

Workshop on areas facing natural and other specific constraints (ANCs)

18 October 2016

Degressivity of payments



Legal basis

Art. 31(1)

When calculating additional costs and income foregone, Member States may, where duly justified, differentiate the level of payment taking into account:

- *the severity of the identified permanent constraint affecting farming activities*
- *The farming system*

Art. 31(4) of the RD Regulation states that:

"Member States shall provide for degressivity of payments above a threshold level of area per holding, to be defined in the programme, ..."

Differentiation of payment

Situation:

ANCs designations: 2 different designations in the RDP (mountain areas & areas facing natural or other specific constraints).

In both areas (mountain & other areas facing natural constraints) there are differences of farm income. Dairy farms record very high costs due to high prices of feed, especially in mountain areas where the transport costs of feed play an important role. Crop farming records also high additional costs, higher in mountain areas than in other areas facing natural constraints. However, crop farms do not have the additional costs as dairy farms linked to feed prices.

Question:

How would you determine the differentiation in support levels, taking into account this information? Are there additional factors to consider?

Differentiation of payment

Solution found:

FI differentiated the payments between mountain areas and other areas facing natural constraints and between livestock farming and crops.

Degressivity

Art. 31(4) of the RD Regulation states that:

"Member States shall provide for degressivity of payments above a threshold level of area per holding, to be defined in the programme, ..."

Finland

The areas other than mountain areas are 100% delimited according to the low temperature criterion.

The application of art. 31(4) led to a degressivity of the payments according to the following table:

Taulukko 8.2.8.3.2.11 Luonnonhaittakorvauksen aleneminen tilakoon mukaan alueella, joilla on luonnonolosuhteista johtuvia huomattavia rajoitteita

Tilan peltotala	Maksettavan luonnonhaittakorvauksen suhteellinen osuus täydestä korvauksesta/ha
150 hehtaariin asti	100 %
150 ha ylittävästä peltotalasta 300 hehtaariin asti	90 %
300 ha ylittävästä peltotalasta	80 %

Question:

What elements and assumptions would be necessary to calculate the degressivity this way??

How would you deal/have you dealt with a comparable situation?

Would the situation be different if biophysical criteria were applicable?

Degressivity

Solution found:

As regards of degressivity: FI decided to use the FADN data to measure the GVA/ha of the farms concerned. Using the FADN statistics available the authorities determined that the Gross Value Added for farms under 150 ha was €26/ha and for farms over 150 ha €30/ha.

On the basis of the available data, it was possible to find a link between the size of the farm and the GVA, establishing in this way an economies of scale relationship.

Open issues:

Given the very small number of farms concerned (76), the statistical relationship is quite weak, and shows the difficulty to apply the degressivity in this case.

Thank you for your attention