

Labour instead of acreage

**Current proposals for reforming direct
payments of CAP's first pillar and their
impact on agriculture**



Agricultural policy reform 2013

Coupling direct payments to acreage causes problems:

- Unfair distribution
- Subsidizing of large farms and of rationalization
- “new challenges”? (preservation of climate and environment, biodiversity)
- high cost and bureaucratic effort
- high share of farmer's income from direct payments
- no policy for all people engaged in agriculture (employment, occupational safety, illegal employment)

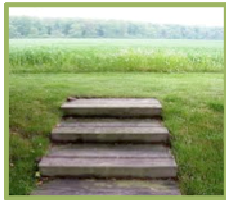


Coupling direct payments to factor labour?

- Discussion: Fundamental reform of first pillar
- Three proposals are discussed in Germany
- Within framework of EU program PROGRESS: Continuation of a study of Kasseler Institut e.V.
- Calculation: Redistribution of direct payments among typical farms of German agricultural structure
- Comparison and evaluation of impacts
- Common analysis with social partners: How can one evaluate the different approaches from an European perspective?



Three fundamental reform approaches



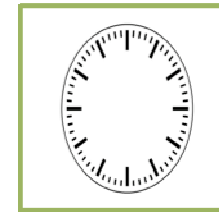
Correction

- corrections of current acreage-related payments
- stepwise cutbacks



Indicator labour cost

- abandoning of acreage-related payments
- direct payments for employment incentives
- additionally: coupling direct payments to farm's contribution to national social insurance as indicator of labour costs



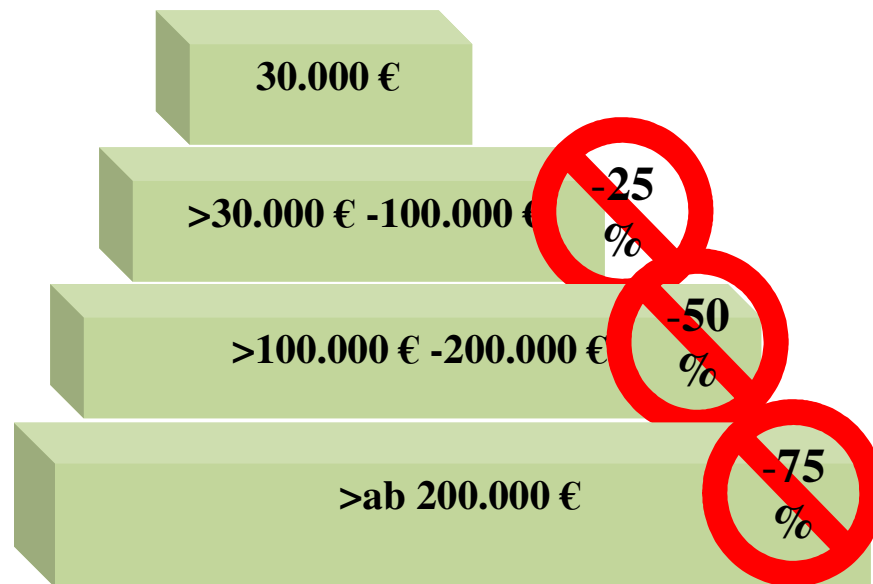
Standard labour times

- abandoning of acreage-related payments
- coupling direct payments to standardised labour demand





Corrections of current acreage-related payments



- Proposal of *Arbeitsgemeinschaft bäuerliche Landwirtschaft* from the 1990s
- stepwise cutbacks of direct payments
- Crediting for 50% of actual labour costs

Goals:

- fair distribution
- breaking competitive disadvantages of labour-intensive farms
- promotion of willingness towards environment-friendly production among larger farms





Direct payments on the basis of indicators for labour cost

- foundation of calculation: farm's contribution to national social insurance
- proportionally calculated shares in labour costs
- contribution to national social insurance as reflection of labour of self-employed farmers and employees

Goals:

- diminishing labour costs
- promotion of employment
- Safeguarding of farm's income and easing the work burden
- positive effects with respect to rural areas, environment, labour market





Direct payments on the basis of standardised labour demand

- foundation of calculation according to imputed labour input of farms for different production techniques
- fixed depression (reflection of rationalization)
- approved calculation units of German Berufsgenossenschaften (Accident Prevention & Insurance Associations)
- existence of different versions in every member state

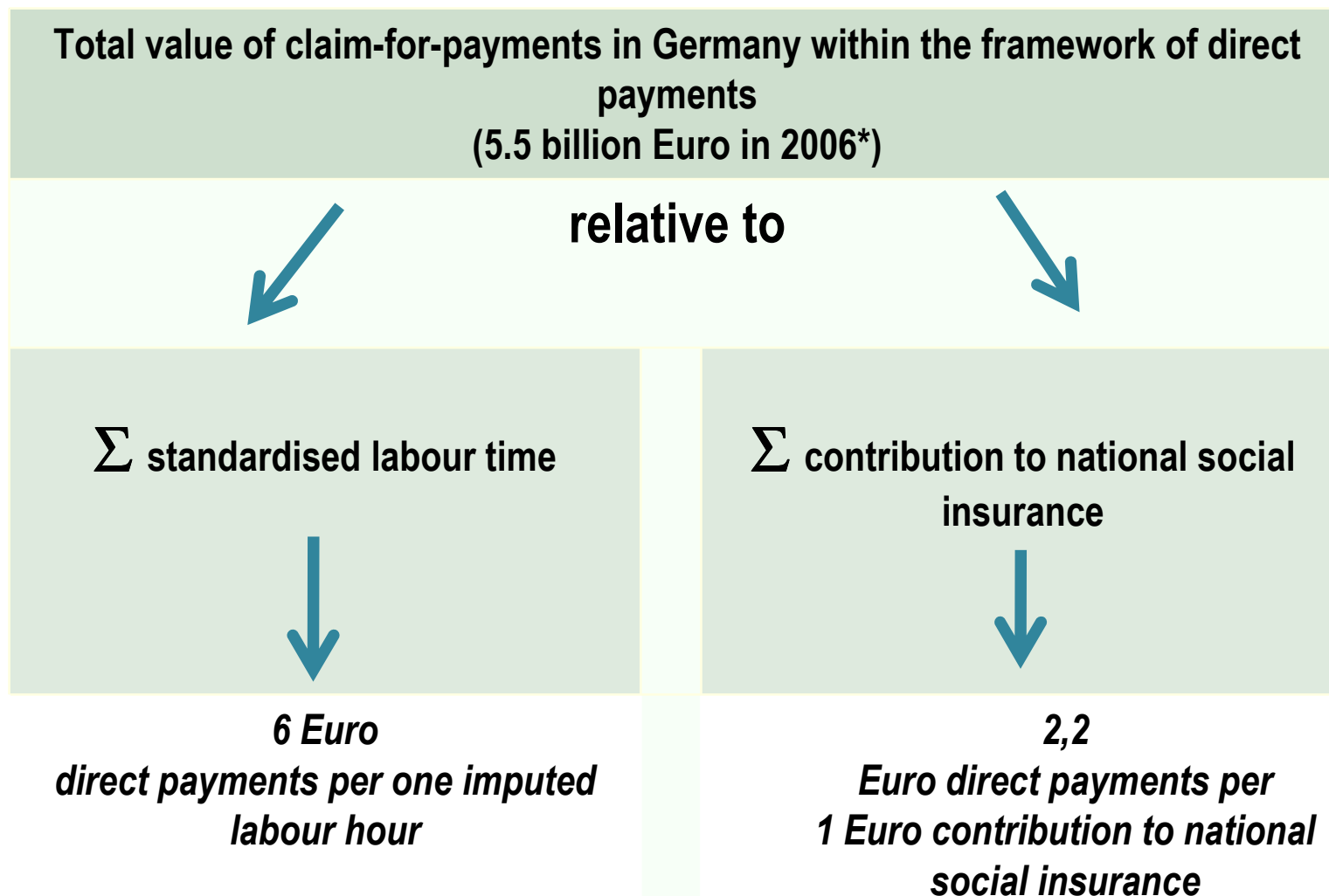
Goals:

- consideration of higher labour demands among labour-intensive, diversified farms (safeguarding of income)
- more reasonable distribution of tax money
- positive effects with respect to rural areas, environment, diversified farming



Calculation:

From acreage-related payments to labour-related payments



* source: Statistical Yearbook, Federal Ministry of Food, Agriculture and Consumer Protection 2009



Calculation example concerning the impacts of the approaches





1. Specialised crop farm
1,470 ha acreage, grassland 138 ha
 additionally 17.268 broilers per year
 + 738 fattening pig

Direct payments in 2013:
465,000 €



Correction/grading:
409,000 €



Strong decline in case
 of calculation
 according to contribution
 to national social insurance:
364,000 €



Strongest decline
 in case of calculation
 according to
 standardized labour time:
148,000 €



2. Mixed farm

1400 ha acreage, greenland

285 ha

additionally 300 dairy cows +
followers, 1000 fattening pigs,
suckler cows

Direct payments in 2013:

494,000 €



Correction/grading:
494,000 €



Strong increase in
case of calculation
according to
contribution to national
social insurance:
603,000 €



Strong decline in case of
calculation according to
standardized labour time:
208,000 €



3. Mixed farm

**99 ha acreage,
greenland 21 ha**

additionally root crop and
vegetables

30 dairy cows, calf fattening,
fattening pigs

direct payments in 2013:
34 000 €



Correction/grading:
34,000 €



Decline in case of
calculation according to
contribution to national
social insurance:
27,436 €



Minor increase in case of
calculation according to
standardized labour time:
35,000 €



4. Pig fattening farm 70 ha acreage, 6 ha greenland

1,400 fattening pigs per year
additionally 8,400 broilers

Direct payments in 2013:
24 500 €



Correction/grading:
24,500 €

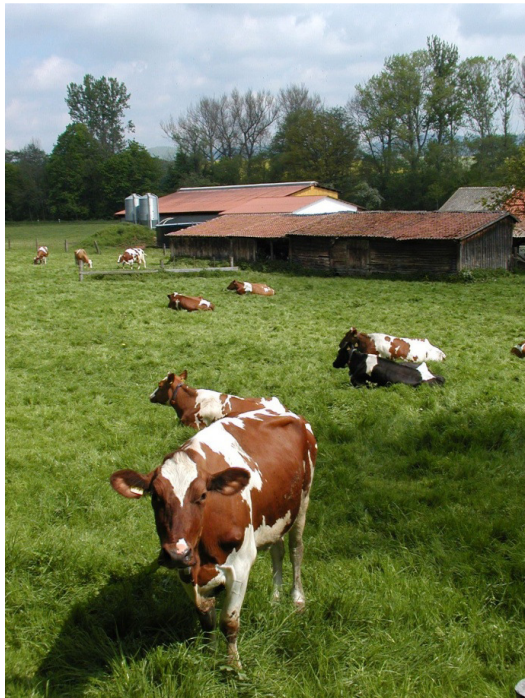


Minor increase in case of
calculation according
to contribution to national
social insurance,
opportunities for adoption:
26,400 €



Somewhat stronger
increase in case of calculation
according to standardized
labour time:
27,500 €





5. Dairy farm
100 ha acreages, 50 ha
greenland
 80 cows + followers

Direct payments in 2013:
38,900 €



Correction/grading:
38,900 €



Decrease of ca. one third
 in case of calculation
 according to contribution
 to national social insurance,
 opportunities for adoption:
26,200 €



Increase in case of
 calculation according
 to standardized
 labour time:

43,500 €

6. Dairy farm
20 ha acreage, 18 ha
greenland
23 cows + followers

Direct payments in 2013:
7,900 €



Correction/grading:
7,900 €

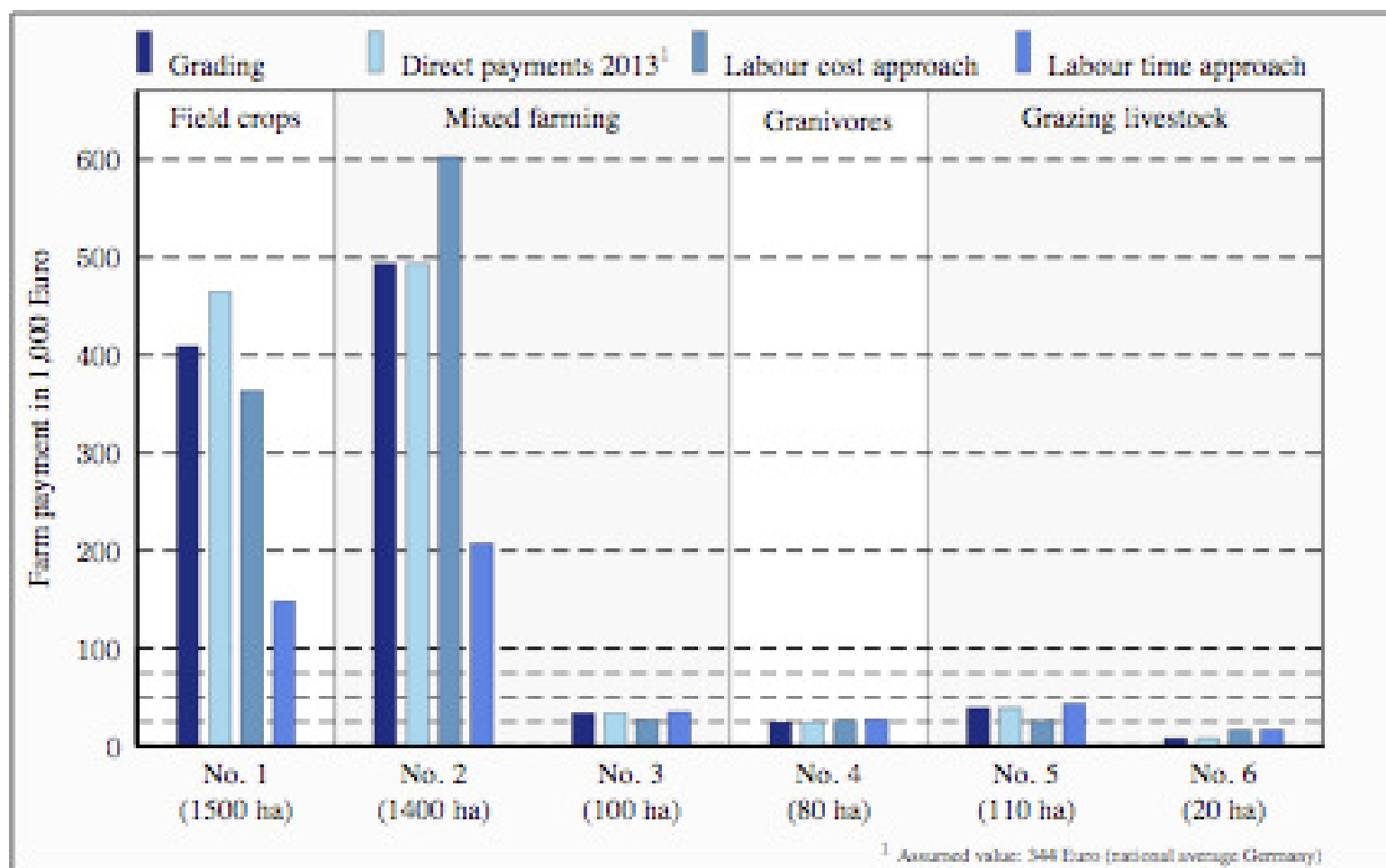


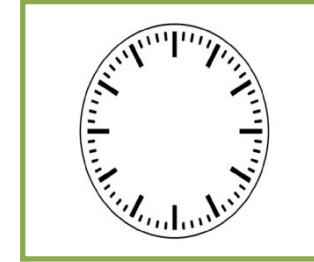
More than doubled
in case of calculation
according to contribution
to national social insurance,
opportunities for adoption:
16,500 €



More than doubled
in case of calculation
according to standardized
labour time:
16,800 €







Comparative discussion of strengths and weaknesses





Corrections:

Direct payments are going to be cut among labour-extensive crop farms

- No redistribution, no direct winners
- Labour-intensive, larger farms with disadvantages with respect to rationalisation are not subject to change (more competitive, economically stabilised)
- Farming among other farm types as before

But:

- Incentives for farm splitting
- Danger of further separation of farm branches and rationalisation
- Uncertain use of reduced payments
- Payments are drawn from regions with labour-extensive structures (e.g. Czech Republic)





If labour gains a more prominent role, there are significant redistributions of direct payments among all farm sizes!





“New challenges” are going to be generally strengthened by promotion of labour instead of acreage!



- Economical stabilizing of labour-intensive farms counteract structural change
- Differentiation of farming: positive impacts on environment (e.g. biodiversity) and regional economy
- Promotion of labour prepares agriculture for expected higher cost of energy (diesel, nitrogen fertilizer)
- Coupling to contribution to national social insurance promotes direct employment (as opposed to illegal employment)





But: in case of direct payments according to contribution to national social insurance as indicator for labour costs:

1. Problem of classification – what is a farm branch?
2. How does the model react towards regionally different and changing wage levels?
3. How strong is the actual employment incentive?
4. Are such employments promoted which are qualitatively high and innovative, respectively?
5. Social insurance systems are very differently organised among the member states (payment of contribution).





But: in case of direct payments according to standardized labour demand:

1. Part-time, rationalized crop farms are going to get lesser direct payments.
2. Fixed approach for the calculation of standardized labour demand
3. No promotion of long-term employment, only indirect employment incentives
4. Danger of further rationalization of farm branches
5. Combination with proof of employment necessary?



Thank you for your attention!

