of eligible area

470 EUR/applicant extra support

32.6 M EUR redistributed

Green Component

80 EUR/ha

7% ecological focus area

- **101,900 applicants (4.71 M ha)**
- **≤ 20 EUR/ha income loss:**
81,800 applicants (4.37 M ha)

Diversification

- **34,900 applicants (12.6 ha average area)**



Young Farmers

How long have
you been in
farming?



15,800 farmers younger than 40

9,500 potential applicants (5%)

7,200 farms \leq 25 ha (77,000 ha)

2,300 farms $>$ 25 ha (160,000 ha)

102,000 ha not qualifying

8.8 M EUR needed (0.7% of P1)

Coupled Support



10% (130 M EUR)

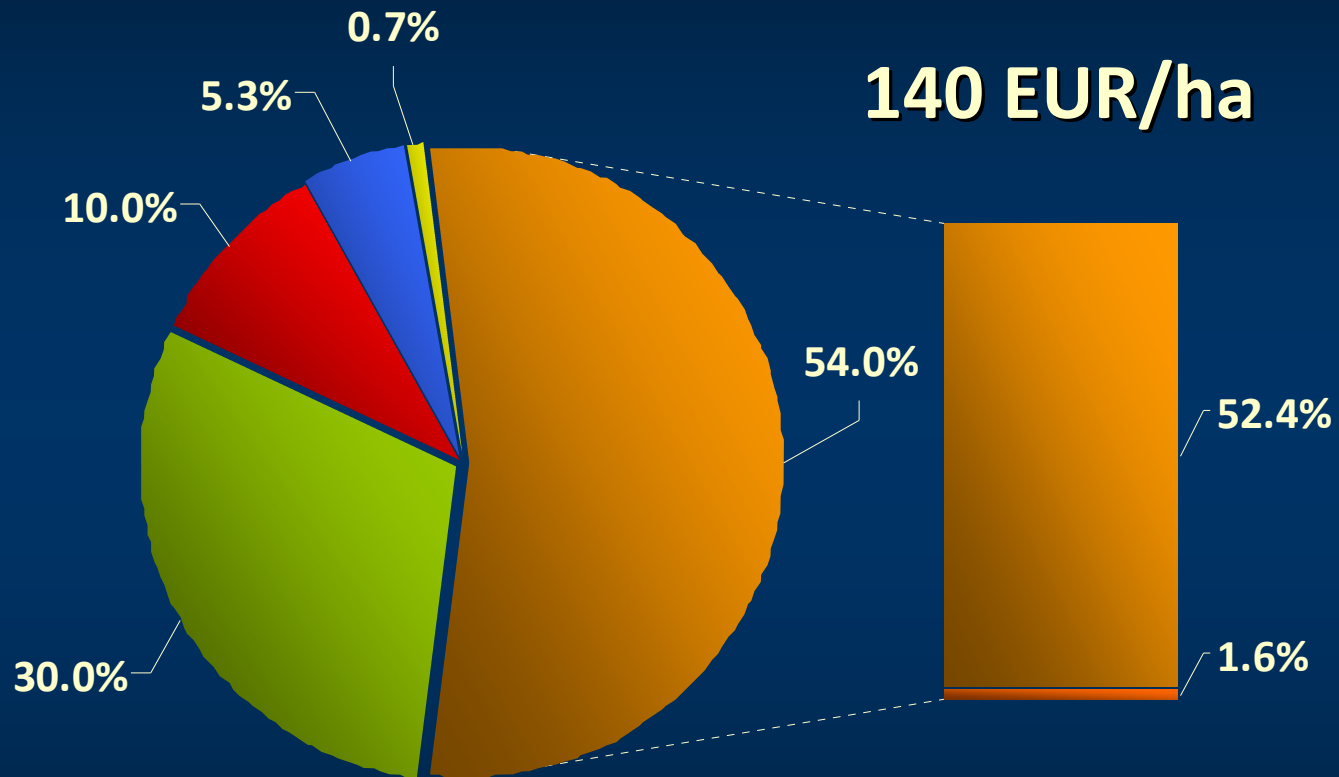
110 M EUR for ruminants

Sustaining production at best

Livestock numbers in 2013?

Aids for restructuring?

Basic Payment



■ Green Component

■ Coupled Support

■ Small Farmers

■ Young Farmers

■ Basic Payment

■ National Reserve

Capping



Without the green component

Less salaries

209 farms affected (614,200 ha)

11.7 M EUR rechanneled

Proposals



Ecological focus area

- On a regional level

Diversification

- Raising of the 3 ha limit

Young farmers

- No area limit
- Eligibility for all farmers under 40

Modeling



Agent-based simulation

General equilibrium

2010 = 2013 (base year)

1 EUR = 300 HUF

14 Ag sectors

Modeling Results

Annual percentage change in

	Area	Output
<i>Wheat</i>	0.98	0.98
<i>Corn</i>	1.02	1.02
<i>Barley</i>	0.93	0.93
<i>Rapeseed</i>	1.02	1.02
<i>Sunseed</i>	0.99	0.99

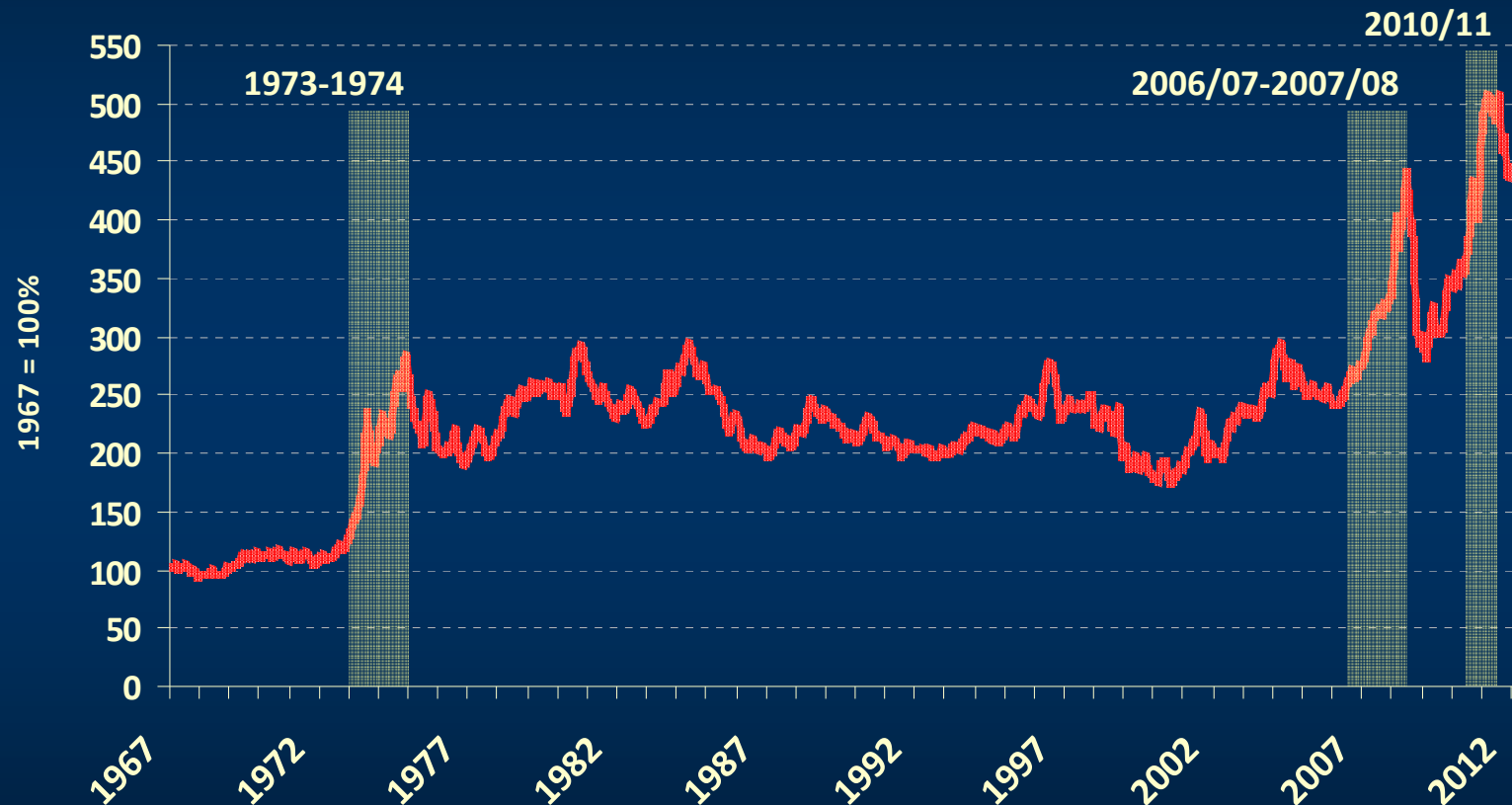
Annual percentage change in

Livestock numbers

<i>Broilers</i>	1.00
<i>Turkey</i>	0.96
<i>Ducks</i>	1.05
<i>Geese</i>	1.00
<i>Slaughter pigs</i>	0.95
<i>Sows</i>	0.97
<i>Beef</i>	1.01
<i>Milk</i>	1.00
<i>Ewes</i>	1.02

CRB Foodstuffs Sub-Index

(from January 1967 to May 2012)



Hogs, steers, lard, butter, soybean oil, cocoa, corn, Kansas City wheat, Minneapolis wheat, and sugar

Factors affecting Ag incomes

➤ Short term

- ☞ Oil prices**
- ☞ Emerging economies**
- ☞ Exchange rate volatility**
- ☞ Monetary policies of major economies**
- ☞ Bio-fuels production, use and policies**
- ☞ Trade distorting policies of some of the major exporting countries**
- ☞ Lack of transparency**
- ☞ Logistics**
- ☞ Instability of capital markets**
- ☞ Activity of index traders and macroists in commodity futures markets**

➤ Long term

- ☞ Global population growth**
- ☞ Climate change: local weather extremes**
- ☞ Water scarcity**
- ☞ Limited land availability**
- ☞ Growing share of developing countries in production**
- ☞ Research, development and innovation**

- ❖ Suspension of the WTO DDA: bi- and multilateral trade agreements**



**Thank you for
your attention!**

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