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# The modulation of direct payments (article 10 of Council Regulation n°1782/2003). Case Study Report for France

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**Study on the economic, social and environmental impact of the modulation  
provided for in Article 10 of Council Regulation (EC) No 1782/2003**

Directorate General for Agriculture and Rural Development  
Contract N° 30-CE-0162480/00-47

**The modulation** (article 10 of Council Regulation n°1782/2003)

*Case Study Report for France*

**Final Report**

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Case Study Report for France

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## **1. Abstract**

The successive reforms of the Common Agricultural Policy (CAP) have led to an important shift in the way of how public support are granted to agriculture. Direct aids of the first pillar have been allocated to farmers, on the basis of production factors, to offset the negative impact of lower institutional prices. Since 2005, the implementation of the decoupling has not resulted, at least in France, to a redistribution of direct aids between categories of farms. Thus, for a given productive sector, the amount of direct aids per farm or per AWU is still closely linked to the size of the structure. Following the 2003 CAP reform, and under Article 10 of EC Regulation No. 1782/2003, a compulsory modulation of direct aids from the first pillar was implemented in 2005. This device allows to deduct 5% of direct aids from the first pillar beyond a franchise set at 5 000 euros per farm. In France, a part (80%) of the collected funds is redistributed in favour of the Rural Development Programme (PDRH). This report presents an evaluation of the impacts (economic, social and environmental) of this modulation device for French agriculture. This evaluation was conducted using several sources of information: a literature review focused on documents related to the CAP and the rural development programme; some interviews focused on specific issues of the evaluation; some simulations conducted thanks to the Farm Accountancy Data Network (FADN). This report was produced as part of a more comprehensive evaluation (at the European scale) directed by LEI (agricultural economics research institute in the Netherlands) for the Directorate General of Agriculture and Rural Development of the European Commission. The report also proposes an analysis of the modulation device applied in France in 2000 and 2001 (Article 4 of EC Regulation No. 1259/1999) and proposals made (20 may 2008) by the European Commission under the health check of the CAP.

Keywords: CAP - Modulation - Farms - Direct aid - First pillar - Rural Development - FADN

## Methodology and Information Sources Used

To answer the various questions, several approaches have been privileged:

A literature review focused on the CAP health check, the first pillar of the CAP, rural development measures and modulation. Several sources have been used:

- The main documents of the Ministry of Agriculture: the strategic plan for rural development for the 2007-2013 period; the Rural Development Hexagonal Programme (RDHP) 2007-2013 (5 volumes); the strategic environmental assessment of PDRH; documents relating to support for French agriculture; French documents relating to the CAP reform following the European Commission's proposals (successively entitled: *Towards a new CAP: open debate; what objectives for a CAP in a perspective of 2013; synthesis on the CAP health check*).
- The speeches made by the French Minister of Agriculture since the CAP reform proposals of the European Commission (20 November 2007). These are mainly those given at the following meetings: Permanent Assembly of Agricultural Chambers -APCA- (12-12-2007); European seminar on Rural Development (18-01-2008); National federation of beef producers -FNB- (14-02-2008); international seminar on Organic Farming (26-02-2008); National federation of milk producers -FNPL- (20-03-2007); farmers union FNSEA (3-04-2008).
- The documents published on the CAP health check by the French agricultural organizations, principally (see references): the General Council of Agriculture, Food and Rural Areas (CGAAER); the permanent assembly of agricultural chambers (APCA); the farmers union FNSEA; the young farmers union *Jeunes Agriculteurs*; the farmers union *Confederation Paysanne*; the farmers union *Coordination Rurale*; the national federation of milk producers (FNPL); the national federation of beef producers (FNB); the national federation of ovine producers (FNO); the National federation of organic agriculture (FNAB); the National professional organisation for milk economy (CNIEL); the national association of agricultural cooperatives (*COOP de France*); the national association of food industries (ANIA).
- The various reports made in connection with the evaluation of rural development programme 2000-2006.
- The scientific papers produced by colleagues of INRA and other research institutes.

Interviews with French experts (CAP, rural development, agricultural productions, farms).

These interviews have not been made according to a single method. They have helped to supplement, where it seemed useful, points absent in the literature. There is no reference in the text on what each expert said precisely. The experts preferred that we mention the official position of their organization (ministry of agriculture, farmers unions, etc.).

Simulations applied to individual data of the French Farm Accountancy Data Network (FADN 2006). This statistical tool is used to demonstrate the economic role of direct aid (1<sup>st</sup> and 2<sup>nd</sup> pillar of the CAP) for different categories of French professional farms (Annex 4). In addition, simulations were conducted to measure the impact of past modulation device (Annex 7: Agenda 2000), current (Annex 5: EC Regulation No. 1782/2003) or future (Annex 6: Prospects for the CAP).

### 3. Research questions

#### 3.1 General

##### **3.1.1. What are the views of your Member State on Compulsory Modulation? Are they supportive of a greater transfer of funds between Pillar 1 and Pillar 2?**

Before focusing solely on the compulsory modulation device (Regulation No. 1782 Council 2003), it is worth recalling that France had decided during the Agenda 2000, to apply the optional modulation. At the time, it reflected the will of the Minister of Agriculture (Jean Glavany, Minister of the Government of Lionel Jospin) to increase funds in favour of the second pillar of the CAP. The modulation was applied for two years (2000 and 2001) with a fairly complex device based on three indicators: the amount of direct aid, the economic dimension and agricultural employment. The modulation has allowed to deduct 213 million euros in two years. The modulation only affected farms which had a high amount of direct payments. The Annex 7 presents this optional modulation device and its implications for French agriculture.

In 2002, a change of government took place in France. The new Minister of Agriculture (Hervé Gaymard Minister of the government of Jean-Pierre Raffarin) has decided to remove the device modulation.

Since the reform of the CAP in 2003, the modulation of direct payments is mandatory. This modulation, which follows a proposal by the European Commission had not been wanted by French authorities. Since then, ministers of agriculture (Dominique Bussereau, Christine Lagarde and Michel Barnier) didn't made often reference to the modulation in their speeches concerning agricultural policy.

##### **\* The position of French Minister of Agriculture**

**The French Minister of Agriculture** has said, throughout its various speeches and documents, its position concerning the European Commission's proposals of 20 November 2007. This position is not, of course, final<sup>1</sup> (even after the proposals of the 20 may 2008). It will be adjusted depending on the evolution of the debate with other Member States and agricultural organizations. The discussion on the balance between the first and second pillar should be considered as a whole (with considering modulation, article 68/69...).

According to the minister of agriculture, the CAP must pursue four main objectives: ensure the independence and food security of the European Union; contribute to the world food security; preserve the quality of life in rural areas; participate in the fight against climate change and environmental improvement. In addition, the CAP must be based on the following four principles: to strengthen community preference; stabilise markets; maintain an ambitious budget for the CAP; ensuring targeted action for sustainable agriculture.

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<sup>1</sup> In a phase of dialogue and negotiations, it appears that some issues raised by the sponsors of this report are considered as strategic. Thus, it is sometimes impossible to get an official response and robust in some scenarios advocated. For example, the French minister was not in favor of an increase in the rate of modulation (from 5% to 13%), it is impossible to know his potential choice as targeting additional funds collected.

More precisely, the Minister identified three priorities for the future of the CAP:

*\* Adapting the CAP instruments to better take into account the risks of climate change and health crises*

The minister wishes to maintain some markets regulation (mechanisms of intervention). He considers that the abolition of milk quotas is only possible with two conditions: introduce measures favourable to the dairy farms located in mountain; implement some instruments for organizing the market. Similarly, he is in favour of measures enabling producers' organizations to play a larger role in stabilizing the agricultural markets. He also wants that the risk management is introduced in the first pillar. A cut on aid coupled and decoupled (first pillar) could help to finance a portion of the insurance cost (for climate risk) and to compensate farmers in case of health crises.

*\* Support certain agricultural products*

The minister seeks to consolidate the first pillar in its economic dimension. He hopes to consolidate production of certain goods by transferring funds within the first pillar of the CAP. This transfer could be achieved using a new amended version of Article 69. The levy on direct support should be applied to decoupled aid, but also to maintained coupled aid, the use of funds should be more flexible.

The funds collected could be granted for several objectives (see below): the implementation of a premium to grassland; the risk management; granting a single payment to fruits and vegetables productions; specific aid to dairy farms located in mountain; the upgrading of single payment for the sheep farms; the promotion of organic farming; support to plant proteins.

*\* Limiting the transfer between the 1<sup>st</sup> and the 2<sup>nd</sup> pillar*

For the French minister of agriculture, the CAP and rural development policy are two complementary policies<sup>2</sup>. The first is not intended to disappear in favour of the latter.

In France, the transfer of funds from the first pillar to the second leads to a decline in budgetary support to Agriculture. Our country recovers only 80% of funds from the modulation. Moreover, these funds can be allocated only up to 90% to agriculture.

The increase in the modulation rate up to 13% by 2013 is considered too high.

France is not opposed to cap the amount of aid per farm (from 100 000 euros).

*\* The position of the French agricultural organisations*

The modulation of direct aid and the balance between the first and second pillar of the CAP are the subject of a debate between agricultural organizations:

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<sup>2</sup> In a speech (January 18, 2008), the Minister said: "As regards the second pillar of the CAP, it naturally has its full place in the future agricultural policy. We have to adapt it, where necessary, to respond to the challenges of agriculture and of the rural areas. We have to find a synergy with the first pillar. I wish that we stop to make oppositions between the 1st and 2nd pillar. They are complementary, they are two tools to serve a single purpose: anchor our productions in the territories and maintain the vitality of rural areas."

**The union FNSEA** (the first agricultural union French, with 55% of the votes) considers that the CAP must be essentially an economic policy (FNSEA, 2008). Also, the union believes it is unacceptable to promote the second pillar at the expense of the first pillar. If a strengthening of structural policies is envisaged, it must find its own financing and not to penalize the first pillar of the CAP whose budgetary framework is defined until 2013. By refusing an increase in the rate of modulation, the position of the FNSEA is identical to that of COPA-COGECA. This position is taken in accordance with the following arguments:

- Member States have already prepared their rural development programmes for the period up to 2013.
- The European Commission has not provided sufficient justification as to the reasons for the decline in direct aid of the first pillar.
- The European Commission does not have a clear idea of how to allocate these amounts in the context of rural development.
- The reform envisaged for the CMO fruits and vegetables will involve additional expenditure for the first pillar (January 2011).
- The cut in first pillar aid penalises the competitiveness of European farmers, already weakened by lower tariffs and the strengthening of standards.

Within the FNSEA, the association specialized for field crops (ORAMA) is hostile to the rising rate of modulation. It considers that the rural development measures are not sufficiently focused on agricultural activity. In addition, this organization wants that the agri-environmental programmes become more progressive and more incentive. Concerning the possibility of using Article No. 69, ORAMA considers that the rate shall not exceed the threshold of 8%. Similarly, the collected funds should be granted first to the risk management instruments.

**The union *Jeunes agriculteurs*** (Union of Young Farmers) is associated with the FNSEA for elections to chambers of agriculture. The union, which includes a significant proportion of French young farmers, has always been in favour of the rural development measures. Nevertheless, it considers that any strengthening of rural development must under no circumstances be at the expense of the common market organisations. In this sense, the union opposes any increase in the rate of modulation of direct aid from the 1<sup>st</sup> pillar of the CAP. For the union, the 2<sup>nd</sup> pillar of the CAP does not respond to crises experienced by certain agricultural products. It considers that the rural development funds should be used principally for the setting up of young farmers and for farms located in areas with natural handicaps.

**The union *Confederation Paysanne*** (the second union, with 20% of the votes) is favourable to the modulation, on condition that the collected funds are used primarily to compensate for natural handicaps; set up young farmers; maintain agricultural systems which are the more sustainable.

**The union *Coordination Rurale*** (third farmers union, with 18% of the votes in the elections) is opposite to an increase of the modulation rate. The farmers from this union think that the development of second pillar should not be at the expense of the first pillar. The union also opposes the implementation of a ceiling on aid per farm. He considers this as unfair and unjustified insofar as the level of aid is not correlated to the net income.



**The Permanent Assembly of Agricultural Chambers (APCA)** also gave its views on the CAP health check. The APCA is not opposite to a transfer of certain aids in favour of regions with natural handicap and of agricultural productions with low rentability. Thus, this organization is supported the use of Article 69 of EC Regulation No. 1782/2003 (but not to an increase of the rate of modulation). In this context, it considers that the cut could be around 15%. This cut should be applied to the single payment but also to the coupled payment.

**The National Association of Agricultural Cooperatives (Coop de France)** is opposed to strengthening the compulsory modulation. The organization believes that the cofinancing hampers the strengthening of the rural development measures. Furthermore, how to use funds modulation lack of clarity. Coop de France is not opposed to some rebalancing of aid, provided they remain within the first pillar and that the interests of all sectors are taken into account.

**The National Association of Food Industries (ANIA)** is favourable to maintaining an ambitious budget for the CAP. It is also conducive to maintaining a balance between measures of the 1<sup>st</sup> pillar (common market organization) and those of the 2<sup>nd</sup> pillar (measures for rural development). For ANIA, the 1<sup>st</sup> pillar must continue to provide a common regulatory framework to all Member States. According to them, the CAP can not be reduced to a single rural development policy. The 2<sup>nd</sup> pillar must not harm to the objectives of the 1<sup>st</sup> pillar but rather complement them. It must include measures which are in line with innovation, spread of new technologies, quality and product safety. The national funds granted to food industries and agriculture should be evaluated on a case by case, without leading to a distortion of competition within the single market.

**The National Federation of Organic Agriculture (FNAB)** is favourable to a deep review of ways to support agriculture. It supports the use of Article 69. Moreover, it sees as necessary to standardize the amount of single payment per hectare and to link the amount of payment to the environmental performance of farms. The FNAB supports an increase in the rate of modulation up to 13%. The collected funds should be oriented towards agricultural production systems generators of employment.

Some non-governmental organizations (relating to international solidarity, environment, agriculture and rural development) consider that the European Commission proposal on modulation does not go far enough. The rate of 13% is considered, according to them, extremely modest given the new challenges that are climate change, biodiversity and water management. They consider it is unfortunate that the rural development measures are not enough used. The national co-financing accentuates the budgetary pressure on rural development measures. The objectives of the second pillar should remain first and foremost the development of employment and environmental protection.

\* The position on the CAP health check differs among French regions

The Minister of Agriculture has asked to the Chambers of Agriculture (public institutions representing all components of the agricultural world) to organize in each department, a reflection on the CAP health check. Meetings were held between January 30 and February 11, 2008. They have involved nearly 5 000 people (members of chambers of agriculture, elected officials, members of consumer associations and environmental protection). Beyond the diversity of analyses, there was a broad consensus to approve the proposed strategy by the Minister: anticipate the debate the next CAP (2013); begin as early as 2009 a reorientation of the CAP. The synthesis of these discussions highlighted the following main elements:

### ***Regionalization of the single farm payment (SFP)***

There is not a general consensus on the regionalization of the single payment (fixing a single payment per hectare common to all farmers in the same geographical area). However, the conviction of the need to reduce disparities between the levels of support is widely shared. The departments prefer the path of reorientation of aid on frail productions/regions than the regionalization.

### ***Total decoupling versus partial decoupling***

Almost all the French departments concerned with livestock are favourable to maintain some premiums coupled, mainly for the suckler cows and for the sheep production. The complete decoupling of aid to cereals and oilseeds could be a source of simplification. Even with a full decoupling, the cereals production will not decrease in France, especially in a situation of high prices.

### ***Reorientation of support within the first pillar (Article 69 revised)***

An overwhelming majority of the French departments are favourable to reorientate direct aid within the first pillar for the benefit of agricultural production and of the regions with natural handicaps. This shift must be considered by applying a cut on all direct aid of the first pillar (single payment and coupled aid).

The priorities proposed by the minister to use the funds that could be collected by a new article N°69 are often validated (see above). The introduction of a premium to grassland within the first pillar is mostly sought (with some questions relating to its scope, its amount and its funding). A majority of departments also favours support for fruit and vegetables, but the debate remains open on the modalities (DPU device or crisis management). A large majority emerges for the implementation of some aids to grass surfaces within the first pillar. Several departments are pro-integration of the PHAE within the first pillar.

### ***Modulation and strengthening of rural development***

Almost all the French departments are against an increasing of the modulation rate (2% per year from 2010). The arguments most often advanced are: this leads to a decrease of budgetary support to farms; the cofinancing of the rural development measures is a problem; some farmers are not able to access to the support of the second pillar. For these departments, the challenge is therefore in the rebalancing of aid within the first pillar.

Several departments want that the modulation rate is not linear and take into account jobs.

For some French departments that are not hostile to strengthening the second pillar, they wish that funds from the modulation are targeted on the regions with insufficient budgets. The funds should be directed for increasing aids to farms located in disadvantaged areas; setting up young farmers, farm modernisation (increase support for the modernization of the livestock buildings).

### ***The ceiling on aid***

A large majority of the French departments are agree to apply a ceiling on the amount of direct aid per farm. Some of them consider that the thresholds proposed by the European Commission are too high and others advocate a cap by agricultural work unit.

### **3.1.2. Are the current compulsory modulation rules seen as adequate for providing the necessary level of funds for Pillar 2:**

The measures of rural development for the period 2007-2013 (Annex 2) were determined according to available funding (taking into account the impact of a modulation rate to 5%). The official position is to consider that the funds for the rural development program will be sufficient.

The French Minister of Agriculture believes that the rate of 13% is too high. He did not, for the moment, make alternative proposals between the rate of 5% and 13%. For him, it is necessary to realize a transfer within the first pillar of the CAP and not between two pillars. If its strategy is not successful at the community level, other alternatives will be considered (but this is not the current willingness to anticipate on this point).

This position is shared by the main French agricultural organizations, including the *FNSEA*, young farmers, *APCA*, *Coop de France* and *ANIA*. An internal debate exists, however, insofar as other organizations (Confederation Paysanne, National Federation of Organic Agriculture and some NGOs) are favourable of strengthening rural development measures.

### **3.1.3. Are changes to the CM rules seen as desirable? If so, what changes would your Member State like to see and what is the rationale for this ?**

In the various speeches made by the Minister of Agriculture since 2003, the question of the precise modalities of implementation of the modulation has rarely been discussed. Officially, it was not proposed to change the criteria used in Regulation No. 1782/2003. Nevertheless, the Minister of Agriculture calls for a reorientation of direct aid to agriculture. As it was mentioned before, he suggested to use a new version of the Article 69 and not to increase the modulation rate. The minister considers that a cut of 10% (as permitted by Regulation No. 1782/2003) is probably insufficient.

The *APCA* considers that the cut (Article 69) could be around 15%. This agricultural organization considers that the funds collected by Article 69 should be granted for different objectives (the article 69 should be less restrictive than it is in the Regulation n°1782): aid for grassland; allocating DPU for wine and horticultural sectors; aid for food quality; aid for environmental practices; aid connected to the workforce.

The union *Confédération Paysanne* supports a change of ways of supporting agriculture. This union considers that it is necessary to cap the amount of direct aid (first and second pillar of the CAP) per agricultural work unit. For the *Confederation Paysanne*, the ceiling proposed by the European Commission (100 000 euros per farm) is too high and the rate of decline in direct aid is too low. The principle of a linear rate modulation is also often criticized.

### **3.1.4. Are there likely to be any negative repercussions of higher rates of modulation?**

With a rate of 5% (maximum), the economic impact of the modulation on farms is relatively modest (Annex 5). This is especially true that a portion of the funds are redistributed to farms by the rural development measures.

To measure the impact of an higher modulation rate (from 5% to 13%), a simulation was carried out on the 2006 French FADN (Annex 6-5 and 6-6). While considering that only 56% of the funds collected would be redistributed to farms, three assumptions are taken into account to redistribute the collected funds: an increase of aids granted in favour of agri-environment and of the disadvantaged areas; a new aid proportional to agricultural employment; a linear increase of the single payment. According to this simulation, the impact of modulation would represent, on average (for all French professional farms), -3% of the family farm income. The impact would be more important for farms specialised in field crops (-8% and -14%, depending on assumptions) and for the dairy farms with intensive production systems. It would be neutral or marginal for several types of production (horticulture, viticulture, vegetable). It would be positive for extensive farms specialised in beef (milk and meat) and sheep productions.

Since two years, the significant increase in the prices of agricultural products (the beef in 2006, the cereals in 2007 and the milk in 2008) softens the criticisms expressed by farmers against the device modulation. For farms specialised in field crops, for example, the negative impact of modulation (-4 200 euros with a 13% modulation rate up) is much lower than the positive impact of improved price cereals.

In addition, the negative effect of modulation is offset by productivity gains related to the rapid decline in the number of farms (-2.5% per annum over the last five years). Thus, the average amount of direct aid per farm and per agricultural work unit increased between 2005 and 2008.

In France, the main criticisms levelled against the increase of the modulation rate are as follows: this device would cause a loss of income for the farms (transfer towards other Member States and transfer towards rural non-farm activities); the rural development measures are co-financed; the rural development measures are seen sometimes as too complex by the farmers.

### **3.1.5. What are the main priorities for the use of Pillar 2 funding in your Member State?**

According to the budgetary information from the Ministry of Agriculture, agricultural expenditure allocated to the second pillar (rural development) have been 2 to 2.3 billion euros per year over the period 1999 to 2006 (funds from EU and from France)<sup>3</sup>. During this period, the share of national funding has been approximately 50%. The distribution of these funds according to different measures is presented in Annexes 3-1 to 3-3.

For the year 2006, the principal measures of rural development were: the agri-environmental measures (24%); aid to the less favourable areas (22%); setting up of young farmers and modernisation of holdings (20%); protection of rural areas (17%).

Another way to put in light the national priorities for the second pillar of the CAP is to consider the expenses of the European Agricultural Fund for Rural Development (EAFRD) for the period 2007-2013 (Annex 2-1 and 2-2). During this period, the rural areas will benefit from nearly 6.4 billion euros from the EAFRD. This will be supplemented by national funds (State, local communities and water agencies), totalling nearly 14 billion euros. For this program, three directions have been identified:

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<sup>3</sup> The first rural development programming (2000-2006) has supported many projects for a total of 12.3 billion euros (including 6.9 billion euros of EU funds).

\* *A strong volition for devolution.* A strong volition for devolution. Six rural development programmes were implemented: one for each of the overseas departments (631 million euros), namely Guadeloupe, French Guiana, Martinique and Reunion; one for the region "Corsica" (83 million euros), one for France (Rural Development Hexagonal Programme or PDRH). The PDRH represents an amount of 5.7 billion euros (EAFRD). Several measures are planned at the regional level.

\* *A simplification for interventions.* The funds were targeted on the most important measures and with clear priorities.

\* *A thorough consultation.* A large place for the debate and the partnership has been made in programming at community, national or regional level. This consultation has resulted in the mobilization of multiple financial partners, including local authorities.

The PDRH has identified four challenges for rural areas:

\* *The competitiveness of agricultural and forestry sectors* (Axe 1: 1.96 billion euros from EAFRD for 2007-2013, representing 35% of EAFRD). The aim is to consolidate the income in agriculture and in forest activities in order to maintain a competitive primary sector on the whole territory. This sector is considered essential to the national economy, the land occupation and the preservation of natural resources. The two main measures are the modernization of farms (610 million euros) and the setting up of farmers (578 million euros).

\* *The environment* (Axis 2: 3.08 billion euros, or 54% of EAFRD). The objective is to improve the consideration of the environment in economic activities and improve the quality of environmental goods. The support to disadvantaged areas (measures 211 and 212) represents nearly 1.9 billion euros (or 61% of the Axis 2). The support to agri-environmental measures (Measure No. 214) represents 903 million euros, of which three quarters are implemented at the regional level.

\* *The diversification of the rural areas economy* (Axis 3: 348 million euros, 6%).

\* *The diversity of territories and the territorial dynamics* (Axis 4: 286 million euros, or 5% of EAFRD). The funds of LEADER program (axe 4) are attributed for 70% to Axis 3.

### **3.1.6. Is more money needed within Pillar 2 to achieve the main priorities set out within the RDP for your Member State?**

As has been mentioned (see points 3-1-1 and 3-1-2), the position of minister of agriculture is not to increase funds for rural development. He prefer an internal transfer within the first pillar. Thus, funds programmed for rural development must be regarded as sufficient to cover commitments.

### **3.1.7. If yes, which priorities need additional funding?**

See 3-1-6.

### **3.1.8. Is there any information/figures available on the levels of funding that would be needed within Pillar 2 to meet these additional needs/priorities?**

See 3-1-6 and 3-1-9.

**3.1.9. Are there any alternative sources of funding that could be used to address these priorities?**

To achieve several objectives, the Minister of Agriculture wants to use Article 69, but with some amendments to its rules of application (see the new article n° 68 in the proposals of the European Commission of 20 may 2008). A transfer rate of 15% is sometimes advocated; this represent a total of 1.3 billion euros or the equivalent of more than half the expenditure of rural development for the year 2006.

According to some hypothetical estimations, these funds could be used as follows: 500 million euros for the implementation of a premium to the grasslands; 300 million for risks managment (climate and sanitary crisis); 200 million euros for the single payment to the production of fruits and vegetables; 150 million to support the dairy farms located in mountains; 80 million to upgrade the amount of the single payment in the sheep farms; 50 million euros for organic farming; 50 million euros for a proteins development plan.

### 3.2. Budgetary distribution effects

#### **3.2.1. Under the 2007/13 programming period, what effects have the additional funds available within the EAFRD budget had on programme design?**

##### a) The funds being distributed across all measures in the same way as the core EAFRD budget?

In France, the economic impact of the modulation is estimated to 186 million euros in 2005, 265 million euros in 2006 and 334 million euros in 2007 (Annex 5-1). For the following years, and without changing the modulation rate, the impact will stabilize at around 334 million euros. As only 80% of these funds are reallocated to France by the rural development program to year n +1 (see paragraph 3 of Article 10 of Regulation No. 1783/2003), modulation has a net impact of -67 million euros (in 2007).

The funds of the modulation which are allocated to the program of rural development represent 149 million euros in 2006 (n+1 years of the implementation of the modulation), 212 million euros in 2007 and 267 million euros in 2008 (and after). This amount is equivalent to 11% of funds (European and national) allocated for rural development (2006). During the period 2007-2013, the transfer of funds is estimated at 1.82 billion euros. This represents 28% of EU funds (EAFRD) allocated for rural development for France (6.4 billion euros).

In France, the modulation funds are not assigned to a specific measure of PDRH (2007-2013). They abound the financing of rural development measures in their entirety. Nevertheless, a portion of funds from the modulation (20%) were allocated for crisis management. In the PDRH programming, notice that these funds have been allocated to the line No. 126 (restoration of agricultural potential).

The European funds for the PDRH over the period 2007-2007 are 16% lower than the 2000-2006 programming. The modulation funds were therefore not considered as an exceptional resources complement. They have simply been taken into account in determining the various measures of the PDRH. The decrease of the European funds for the new programming 2007-2013 (with taken into account the modulation funds) led France to make choices in its new programming.

- Some measures of the previous programming have been removed, such as aids in favour of the early retirement. Some measures has been more controlled (with some more restrictive criteria like for the modernization of livestock buildings).
- A national complementary financing was granted to support the rural development program (Article 89 of EC Regulation 1698/2005). This national support (Annex 2-1) has enhanced the impact of programming through: i) an extension of the number of beneficiaries; ii) more targeted measures on groups of beneficiaries. These national funds aims notably to support the preservation of natural resources through sustainable agriculture (agri-environmental measures generalists).
- If funds from the modulation are considered as quantitatively important by the experts auditioned, they were also considered as necessary (due to the decline of funds granted to rural development between the period 2000-2006 and 2007-2013). Off course, these funds have permitted to establish the 2007-2013 programming under better conditions (comparatively to a situation without these funds). However, these funds were not focused on specific measures. The financing of PDRH was considered as a whole package.

b. A greater investment in priority measures/measures already used?

As has been previously said, the modulation funds are not targeted on specific measures. They are seen as the other funds of the EAFRD. In France, nearly two-thirds of the EAFRD funds are allocated to only four measures: Indemnity natural handicaps (33% of EAFRD, measures No. 211 +212), agri-environment (16% of EAFRD, measure No. 214), modernisation of holdings (11% of EAFRD, measure No. 121) and setting up of young farmers (10% of EAFRD, measure No. 112).

France has not structured its rural development program according to the source of funding (modulation or other sources). Without the modulation funds, the total amount of the PDRH would have been lower than that ones finally adopted.

c. Investment in a broader range of measures?

The modulation funds were not used in a specific way in this direction.

d. Were the additional funds evenly distributed across all regions within your Member State?

In France, the funds of the rural development program profit strongly to farms specialized in herbivorous productions (milk, beef, sheep and goat), particularly those located in extensive areas. So, the increase in PDRH funds by modulating has an impact on the distribution of regional budgetary support(see paragraph 3 and simulations of Annex 4).

e. Were certain schemes extended or amended in any way as a result of the additional funds?

The modulation funds have helped to consolidate the national strategy. It aims to allocate a significant part of rural development funds to the four main measures mentioned above.

f. If yes, where there any changes to the way in which the scheme was targeted (for example in terms of spatial targeting, beneficiary type, eligibility criteria etc).

The modulation funds had no influence on the targeting of support.

Without these funds (about 1.8 billion euros over the period 2007-2013), it is highly probable that some measures would not have been implemented in the framework of PDRH (or with a lower amount of financing).

g. In what ways did these changes to measures / in scheme design impact on your ability to achieve the programme objectives?

See 3-2-1-a and 3-2-1-f.



**3.2.2. If the rate of compulsory modulation were to rise by an additional 8% by 2013, what would be the priorities for the use of additional funds in the future? Would the increase in the Pillar 2 budget be likely to lead to:**

In France, the answer to this question is difficult. Indeed, the current official position of Minister of Agriculture is that this orientation is not desirable. Today (before 20 May 2008), the strategy of France is to refuse the increase of the modulation rate (from 5% up to 13%). The minister prefer to transfer funds within the first pillar of the CAP by using a revised version of Article N°69 (ie with more latitude on the rate and the way to use the funds).

Thus, according to the experts auditioned, there is currently no anticipation (or simulation) on how France could use these additional funds. The negotiations on the balance between measures of the first pillar and the second pillar (Article 69 versus modulation) should be considered as a whole.

In cases where the use of Article 69 (renovated) would become possible (see article 68 in the new European commission proposals), France is likely to be against an increase in the rate of modulation (or at a lower rate than that proposed). It is, indeed, difficult to operate the two options simultaneously (the redistribution of aids would be considered too strong). In the opposite case where the transfer of support within the first pillar would not be accepted, an increase in the modulation rate would become more feasible. Among the measures which potentially benefit from the Article 69 (see 3-1-9), some could become priorities in the framework of rural development.

a. The even distribution of the additional funds according to current EAFRD budget allocation across Axes and measures?

In the event of an increase in the modulation rate up to 13% (without the application a new article N° 69), it has not been officially communicated to date on how the funds would be concretely used. The Ministry of Agriculture considers that this question will arise, if any, in a second time (consecutively to the results of current negotiations).

b. A greater investment in priority measures? If yes, which ones? If no, what are the reasons for this?

Given the objectives for a reallocation of aids within the first pillar (see 3-1-9) and of the position of agricultural organizations on modulation, we can make two assumptions:

- The will to target these funds seems more likely that this was the case during the programming PRDH. Indeed, these funds would supplement the initial programming.
- For the French Farmers, the main priority will be to keep theses additional funds within the farming sector. In other words, they will be against a new transfer of these funds towards the other rural activities (forest, quality of life in rural areas and so on).

- c. Investment in a broader range of measures? If yes, please identify which new measures might be used and why.

In case of failure of its strategy (implementation of a rate of modulation to 13%), the French government will try to finance by the rural development program some measures that it was supposed to finance by the Article 69 (3-1-9). Thus, the additional funds of the modulation could be used as follow: a premium to grasslands (in addition to funds of the PHAE); an aid per tonne of milk quota for the dairy farms located in mountain areas (in the context of a soft landing for the milk quotas); special funds to encourage the development of organic farming, and so on.

- d. A change in the nature of the beneficiaries of Pillar 2 funding?

The beneficiaries of the new rural development measures would not be fundamentally different from those who are currently. Nevertheless, a higher part of funds could be granted directly to farms (according to the arguments 3-2-2-b).

- e. Is there a need/desire to extend or amend existing schemes in any way and would this happen as a result of additional funds in Pillar 2 ?

Officially, there is no willingness to change the PDRH. The PDRH must now be applied in accordance with the decisions taken in 2007. As has been mentioned, the Minister of Agriculture hopes that a redistribution of funds will be possible within the first pillar. The integration of the PHAE (premiums for extensive grassland) in the first pillar of the CAP has sometimes been suggested in some debates.

- f. If yes, would this change the way in which the scheme was targeted (for example in terms of spatial targeting, beneficiary type, eligibility criteria etc)?

See above.

- g. Why do you see these changes in design / delivery of the schemes as being necessary?

See above.

- h. To what extent would these additional funds need to go back to the farming sector?

One of the main criticisms made by French farmers against the device of modulation is that the collected funds are not always reallocated to farms. As it has been mentioned in the synthesis of internal debates on the CAP health check, the sensitivity on this point is very important. Some experts think that Farmers' organisations could be more favourable to modulation if the collected funds would be entirely reallocate to the French agricultural sector (ie without the deduction of 20%).

According to a speech of the Minister of Agriculture, it seems to be important to redirect a portion of public support between farms, productions and regions (also for anticipate the next CAP). He is not agree to transfer some important funds from agriculture to others rural areas activities.

### **3.2.3. What are the re-distributional effects of moving money between Pillar 1 and Pillar 2 at national and/or regional level:**

#### a. Between sectors (farming, forestry, tourism, industry and services)

The modulation funds are collected only on farms. However, the affected farms are not sure to benefit from the funds that are reallocated by the PDRH. Moreover, French farmers lose 20% of the modulation funds (see Annex 3-2-1 and 5-1).

Among the modulation funds that are reallocated by the rural development, only a portion is allocated to farms (Annex 2-1). In the simulations made to estimate the impact of the modulation device (Annex 5), it was considered that the farms receive 70% of reallocated funds. In other words, only 56% of the total collected funds are used in farms in the form of direct subsidies to rural development.

An increase of the funds of the second pillar (with the modulation) is naturally more favourable for non-agricultural activities (forest, tourism and services) than the situation of the status quo (maintaining direct aids of the first pillar). Nevertheless, the overall impact is very small for two reasons: the amount of these funds (especially with a rate of modulation to 5%) is marginal in comparison to the turnover of these activities; many other parameters influence the dynamics of these sectors.

Beyond budgetary reallocations between sectors, the strengthening of direct aids of the second pillar has an indirect positive effect on tourism (although this one is difficult to quantify). Indeed, these supports help to keep some farms in disadvantaged areas where there is a high tourist traffic. Without these farms, the attractiveness of certain tourist areas would likely be less important. Without agriculture in these areas, the landscape would be less attractive (in comparison, for example, to forest).

#### b. Within the farming sector – between different farm types and/or size of farm?

An analysis of the modulation effects on the French farms was carried out thanks to the 2006 FADN (on the basis of the individual data). In the simulation, it was considered that only 56% of the collected modulation funds are redistributed to farms through rural development. This analysis does not concern the non-professional farms. In France, these holdings are numerous (nearly 40% of the total), but they produce just 5% of the national agricultural production. They have a proportion probably even lower of direct aids. Also, the RICA is a tool well suited to deal with the impact of modulation.

According to this statistical tool, the overall impact of modulation is estimated to 328 million euros in France (this estimate is close to that mentioned in the annex 5-1). Among the 342 800 farms professional, several categories are distinguished according to their position face to the impact of the modulation:

- ***The unaffected farms.*** These 63 800 farms account for 19% of French farms. They collect an amount of direct aid from the first pillar below the threshold set by the franchise. Moreover, they do not receive aids by the rural development program. These farms are often specialised in wine, fruits and vegetables. Comparatively to the other categories of farms identified below, they have a higher income per family work unit. They have, on average, 3.1 jobs and 15 hectares.

- **The winning farms.** These 82 000 holdings represent 24% of French farms. For these farms, the negative impact of modulation is less important than the amount of additional funds that they receive by the rural development. Among them, two types are distinguished. The first includes farms that are not affected by the modulation but which receive funds by the rural development program (9 900 farms). The second includes farms which are affected by the modulation (72 100 farms). As shown in Appendix 5-5, the proportion of the "winning farms" is very high for the type of farming "Sheep and Goats" (80% of farms) and for the type of farming "specialist cattle-rearing and fattening" (58%). Overall, these farms have, on average, 76 acres, 17 000 euros of direct aid (first pillar) and 17 200 euros of income per family work unit (ie a lower income than in other categories). The impact of modulation leads to an increase in the income of just under 5%.
- **The losing farms.** These 196 900 holdings represent 57% of French farms. For these farms, the impact of modulation is more important than the additional funds that they receive by the rural development. Among them, two types are distinguished. The first includes farms that receive funds by the rural development (58 100 farms). The second includes holdings that are not concerned by the rural development program (138 800 farms). The proportion of holdings "losers" is very high for the type of farming "specialist cereals" and for mixed farms (cereals and beef production). These farms have, on average, 96 acres, 34 200 euros of direct aid (first pillar) and 24 100 euros of income per family work unit. The impact of modulation (with the reallocation) corresponds to a decrease in the income of 3%.

To present the redistributive impact of the modulation, several dimensions were studied.

- **Types of production \* Typology "winner / loser"** (Annex 5-4 and 5-5, then 5-8 to 5-13)
- **Types of production \* Economic Dimension \* Typology "winner / loser"** (Annex 5-6, 5-7)
- **French regions \* Typology "winner / loser"** (Annex 5-12 and 5-13, then 5-16 to 5-19)
- **French regions \* \* Economic Dimension \* Typology "winner / loser"** (Annex 5-14, 5-15).

The impact of the modulation in the French regions is heavily dependent on the agricultural specialization (Annex 4-1). Thus, the modulation is positive for regions (notably mountains) specialised in extensive systems of cattle and sheep production. On the contrary, it is negative for regions with a high proportion of farms specialised in cereals.

The annex 5-3 presents the redistributive effects of the modulation. For example, the impact of modulation corresponds to -3% of the income (after reallocation) for the 53 100 big farms (over 100 ESU) from the category "losing farm". These farms have, on average, 57 400 euros of direct aid (first pillar) and an income of 34 600 euros per family AWU. At the opposite, the modulation corresponds to +6% of the income (after reallocation) for the 51 300 small farms from the category "winning farm". These units receive 13 600 euros of direct aids (first pillar) and have an income of 14 900 euros per family AWU.

If the modulation plays in the direction of reducing income inequalities, the redistributive effect is low (with a uniform rate of 5% modulation). A device favouring a gradual adjustment depending on the size would have been much efficient on this point (as it was the case with the device used in France in 2000 and 2001 - see Annex 7). In 2007, the significant improvement in grain prices had an impact on revenues. This impact is considerably more important than the effects of the modulation. This was especially the case because the amount of direct aid has not been adjusted to the reality of market prices (to meet the requirements on the green box under the Agriculture Agreement of the Uruguay Round).

### **3.3. Effects on farm structures and farm viability**

#### **3.3.1. What are the key trends of farm structural change in your Member State and what are the drivers of this?**

In France, the total number of farms has sharply fallen in recent decades. It decreased from 1.7 million in 1966 to 545 000 farms in 2005. In 2005, France has one million permanent worker in farms. Their number has been divided by more than three since 1970. The farms are concentrated: in 2005, France brings together 347 000 farms professional. These have 92% of the agricultural land and 95% of agricultural production. From 1988 to 2005, the number of professional holdings has decreased by 3.3% per annum.

The farms which have several types of production tend to disappear faster than the specialized farms. This phenomenon is particularly true for mixed farms with livestock. Between 1988 and 2005, these farms have declined by 4% per annum. The trend toward specialization is particularly visible in the wine sector. In the beef sector, specialization is associated with the reconversion: many dairy farms (-5.4% per annum) were converted into beef farms (-0.6% per annum). The implementation of milk quotas has helped to eliminate many dairy farms.

Individual farms are in the majority (62%), but they decline at an annual rate of 5.3% per annum. The weight of the agricultural societies (GAEC, EARL, SCEA) has greatly increased. In 2005, the 130300 agricultural societies represent 37% of the professional farms (against around 10% in 1988). They have 53% of the UAA and of the agricultural jobs. Between 1988 and 2005, agricultural societies have grown at an average rate of 4.5% per annum.

The usable agricultural area per farm rose sharply from 42 hectares in 1988 to 73 hectares in 2005. This average hides large variations depending on the legal status (133 hectares for the GAEC, 90 hectares for EARL, 54 hectares for individual farms) and the type of farming (111 acres for farms specialised in field crops, 81 acres for beef farms, 66 hectares for the dairy farms and 22 hectares for farms specialised in wine). Half of the UAA of France is grouped in holdings with more than 100 hectares. The number of farms of more than 100 hectares has risen from 43 000 in 1988 to 85 000 in 2005.

Since 1980, the renting is the main mode of occupancy of the farmland. In 2005, it covers 74% of the UAA holdings professional. The renting of land is more prevalent in the north of France than in the south. Since 1988, the highest increases for renting prices are observed in viticulture.

The evolution of farms is influenced mainly by the gains in labour productivity. They are stimulated by the improvement of the technology, genetic progress and development of mechanization. The development of agricultural societies is an important element of the transformations underway.

#### **3.3.2. To what extent have reductions in Pillar 1 exacerbated or constrained these trends?**

According to several experts, a reduction in direct aids of the first pillar encourages farmers to increase the size of their holdings. This strategy is preferred because it helps to offset the fall induced income. The decrease in direct aids of the first pillar is therefore a factor that accelerate the restructuring of farms. It is also likely to encourage diversification of activities on farms historically heavily dependent on direct aids. The reductions in Pillar 1 do not influence on the proportion between individual farms and agricultural societies. This proportion is largely dependent on sociological phenomena.

Since 2005, farmers do not all have a precise knowledge of the impact of compulsory modulation on their farms. Two reasons explain this: i) the cut was applied directly on the amount of direct aid payments (the farmers did not have to repay funds to the State); ii) the amount of direct aids per farm increased due to the increased size of farms and of the reform of the dairy sector (28% of the French professional farms are specialised in milk production). Farmers have therefore not felt that the amount of direct aids had decreased (per unit of production factor). In farms with less than 5 000 euros in direct aids, a refund of the amounts collected improperly was made retrospectively by the State.

Not only the economic impact of modulation is not always known precisely by the farmers, but this impact was low compared to the impact of the variations in the prices of agricultural products (between 2005 and 2008). The sharp increase in the prices of agricultural products since the adoption of the CAP reform (beef in 2006, cereals in 2007 and milk in 2008) has impacted the income very much higher than the modulation. In this context, it is quite sure that the decrease of direct support of the first pillar (ie 5% with a franchise) has not caused a change in strategies of farmers.

### **3.3.3. Have these effects been offset by the additional money available for Pillar 2?**

The reduction in direct aids of the first pillar has not been compensated, on average, by an equivalent increase in direct aids of the second pillar. The France loses 20% of its original envelope. In addition, funds allocated for rural development are not exclusively attributed to farms. Also, the device leads to a decline in support allocated to farming.

The impact of the modulation is different according to production systems and regions (see Annex 5). The incentive to the expansion of farms is not homogeneous. In holdings (or regions) which are classified as "winners", the improvement of the income can limit (modestly) the will to increase the size of farms. So this is a rather positive factor for the maintenance of agricultural employment in disadvantaged areas. In holdings which are classified as "losers", the modulation stimulates the will to increase the size of farms. However, it is difficult to identify the specific impact of modulation on the expansion of farms because several factors interact in this plan (agricultural and land prices, labour productivity).

### **3.3.4. To what extent has the reduction in Pillar 1 payments affected:**

#### **a. Farm income**

The economic impact of a reduction in direct support of the first pillar, depends primarily of the rate of reduction applied. In the case of compulsory modulation, the decline in direct aid is, on average, 4% (for a rate of 5% with a franchise at 5 000 euros per farm). The decline in direct aids is never, by definition, greater than the rate of 5%, including in the very large farms which receive high amounts of direct aids.

In 2006, direct aids of the first pillar represent, on average (for all French professional farms), 24 100 euros per farm or 12 000 euros per farm employment. They represent 82% of all direct aids and the equivalent of 74% of the income.

The economic weight of direct aids from the first pillar is variable according to production types (annexes 4-11 to 4-14) and regions (annexes 4-29 to 4-32). They represent, in 2006, more than the income for the farms which are in the types of farming No. 13 (Specialist cereals, oilseed and protein crops), No. 42 (Specialist cattle-rearing and fattening), No. 43 (Cattle-dairying, rearing and fattening) and No. 81 (Field crops, grazing livestock combined).

The direct aids of the first pillar represent more than the income in Auvergne, Centre, Ile de France, Lorraine, Midi-Pyrenees and Pays de la Loire.

The modulation to 5%, without redistribution of funds, causes a loss (averaged over all French farms) of 960 euros per farm, or 2.9% of the income (Annex 5-2). Among the various types of production identified, the maximum decrease of the income is 6.2% (or 1 830 euros) for holdings of major crops (Annexes 5-8 and 5-9). In all the French regions, the impact is less than 5% of the income. It reached a maximum of 2 200 euros per farm in Ile de France. The modulation concerns 78% of farms professional.

b. Capital investment decisions

The impact of the modulation (-960 euros on average per farm) has not changed, or only in a marginal way (and not easily measurable) investment strategies of French farms. These strategies are primarily influenced by the situation of agricultural markets (prices of agricultural products) and opportunities for expansion (land or rights to produce available). This reduction of the first pillar is equivalent to 4% of annual investment made by French farms (and 6% of the total asset).

c. Farm household income

The current income of farms is used to pay social security contributions of the operator, self investments and pay for work of the farmer. This income does not correspond directly to the household income. The latter is supplemented by the spouse's income (a growing proportion of them are working outside agriculture). In France, according to 2003 estimates, the income of agricultural households is higher (+5%) than this of all French households.

The decline in direct aids of the first pillar affects the income of the agricultural households, but the impact is less important than for the farm income. Indeed, the decline in profit due to modulation led farmers to be less taxed on their income.

d. Longer-term farm viability

At the moment, direct aids of the first pillar are economically necessary for many French farms (Annex 4). The ability of farms to cope with a decline in direct aids will depend mainly on price developments (input and output) and productivity gains. Nevertheless, for nearly 20% of French farms the future viability is not subject to this point (the pillar 1 is low).

**3.3.5. Has the distribution of Pillar 2 funds differed between farm type and size?**

In 2006, direct aids of the second pillar represents 5 400 euros per farm (national average), or 2 700 euros per farm employment. They represent 16% of the income. The economic weight of the direct aids of the second pillar, however, varies according to types of production (annexes 4-15 to 4-18) and regions (annexes 4-33 to 4-36).

The direct aids of the second pillar have a very important economic role for the farms located in disadvantaged areas (including mountain). Similarly, nearly 60% of direct aids to rural development are, in France, assigned to only three types of production, namely "Specialist cattle-rearing and fattening" (OTEX No. 42), "Specialist dairying" (OTEX No. 41) and "Sheep, goats and other grazing livestock" (OTEX No. 44).

Compared to the pillar 1, direct aids of the second pillar are more focused on small farms. Thus, 55% of direct aids of the second pillar are allocated to farms with an economic dimension less than 60 ESU (Annex 4-15). This proportion is 30% for direct aid from the first pillar. The average amount per farm of direct aids of the second pillar varies less strongly from one size class to another because some premiums are capped by holding (PHAE and ICHN). The direct aids of the second pillar represent 75% of the income for the small sheep farms (less than 60 ESU) versus, for example, less than 6% of that of big cereals farms (over 100 ESU).

**3.3.6. To what extent are those farms affected by reductions in Pillar 1 payments (categorised by farm type and size where possible) able to recoup this money through Pillar 2 ?**

Annex 5 and paragraph 3-2-3 provide information on this point.

After redistribution of funds by the rural development, and according to our assumptions, the impact of the modulation is estimated (on average, for all French farms) at 450 euros per farm (-1, 4% of income). The impact varies as it is shown with the typology “winner – loser”:

- The farms which are classified as "losers" (196 900 farms) lose 3.5% of their income (- 1 200 euros). The decrease in income is, in absolute terms, more important for farms with a large economic dimension (Annex 5-3). As a proportion of income, however, the impact is comparable between classes of economic dimension.
- The farms which are classified as "winners" (82 000 farms) obtain a better income (+ 4.7% or +1 100 euros). Notice that the impact is proportionately greater for small farms (+6% of income) than for the big ones (+2% of income).

About 80% of farms located in Auvergne have a positive impact of the modulation (taking into account the redistribution). This proportion is 65% in the Limousin, 51% in the Rhone-Alpes and 43% in Midi-Pyrenees (annexes 5-14). This proportion is less than 5% in most regions with a high proportion of cereals farms (Ile de France, Haute-Normandie, Centre, Champagne-Ardennes) or intensive livestock (Brittany, the Loire).

**3.3.7. Of the measures that you have spent additional money on within Pillar 2 in your Member State, which have the greatest impact on farm structures and farm viability? What is the nature of these impacts?**

The rural development measures which have the greatest impact on the structure of farms are primarily those mentioned in axis 1 of the PDRH. Some measures of axis 2 also play a significant role.

*\* Support for the modernization of farms (measure 121: 1,6 billion euros for the period 2007-2013, including 610 million euros from the EAFRD)*

The modernization plan of the livestock buildings (PMBE) is an important measure (800 million euros over the period 2007-2013). The goal is to support the modernization of French farming by providing an incentive aid to the construction and renovation of buildings. These investments should help to improve production conditions; working conditions for farmers and the welfare of animals, with taking into account the environment.



The maximum rate of State aids is 20%. It can be supplemented by other funding up to 40%. These rates can be increased by 10% for young farmers and for farms located in the mountains. The amount of investment eligible is limited to 90 000 euros in plain for new constructions (and 100 000 euros in the mountains). For renovation projects, these thresholds are respectively 60 000 and 70 000 euros.

*\* The setting up of young farmers (measure 112: 1,2 billion euros for the period 2007-2013, including 578 million euros from the EAFRD)*

This aid aims to organize generational renewal in agriculture (16 000 farmers will leave the profession each year during 2007-2013). To facilitate their setting up, an allocation to young farmers is assigned with several conditions (have less than 40 years, have a minimum level of training, etc...). Recipients must remain a farmer for five years; keep accounts; respect the standards in terms of environment and animal welfare. The amount of aid varies depending on geographical areas (it is more important in the mountains) and the project of the candidate. It ranges from 8 000 euros in plain (minimum amount) to 35 900 euros in mountain areas (maximum amount).

The state also funds a portion of the interest cost of borrowings for young farmers (with a limit to 110 000 euros of borrowings per farm). Interest rates are fixed to 1% in the mountains and 2.5% in plain (a level below the market value).

These aids aim to encourage some young farmers to settle. Indirectly, this induce a break in the farm restructuring. The number of young farmers who are concerned by these aids is slightly less than 6 000 per year.

*\* The compensation of natural handicaps (measure 211+212: 3,4 billion euros for the period 2007-2013, including 1,88 million euros from the EAFRD)*

This aid (33% of all FEADER funds) aims to enable many mountain farms to maintain their activity. For the 70 000 French farms located in the mountains, the amount of this premium (ICHN) is, on average, 6 200 euros (ie a quarter of the income). The ICHN already existed in the program 2000-2006. This premium (ICHN) is given in a limit of 50 hectares per farm. The amounts are established per hectare, and they range from 55 to 220 euros per hectare depending on the type of area. The premium is more important for the first 25 hectares.

*\* The PHAE (1,9 billion euros, ie a part the funds allocated to the measure 214)*

This measure is funded primarily by the Ministry of Agriculture (Annex 2-1). The PHAE is intended to farms which have a minimum share of grass in agricultural land and which have a livestock density below 1.4 LU / ha. In return for an annual fee per hectare (76 euros per hectare within the limit of 100 hectares per holding), the farmer undertakes for 5 years to meet certain environmental rules. In 2006, 70% of the PHAE funds have been allocated to farms located in the mountains. For these farms, the average amount of aid is 2 000 euros.

### **3.3.8. What are the impacts of the availability of additional funds for these measures on national and regional trends of farm restructuring? Do they:**

The direct aids for rural development (see the four measures mentioned in point 3-2-7) have a positive impact on the number of farms. In other words, they limit the restructuring of farms (-2.5% per annum for the professional farms over the period 2000-2005).

This impact is low in the plain areas where these aids represent a limited share of the income (Annex 4-36). In extensive livestock farms and in mountain areas, these aids help to encourage the continued activity of small farms. In other words, without such support, the income would be too weak to allow the farmers to continue their activity.

**What are the impacts of these measures of additional funds for these measures on farm viability, specifically:**

a. Farm income

See point 3-3-5 and annexes 4-18 and 4-36.

b. Changes in the proportion of farm income made up from farming activities vs non-farming

The direct aids to rural development have a slight positive impact on the diversification of forms of income in agriculture. Moreover, the proportion of part-time workers is more important in the small farms located in mountains (which are highly beneficiaries of the rural development measures) than in the units located in plain.

c. Capital investment decisions

The direct aids to rural development (Priority 1) generally have a positive impact on investment in the farms.

For some young farmers, aids have a decisive impact on the choice to settle. With the increase in the value of holdings (at a rate of about 3% per year), installation is often difficult for many young people, especially when it is not a family business. For many farmers, the supports for the modernization of livestock buildings had an important incentive effect. These funds can lead to a greater number of holdings in the path of modernization.

d. Farm household income

The aids of the rural development program improve the household income of farmers, mainly those located in disadvantaged areas and the young farmers. Also, these funds improve the income of some others economic actors (not farmers) located in rural areas.

As a result of taxation of agricultural income, the impact of these measures on household income is not proportional to that seen on farm income. The aids to investment are not taken into account in determining the farm income. The impact is more indirect, through improving the productive potential of farms.

e. Longer-term farm viability

The four most important measures of the PRDH (Annex 2-1) promote long-term viability of some farms: they encourage the setting up of young farmers; they accompany farmers who invest for preparing them to the requirements of tomorrow's competitiveness; they provide a support to the farmers income, which is sometimes substantial for some of them.

The long-term future of farms depends, of course, not solely on these measures. The variation in prices (inputs and output), technical performance, the evolution of direct aid from the first pillar and the labour productivity gains are also some decisive factors .

### 3.4. Effects on the competitiveness of the agricultural sector

#### 3.4.1 What are the key factors that affect the competitiveness of the farming sector in your Member State?

To answer this question, it is necessary to provide a summary of the main trends in the French agricultural sector. We distinguish successively food industries, agricultural products (mainly those which are concerned by direct aids) and farms.

##### \* The competitiveness of French food industry

In France, the agrofood chain represents 3.5% of gross domestic product (GDP). The food industry represents 1.6% of GDP against 2% for agriculture, fisheries and forestry. Since 1980, the share of agriculture in GDP falling, but this decline is related primarily to lower relative prices of agricultural products. With a French agricultural production by nearly 60 billion euros in 2006, France accounts for just below 20% in the production of EU-27. It is followed by Italy (14%), Germany (13%) and Spain (12%).

According to statistics from the Ministry of Agriculture, France has in 2006 about 3 000 agrofood companies with more than twenty employees (private companies or cooperatives). These companies have a turnover of 129 billion euros (18% in exports) in four main sectors: meat (24%), various food (21%), milk (18%) and beverage (16%). The 800 cooperatives more than ten employees have a turnover of 42 billion euros and are directed mainly to dairy products, animal feeds and beverages.

In France, the agrofood trade balance is positive regularly. It reached 9.1 billion euros in 2007 (+4% compared to 2006). In 2007, exports (44.7 billion) like imports (35.6 billion euros) increased by 5%. The trade balance is positive with the EU Member States (+7.2 billion) and with the others countries (+2.2 billion).

The France has a large surplus of cereals (with a rate of self-sufficiency of 210%), sugar (186%), wine (141%) and poultry (133%). This country is slightly in surplus for dairy products (120%), beef (107%) and pork (107%). It is in deficit for sheep (51%), soybean and exotic products (coffee, tea, cocoa).

##### \* The competitiveness of agricultural production in France

**The milk.** With a milk quota of nearly 24 million tonnes, France is the second European producer of milk behind Germany. Its production decreased by 12% since the implementation of milk quotas in 1984. After a difficult dairy campaign in 2006-2007 (with under-producing of 3%), milk production has risen sharply during the first quarter of 2008. The concentration of dairy industries becomes progressively important: 50% of the French milk are concentrated in three agrofood groups. The production of cheese is progressing at the expense of industrial products (butter and powder milk). The foreign trade of dairy products recorded a surplus of 2.5 billion euros, or nearly one third of the food trade balance. The increase in milk yields results in a significant reduction in the dairy herd. The number of dairy cows (3.8 million head in 2008) is twice lower than it was in the early eighties.

During the past ten years, the number of dairy farms has declined by 4% per year, a rate below the EU average (-6.5% per annum). This lesser decrease is partly due to the French choices relative to the management of the milk quotas. France has currently 90 000 dairy farms; approximately 60% of milk is produced in agricultural societies (GAEC and EARL).

In the competitive European universe, the main strengths of the French dairy farms are as follows: a low acquisition cost of production factors (land and quota); some important forage areas (the population density is lower in France than in countries of northern Europe); a well-controlled feed costs (as a result of a favourable climate for forage production); a sustained dynamics of investments. Their main weaknesses are: a high cost of mechanization per tonne of milk; a lesser labour productivity (quantity of milk produced by agricultural employment) than in the competitor countries from the north of the EU.

**The beef production.** With 18% of the European beef production, France is the first European producer ahead of Germany and Italy. The herd of suckler cows (4.1 million heads or 35% of the total of the EU) is relatively stable over the past decade. The domestic production of beef (1.7 million tonnes in 2007) decline despite the increase of animals weight; this is mainly due to the considerable reduction in the dairy herd. Despite a slight decline in consumption, trade balance deteriorates gradually (+790 million euros in 2007). France is a net exporter of live animals (the trade balance is +1.1 billion euros, mainly with Italy) and a net importer of fresh meat.

The farms specialized in beef (40 000 units) are located in areas where the forage areas are abundant and where the substitutions between agricultural productions are often difficult. The main advantages of these farms are: a fairly steady increase in labour productivity (+2% to 3% per annum), a good level of technicality; a lower amount of debts than in others production types. Their main weakness is to be very heavily dependent on direct aids (Annex 4) and of the EU trade policy (high tariffs at the borders). Alongside these 40 000 specialized beef farms, France also has 40 000 mixed farms.

**The sheep production.** Over the past decade, the French sheep population declined steadily. In 2006, it lost 3% and reached a strength of 8.5 million head (the fourth largest community, far behind the United Kingdom and Spain, and to a lesser extent, Greece). The dairy herd is maintained (-0.3% between 1996 and 2006), but the suckler herd decreased drastically (-18% between 1996 and 2006). The balance of foreign trade in sheep and goats is structurally negative (- 430 million euros in 2007). A high proportion of sheep farms is not professional. Among the professional units (about 15 000), many are those who are penalized by low labour productivity. They are heavily dependent on direct aid, especially in mountain areas where the measures of rural development play a decisive role (Annex 4). In the goats sector, the situation is different. The herd (1.2 million head) is increasing since 2000. This development reflects a favourable market for goat cheese (both in France and on export markets).

**The pork production.** The France produces 10% of the European production. It lies in third place behind Germany and Spain. The French herd of pigs (14.8 million head in 2007) decreased for the third consecutive year. Over the past five years (2002 to 2007), the herd of sows is decreasing (-1.2% per annum). Despite this decline in the number of sows, pig production is fairly stable because of the continuous improvement of technical performance. In 2007 and for the first time, the production exceeds 20 pigs per sow. France, which was in deficit for pig production until 1994, is regularly in surplus. Exports and imports increase, but the trade balance remains fairly stable at around 107%. The pork production is concentrated mainly in the western regions of France.

The restructuring of hog farming is fast. The number of farms with at least 5 sows or more than 20 pigs fell from 35 000 in 1988 (for a herd of 11.9 million pigs) to 16 300 in 2005. The size of farms grows continuously. In 2005, the units with more than 1 000 pigs account for 31% of farms and 72% of herd (versus respectively 26% and 66% in 2000). The economic situation of many farms has been greatly deteriorated since 2007 because of rising grain prices. The ratio "price of pork / price of feed" has never been so bad. If the technical performances of French farms are satisfactory, the margins of progress have become less important than they were.

**The poultry production.** The French production of poultry meat has doubled between 1980 and 1998, due to increased domestic consumption and exports (which accounted for 43% of production in 1998 against 25% in 1980). Since then, domestic production declines due to three factors: a saturation of the domestic market, a decline in exports, an increase of imports. After the crisis of avian influenza in 2006, the French poultry production increased by 4% in 2007, but the level is still lower than 1998 (-20%). Despite this decline in production, France is always self-sufficient in poultry meat. If the production of chickens, turkeys and guinea fowl decrease, the duck and *foie gras* are experiencing an opposite trend.

The decline in poultry production has led to a sharp restructuring of farms. In 2007 and 2008, rising grain price penalises the production cost. Nevertheless, the difficulties are less important than in the pig sector, because the selling price of poultry to consumers has increased significantly.

**The cereals.** With a cereal production of 64 million tons (35 million tonnes of wheat), France ranks first in the EU. The rapid improvement in yields (+60% in maize grain during the period 1980-2005) has allowed an increase of one third of the cereal production in France. However surfaces of cereals, fell by 7% since 1980. Cereals cover 9.2 million hectares in France (around one third of the UAA). They are cultivated mainly in the plains of the Paris basin and the west (wheat and barley), in the South-West and Alsace (maize). They are present in half of the farms. The decline in cereal surfaces has to be linked with the development of the set-aside (1.2 million hectares). Nearly half of French production of cereals is exported, mainly to the European market. At the international level, the French wheat is competed with wheat produced in USA, in Ukraine and in Russia. The abilities to export are closely linked to world prices and the parity between euros and dollars.

**The oilseeds and the proteins.** The oilseeds crops represent 2.1 million hectares in 2007, of which 74% in rapeseed and 23% in sunflower. With the development of biodiesel, the culture of rapeseeds has increased by almost 20% over the past five years. The surfaces of protein, that are in steady decline since 1999, reach 221 000 hectares in 2007 (including 73% of pea and 24% of beans). Since 1990, production of rapeseed has more than doubled, but the harvests of peas and sunflowers have significantly decreased. Overall, production of oilseeds and protein has decreased by 5% since 1990 because these crops have not benefited from higher yields (as in cereals). The French production of proteins represents a little less than half the needs of animal feed. To overcome this shortfall, 70% of feed concentrates (soja) are imported from the American continent.

In France, the farms specialised in cereals are favoured by obtaining excellent yields. Despite the growth of their size, they remain far smaller than those of other countries like the USA. The competitiveness of France is stronger for the wheat than for corn. The world market of corn is dominated by the USA, where GMO are more and more developed.

**The wine.** With a production of 53.2 million hectolitres (23.7 million hectolitres of wine appellation), France is a major European wine producers (with Italy and Spain). This sector enjoys a positive trade balance. Exports (14 million hectolitres) are mainly oriented towards the United Kingdom and Germany. Our imports (5.5 million hectolitres) are provided by Spain and Italy. Wines from "New World" represent approximately 10% of our total imports. The consumption of table wine has halved in twenty years and the surfaces of vines have been halved since 1950 (820 000 hectares in 2007).

The 46 000 professional farms specialized in wine represent 17% of French agricultural jobs, 4% of the agricultural area and less than 2.5% of direct aids. The competitiveness of these farms is therefore not very dependent on the level of public support. This is the same situation for others productions such as fruits, vegetables, pigs or poultry.

*\* The competitiveness of French farms*

The agricultural income per worker has declined over the period 1999 to 2005 (in real terms), after a period of strong growth (1993 to 1998). In 2007, it rose sharply for the second consecutive year (+11% in real terms, after +16% in 2006). This positive result is due mainly to the sharp rise in cereals prices (+51% compared to 2006). After a decline from 1997 to 2005, the income of cereals farms has increased significantly in 2007 (+65% compared to 2006). The farms specialised in wine have also had an improvement in their income (+19%) after several difficult years. For farms specialised in pigs, the income fell (-59%) as a result of higher cost of animal feed.

According to the FADN, the debt ratio of farms French (37% in 2006) increases over the past decade. This is primarily due to an increase in the value of holdings and to the rejuvenation of farmers. It is important to notice that the amount of debts is much higher in farms which are not very concerned by direct aids (horticulture, market gardening, pigs).

The main determinants of competitiveness of French agriculture are not fundamentally different from those of other member states. Competitiveness is the result of a combination of factors, both domestic and international.

- i. At the national level or European, the main factors influencing the competitiveness of agriculture and of agrofood firms are as follows: the natural resources(land, climate, water) and the human resources (training of farmers); the technological progress (in relation with the level of investment in research and development); the productivity of production factors (labour, land, livestock); the characteristics of the final product; the fiscal and monetary regulating (interest rates, taxation of income, controlling inflation); the strategies of investments; the trade policies (tariffs, quotas, etc.); the agricultural policies (subsidies and market regulation).
- ii. At international level, competitiveness depends on a variety of factors, including the exchange rate, the cost of international transport and trade preferences between states. In some cases, the exchange rate is influenced by the measures adopted by governments. Thus, the devaluation of the currency of a country relative to its competitors (as is currently the case in the U.S. dollar against the euro) results in an improvement of the competitiveness of products exported. Imported products are, however, more expensive. Therefore, and all things being equal, local producers of these goods become more competitive.

### **3.4.2 To what extent do reductions in Pillar 1 payments affect these factors?**

The competitiveness of French agriculture and its agrofood industry is due first to the factors mentioned above. At the national level and community level, direct aids of the first pillar are not really a factor of discrimination of competitiveness. Due to principle of the CAP (common market), rules are applied on a common legal basis in all Member States. This is particularly true for aid from the first pillar of the CAP where funds are essentially community.

The sensitivity of the various countries to a reduction of the pillar 1 is not homogeneous. Because of its strong specialization in cereals and in beef, France is a country more sensitive than others to changes in funds from the first pillar.

Starting from 1992, the decline in institutional prices was offset by the payment of direct aids to farmers. This evolution of the CAP was designed to strengthen the competitiveness of European agricultural products on world markets. In addition, lower guaranteed prices have helped strengthen the competitiveness of European products on the European market. In the sector of animal nutrition, lower cereals prices led to a significant increase in domestic uses (at the expense of imported products: corn gluten, cassava root, etc.).

The reduction in aids from the first pillar has a negative impact on the farmers income. It does not change, however, fundamentally the competitiveness between them. For a given type of production, the negative impact is approximately the same between European farmers (in proportion of the value of production).

A significant decline in direct aids of the first pillar could lead to an acceleration of the restructuring of farms (mainly for farms specialised in cereals and grazing livestock). Indeed, only the most efficient units would be able to resist economically to a significant decline in direct aids. For some holdings (horticulture, pigs, and so on.), the decline in direct aids is less decisive (ie that the economic impact is low compared to turnover). With a 5% rate of modulation, the economic impact is generally relatively low (Annex 5). In the event that a sharp reduction in direct aids would provoke a strong restructuring of farms, the production cost of some agricultural goods could theoretically decrease (due to a higher concentration of the production in the most efficient units).

With the introduction of direct payments to production factors (comparatively to a situation with high institutional prices), the CAP has been economically more favourable, in each country, to the farms with low technical performance. In the cereals sector, for example, the amount of direct aid per hectare has been determined on the basis of a historical yield (at the national or regional level). Thus, in one given French department, farms which had low yields have received the same amount of direct aid per hectare than those with a higher yield (although the first ones had suffered a lesser decline in turnover). This example shows that the direct aids of the first pillar contribute to keep in place some farms which are not always very efficient. The direct aids of the first pillar have sometimes been a hindrance to a greater economic competitiveness of agriculture. However, this reflection ignores other factors considered important for public policies, namely agricultural employment, environment and occupation of territory.

### **3.4.3 Have these effects been offset by the additional money available for Pillar 2?**

The impact on competitiveness is positive essentially for young farmers and the farmers who have invested. For the farms which are not affected by the modulation (see typology), nothing has changed in the initial level of competitiveness. For farms which are classified as "losers", the decrease of the income is not necessarily identical to a decline in competitiveness; indeed, the impact was approximately equal among all farms the same type (see above).

The aids of the axis 1 EAFRD (modernisation of holdings, setting up young farmers, training of farmers, etc.) are clearly targeted on improving competitiveness. This is not the case for support from the first pillar of the CAP. These have been historically allocated, in each farm, on the basis of the production factors (hectares and livestock heads). The aids of the pillar 1 are not linked with the projects of the farmer or the needs in terms of modernization. In some very competitive farms, these aids have been used by recipients to invest outside from the agricultural sector. This is less the case with aids of the rural development program.

Thanks to a better targeting of actions, the support of rural development is likely to have an impact on structuring the overall competitiveness of the agricultural sector (in terms of labour productivity and economic growth). In addition, they help strengthen the competitiveness of other economic activities of rural areas (mainly for forestry activities). The way to give direct aid to the second pillar is nevertheless often more complex than it is the case for the first pillar. This can lead to a loss of economic efficiency in the transfer of support to farmers.

We should however remain very cautious in this type of analysis on the competitiveness factors. The additional funds paid to rural development by the modulation are very modest (268 million per year) compared to the value of French agricultural production (0.4% of 60 billion euros). The competitiveness of French agriculture is much more dependent on the choices for our trade policy (level of tariffs, particularly for the production of herbivores) than from internal balances between the first and the second pillar.

### **3.4.4 Does the reduction in Pillar 1 payments result in a change in levels of production or prices of commodities?**

Since the implementation of modulation, European agriculture has seen a rise in the prices of some agricultural products. This increase is mainly due to the exceptional situation of agricultural markets at the international level. It is characterized by the following main points: i) food demand grows due to population growth and increase of purchasing power in some countries (Asian and oil-producing countries); ii) global stocks agricultural products have fallen sharply; iii) agricultural production is stabilized or even declining in some major exporting countries, including Oceania following a severe drought; iv) the production of milk and beef has declined in the EU; v) the development of ethanol mobilizes agricultural land previously used for the production of food; vi) the scarcity of supply encourages financial speculation on agricultural markets.

In France, the potential impact of the reduction in direct aids of the first pillar (-4%) on the agricultural prices evolution has not been demonstrated. In all cases, it is necessarily marginal compared to the factors mentioned above. Recall that the strategy of the French farmers has not changed following the decline in direct aid. For most French farms, the amount of direct aid from the first pillar has increased over the period 2005 to 2008 (because of the increase in surfaces and reform of the CMO milk and dairy products). The decoupling has certainly had an higher impact on the productive choices of farmers than the modulation.



For vegetal production, the impact of climatic factors and biofuels on volumes produced is much important than the effects of the CAP support reorientation (decoupling and modulation). In the cereals sector, the decoupling of direct aid has been in France, only partial. The price increase has been very important over the period 2005 to 2007. The income of the French cereals farms has increased by 65% in 2007 (compared to 2006). The negative economic impact of the modulation is therefore marginal compared to the positive impact of prices. In the second quarter of 2008, the price of wheat fell in a context where the harvest forecasts are more important than last year (according to forecasts made by USDA). Because of WTO rules, the amount of direct aid allocated to the French producers of cereals has not been altered in exceptional situations of prices.

In the dairy sector, the modulation has been implemented alongside an increase in the amount of direct aid. Therefore, the specific impact of modulation has been little perceptible by the milk producers. The total decoupling of the dairy premium prompts some farmers to abandon the milk production. This is particularly the case for dairy farms with a large surface of cereals. During the milk year 2006-2007, France has not been able to achieve its milk quota (-3%). But, the significant increase in the price of milk in the first quarter of the year 2008 (+35% compared to 2007) had an immediate impact on increasing production. In certain French regions, especially in the West, milk production in the first quarter of 2008 was 15% higher than the first quarter of the previous year. This example shows that price is the main factor taken into account by farmers in their choice productive.

In the beef sector, the French production is declining steadily since several years. This is primarily due to the declining number of dairy cows. The impact of the modulation of direct aid from the first pillar on the evolution of the beef supply is probably null. The farms specializing in beef production are economically advantaged by the device of modulation (Annex 5-11). As in other sectors, the impact of the reduction in direct aid on the price of beef is not known. With favourable prices, especially in 2006, beef producers have not abandoned the production, even with the full decoupling for the premiums to cattle male.

#### **3.4.5 If so, does this result in any upstream or downstream effects?**

See- point 3.4.5.

#### **3.4.6 Of the measures that you have spent additional money on within Pillar 2 in your Member State, which have the greatest impact on the competitiveness of the agriculture and agri-food sector? What is the nature of these impacts?**

In France, funds of the Axis 1(35% of the EAFRD funds) have the greatest influence on the competitiveness of the agricultural sector (in the economic sense). The support of the axis 2 (54% of funds EAFRD) also play an important economic role, but the measures are less directly targeting on the issue of competitiveness.

The nature of impacts is specified in point 3-3-7.

### **3.4.7 What are the impacts of the additional funds for these measures in relation to the:**

#### **a. Economic efficiency of the sector**

The impact of rural development measures on improving the added value in agriculture is, at the macro level, positive but weak. This is primarily due to the fact that the PDRH gives greater importance to the Axis 2 (54% of EAFRD funds). In addition, funds to Axis 1 are limited compared to the overall value-added of the sector. For the agrofood industry, the impact is also positive, but even more limited than in agriculture

To measure the economic efficiency in farms, some economists frequently use the indicator "Gross Farm Excess (*GFE*) / Agricultural production (including direct aids). According to this indicator, the French farms which are beneficiaries of rural development funds (ie the "winners") have, on average, greater economic efficiency than the units which are not. This is mainly due to their specialization and the way of how their product are sold on the market. For example, the dairy farms which are located in mountains (Northern Alps or Franche-Comté) have a good economic efficiency because they obtain higher price for their milk production (the cheese from these regions is well-paid). Nevertheless, these farms have sometimes a low income because they are penalized by a low labour productivity.

#### **b. Economic performance in relation to investment in infrastructure and new technologies**

The measures of axis 1, primarily those relating to the setting up of young farmers, training of farmers and to a lesser extent, the modernization of the livestock buildings, are likely to improve the economic performance of holdings.

The specific impact of rural development measures on the adoption of new technologies in farms is marginal. Indeed, this issue concerns all farms, including those that are not concerned by public support. The adoption of new technologies is first linked with the personal will of the farmer, his age and its strategic choice for investments (substituting capital for labour). The holdings strongest financially are often the first to use the new options offered by technological progress.

#### **Production capacity**

For one given farm, the development of its productive capacities is related to several factors: the personal choice of the farmer (balance between work and private life), the organization of work (individual holdings, agricultural societies, enterprises services); local opportunities of development; the financial strength of the farms for buying new production factors (especially land) in a competitive market; the rules of agricultural policy (rights to produce).

The rural development measures have a positive impact but low on the development of productive capacities of farms. The aids for modernisation of buildings are going in this direction. On the opposite, the aids allocated for the establishment of young farmers could have a negative impact. In a short-term view, the setting up of a young farmer limits the growth of the neighbours units.

c. Development of new markets and/or new products

In the PDRH, funds allocated for developing new markets and new products are low. The measure n°124 (only 0.1% of EAFRD) aims to foster cooperation in order to develop innovative products and technologies. The measure n° 123 (entitled "improving the competitiveness of agro-industries") can have a positive impact on the development of new markets. This measure (4.2% of EAFRD) is granted to companies which are located in rural areas. The plan can be adapted to the challenges set locally. Only companies which have less than 750 employees or less than 200 million euros of turnover can receive this support.

d. Diversification activities

The axis 3 of PDRH (6% of the EAFRD or 10% with the incorporation of corresponding measures of the programme LEADER) promotes the economic diversification in the rural areas. The measure n°311 (0.5% of EAFRD), entitled "diversification into non-agricultural activities", aims to diversify the income sources of agricultural households and to fight against the trend of reduction in the number of farms. The actions, that receive support from local authorities, can be of different kinds: handicrafts, equestrian activities (excluding livestock), services in rural areas, and so on.

**3.4.8 If not covered in 4.6 and 4.7 above, what are the impacts of the availability of additional funds on the competitiveness of the agriculture and agri-food sector on the following measures:**

The additional funds of modulation are not targeted on specific measures of the PDRH. Also the budgetary impact is proportional to the importance of various measures in the PDRH (Annex 2-1).

a. Modernisation of agricultural holdings

The modernization plan of the livestock buildings, which mobilizes funds of local authorities, can contribute to modernize some farms (see 3-3-7). It has an effect on the competitiveness of farming activities for two reasons: the funds granted are important; it increases the labour productivity. Many farmers are also trying to improve, through this, their working conditions.

b. Adding value to agricultural and forestry products

In the PDRH, the measure n°122 (entitled "improvement of the economic value of forests") represents 0.5% of EAFRD. This measure has two objectives: to support investment in stands in difficulty; optimise economically and environmentally the forestry production. The state subsidies are limited to 50% of investments in general and 60% in mountain areas and areas classified Natura 2000. The beneficiaries are mainly owners of private forests.

c. Infrastructure relating to the development and adaptation of agriculture and forestry

In the PDRH, the measure n°125 (0.8% EAFRD) is entitled "infrastructure for the agricultural and forestry sectors". The objective of this measure is to improve the access roads to the forests to facilitate the exploitation of forestry production. Forests that belong to the State are not eligible for this measure. The focus and priority needs are defined at regional and departmental level.

The measure n°123 (4.2% of the EAFRD), which is entitled "adding value to agricultural and forestry products", has two parts: i) investment in agro-industries (see 3-4-7-d); investment in forestry companies. For the latter, the aid is reserved for small companies (less than 10 people, with a turnover of less than 2 million per year). The rate of public support is limited to 40%. The regions are allowed to apply some more restrictive conditions for granting the aids.

### **3.4.9 What impacts have investments in physical capital, specifically, had on the competitiveness of the agriculture sector?**

The aids for investment (physical capital), which occupy an important place in the axis 1, have necessarily a positive impact on competitiveness. They contribute to help some enterprises located rural areas to face with many stakes: improving the labour productivity, the working conditions (security), the environmental practices or innovation. Given the importance of funding granted by local communities (as for the modernization of the livestock buildings), these measures are often well-adapted to local conditions.

### **3.4.10 What impacts have investments in human capital, specifically, had on the competitiveness of the agriculture sector?**

In France, investments in human capital mainly concern the measure n°112 "setting up of young farmers" (10.1% of the EAFRD). This promotes the renewal of the agricultural population and thus contributes to a long-term competitiveness (see 3-3-7). Several observations can be made on the setting up of young farmers in the French agriculture:

- The number of setting up of young farmers decreases. A little less than 6000 have received public aid in 2007, twice less than in 1990.
- The renewal rate of farms increases. Around 16 000 farmers are retired each year (this number, off course, is decreasing).
- A growing proportion of young farmers settle in agricultural societies. This strategy facilitates the acquisition of capital over several years.
- For the young farmers, the amount of investment is more and more important because of the increasing size of farms (the public subsidy represents, on average, less than 15% of the amount invested).
- In a competitive market, access to land remains the main challenge to the establishment of young farmers.
- 30% to 40% of young farmers invest in a farm without the benefit of public aid. These farmers do not meet the requirements for receiving aids (be age between 18 and 40 years, possess a minimal level of diploma, etc.)
- The number of young people who are not issued from families of farmers but who choose to settle in agriculture is not negligible.

The measure n°111 (1.1% of the EAFRD) is entitled "training and information". The main objective of this measure is to increase the level of training workers (in agriculture, forestry and agrofood industries). This measure is pursuing a goal of competitiveness. It must also allow better awareness of farmers concerning the environmental requirements. In a short-term, it is still very difficult to measure and demonstrate the effects of these training on competitiveness of beneficiaries and on their know-how (technical, environmental).

### 3.5. Employment effects

#### 3.5.1. What are the general trends in terms of employment within the farm sector and within the broader rural economy in your Member State?

In France, the urban population has doubled in sixty years. Now, three quarters of French (64 million) live in cities. The rural population has increased by two million people during the twenty-five last years. It includes 14.3 million people, ie a quarter of the total population. The agriculture, forestry, fisheries and food processing industries employ 1.4 million people. This number represents 6.6% of total national employment (expressed as full-time equivalents) against 12% in 1980.

In agrofood industries, employment was maintained in a long-term (2.6% of the active population). At the end of 2006, the 3 000 agrofood companies with more than 20 employees (private and agricultural cooperative) employ 372 000 people (or 92% of total employees of the agrofood chain). Since 2005, employment is declining at a rate of about 1% per annum. The agrofood is an important issue for the maintenance of economic activity in rural areas. Four regions (Brittany, Nord-Pas-de-Calais, Pays-de-la-Loire and Rhone-Alpes) concentrate more than 43% of employees.

Agriculture accounts for 4% of the workforce today against 9% in 1980. In the period from 2000 to 2005, the rhythm of decline in the number of agricultural jobs was slightly weaker than on the longer-term trend (-2.9% per annum since 1980). In agriculture, the decline in the number of jobs is mainly due to the improvement of the technologies, the development of mechanization, the better structure of fields, the modernization of buildings and the progress of genetics. These evolutions make it possible to gradually increase labour productivity. Thus, the needs for working force to produce the same quantity of agricultural goods decrease over time. In some areas where agricultural production decreased (beef, sheep meat, milk, poultry), the loss of jobs has been sometimes very important.

In 2005, the French farms count more than a million permanent worker. In full-time equivalent, this corresponds to 835 900 agricultural work units (AWU), a decrease of 12% compared to 2000 (or -115 000 AWU). Nearly one third of these jobs are concentrated in agricultural farms with at least three AWU. Similarly, agricultural societies (including GAEC and EARL) have 48% of total AWU.

The cereals farms (OTEX No. 13 and 14) occupy the first rank in terms of agricultural jobs (150 400 AWU in 2005, -13% compared to 2000). They are ahead the farms specialised in wine (OTEX No. 37 and 38) where the decline in jobs was the smallest over the period (142 000 AWU and -4%). With 128 800 AWU, the dairy farms occupy the third rank, but reduced staffing is supported (-18% over the period). The decline in the number of jobs was the strongest (-42% over the period) for the type of farming

In 2005, the number of agricultural employees (permanent and seasonal) reaches 222 300 AWU (including 123 100 permanent employees). These jobs account for 26% of total employment in agriculture versus 24% in 2000. They are mostly developed in horticulture, arboriculture and viticulture. The augmentation of the number of agricultural societies (mainly GAEC) and the expansion of farms stimulate the development of jobs of employees. Nearly half of professional holdings employ one or more employees.

The professional farms (346 000 in France in 2005) comprise 90% of agricultural jobs (or 751 000 AWU). For them, the average number of AWU (2.2) varies greatly according to the type of production: less than two UTA for farms specialised in beef compared to nearly five AWU for farms oriented toward horticulture.

### **3.5.2. To what extent have reductions in Pillar 1 exacerbated or constrained these trends;**

The decrease in aids from the first pillar encourages farms concerned to grow to maintain their initial income. Thus, the decline in direct aids is unfavourable to the development of jobs and accelerate the restructuring. If the experts interviewed all agree on this idea, they converge to indicate that it is very difficult to isolate the specific influence of modulation (5%) on this phenomenon. The dynamics of supply, prices and technological progress have a much stronger influence.

It is important to notice that the mandatory modulation device does not take into account the number of jobs on farms to determine the rate of modulation (as it was the case in the French device adopted in 2000). In the new proposals from the European Commission (May 20, 2008), this is still not envisaged.

### **3.5.3. Have these effects been offset by the additional money available for Pillar 2?**

The farms receiving direct aids of the second pillar have, on average, a lower labour productivity (agricultural production per worker or value added per worker). The transfer of aids from the first pillar to the second allows to help some farms which are in an economically difficult situation (low productivity and low income). In addition, it favours the establishment of young farmers. The payment of support for other rural activities (forestry, agrofood industries) is also a favourable factor in terms of jobs.

The modulation (with redistribution of funds) should lead at worse to neutrality in the total number of jobs. At best, he will have a slight positive effect. The total number of jobs is conditioned by a complex set of factors such as labour productivity, markets growth, etc.

### **3.5.4. Have the reductions in Pillar 1 payments, and the consequent effects on farm income, led to a change in the nature of on-farm labour use, in relation to:**

#### **a. The number of staff employed**

The decline in direct aid of the first pillar may have a slight negative impact on the development of salaried jobs in agriculture. However, with a modulation rate to 5%, the impact is minor. This concerns especially the farms specialised in cereals. The evolution of wage employment in these farms is firstly influenced by modernizing equipment and developing new cultivation techniques (simplification). In farms with herbivores, the wage employment is weak (less than 10% of the total workforce). Notice that the proportion of GAEC is high in dairy farms. The salaried jobs are mainly present in farms which are not affected by the modulation.

#### **b. The use of off-farm contractors**

The use of off-farm contractors is mainly due to the strategy of the farmer, in terms of work and investment in equipment. The reduction in direct aids of the first pillar has little influence on this phenomenon.

c. The use of family labour

The reduction in aids of the first pillar can lead to a decrease of the family work per farm (to compensate the loss of income). Nevertheless, given the "weakness" of the modulation rate, it is unlikely that this factor is an important. The evolution of family labour on farms depends primarily on the personal strategy of farmers (organization of work and family life), the unemployment rate in the area, the proximity of urban centres; etc.

**3.5.5. Of the measures that you have spent additional money on within Pillar 2 in your Member State, which have the greatest impact on employment and labour use within the agriculture sector? What is the nature of these impacts?**

To answer this question, experts interviewed believe that we must distinguish between three categories of jobs: i) the direct jobs created with the recipient of public aids; ii) the jobs maintained because of the support granted (jobs that would have disappeared without them); iii) temporary jobs created to implement the measure (people who provide training, persons who participate in the construction of buildings, etc.).

For job creation, and considering the importance of funds allocated, the measure No. 112 (setting up of young farmers) is the most important. The number of young farmers decreases, but the situation would have been even more negative without these supports. The measure No. 311 (diversification of farms) can also have a positive impact on job creation in agriculture.

For the maintenance of jobs in agriculture, experts believe that the rural development measures have an overall positive impact. The measures No. 211, No. 212 and No. 214 are the most important because they improve the income of many small farms, especially those located in disadvantaged areas (Annex 4). They also represent almost half the expenses of EAFRD under the PDRH. Without the payment of such direct aids, many farms would no longer be economically able to maintain their activity. The aids for modernisation also have a positive role in the long term because they allow farms to adapt to market requirements.

For temporary jobs, the extent No. 121 (modernisation of farms) is likely to generate some jobs. The modernisation of livestock buildings requires the use of specialized jobs in masonry and carpentry. These jobs are often offered by small enterprises located in rural areas. The measure No. 111 (training and information) also mobilizes punctually some people (additional activities for some people generally employed elsewhere).

**3.5.6. Which of the Pillar 2 measures implemented in your Member State have the greatest impact on employment and labour use within the broader rural economy? What is the nature of these impacts?**

The measure No. 123 (value- added in agro-industries and forests) is probably the most influent measure for the creation of jobs in rural areas (4,2% of EAFRD) . The aids for investment in agro-industries allow to improve business competitiveness and indirectly to promote employment.

In more limited proportions, other measures of the PDRH also promote job creation in rural areas. These measures are: No. 312 (creation and development of micro-enterprises), No. 313 (tourism activities) and No. 321 (services development).

**3.5.7. What impacts has the availability of additional funds for the Pillar 2 measures had in relation to:**

a. The nature of labour use on the farm (number of staff directly employed, use of off-farm contractors, use of family labour)

If the measures of the rural development program promote agricultural employment through various channels (see 3-5-5), the specific impact of the additional funds of the modulation is necessarily modest. For some farms beneficiaries (see Annex, typology 5), including the smallest of them, these funds have sometimes allowed to maintain the family employment in its entirety. They did not changed the initial strategy of farmers on the use of external contractors.

b. Working conditions - have these improved or deteriorated?

In the farms that have benefited from support for the modernization of buildings, the funds gave a good opportunity to improve the working conditions. For farms not concerned by these investments, the impact is neutral.

c. The creation of employment opportunities. If so, what sort of new jobs have been created, and in which sectors?

Given statistical tools available, it is not possible to respond specifically to this issue. Nevertheless, several observations can be made:

- The creation of jobs in farms was probably very limited (see 3-5-5).
- The jobs creations concern: the young farmers; temporary jobs in rural enterprises (construction and renovation of buildings); jobs (temporary or permanent) related to the diversification of agricultural activities or the development of micro-enterprises; jobs related to the training of farmers.
- The rural development measures contribute to maintain jobs in some farms, especially the small units located in disadvantaged areas.

**3.5.8. If not covered in 5.5 and 5.7 above, what are the impacts of the availability of additional funds through Pillar 2 on employment on the following measures:**

See above.



### 3.6.1. Effects on quality of life in rural areas

#### 3.6.1. Briefly, as a result of your findings so far: to what extent do the general trends identified for your Member State under the previous themes (in relation to farm restructuring, farm viability, employment and the environment) impact upon the quality of life within rural areas?

To provide some answer to this question, several topics are successively discussed.

##### \* The dynamics of population in rural areas

In France, nearly 14 million people live in predominantly rural areas (definition INSEE), almost one quarter of the population (for 70% of the territory). The economic weight of these areas, however, is lower in jobs (about 20% of the national total) and value-added. The cultural heritage, architectural and natural rural areas is important. Because of the electoral system, the political clout of rural areas exceeds that of its demography.

Over the past three decades, the rural population grew on average at a rate of 0.2% per year (or a lower rate than urban areas: 0.4% per annum). In some regions (Massif Central, Central Brittany, and so on.), the demographic balance is negative. These are isolated areas or areas with agricultural or industrial declining. Nearly three-quarters of French rural communes have experienced positive net migration during the last thirty years. This is particularly true in rural areas near major cities. The rural population is older than the urban population (fourth of people in rural areas have more than 60 years).

The increase of population in rural areas is not influenced by changes in the agricultural sector. A significant proportion of rural dwellers did no relationship with farmers. They live in rural areas, but working in peri-urban areas. They have, for some of them, little knowledge of the agricultural sector (production methods, etc.). This situation helps sometimes quarrels and conflicts between farmers and rural (related to the odour, noise, environmental).

In some areas, the decline in the number of farms is a factor conducive to the development of the rural population. Indeed, the consolidation of farms gives the possibility to use the old buildings of farms to build new homes or to develop tourism. In these areas, the decline in the number of farmers does not necessarily mean a decrease in local services because they represent a small proportion of the total population. In other rural areas, the declining number of farmers has a negative influence on the dynamics of the local population. This is the case with areas of low population density, where the presence of farmers often justifies to remain some services (schools, shops).

In many rural communes, French employment from the agricultural sector has become a low proportion of total employment. Similarly, the weight of farmers in municipal activities (municipal council, participation in social activities and sports) is steadily decreasing. The increase in farm size is a factor that accentuates this phenomenon. Farmers have, indeed, less availability. The development of corporate forms, however, offset this phenomenon.

The development of the rural population leads to a decline in agricultural land (at a rate of about 60 000 hectares per year in France) and an increase in the price of land. The construction of houses is the main factor explaining this trend. By selling farmland for the construction of new homes, farmers (owner of land) are sometimes economically advantaged by the growth of the rural population.

\* The economic activity and employment in rural areas

In rural areas, the unemployment rate is slightly higher than in urban areas. Unemployment of women is more developed in part due to a lack of services (child care, etc.). Rural areas collect a high proportion of young families, skilled workers and professions intermediaries. The proportion of people with higher education is lower than in urban areas. The craft represents nearly half of the companies in the more rural areas.

The rural areas of France can be classified into three categories: i) rural areas near cities: frequent in the Rhone-Alpes, on the shores of the Atlantic and in Ile de France, they are often important economic potential, ii) rural areas who seek a balance: these areas are quite frequent in eastern and northern France; iii) rural areas experiencing economic decline and population (as in the Limousin and Auvergne).

The decline in the number of jobs in agriculture led to a rapid decline in the share of agricultural employment in total employment in rural areas. The increase share of employees in total agricultural employment plays a positive role in the rapprochement of peoples agricultural and rural populations.

\* The services and tourism in rural areas

The services directly contribute to the quality of life. France is a country where the development of services is more important than in other European countries. In rural areas, provision of services (health, education, commerce, etc.) however, is sometimes limited and often heterogeneous. Many people living in rural areas deemed a priority to develop the drop-in child care, shops, public transport and public services. The development of the Internet is generally satisfactory in France, including in rural areas. The development of services in rural areas is not dependent on the dynamic of evolution of farms.

The rural tourism develops. With a steady increase in attendance, the campaign is the second space tourist French (one third of tourist destinations). Agriculture plays an increasing role in tourism. The consolidation of farms can use the old buildings to develop facilities for tourists. Women farmers who participate less and less the work of exploitation, are sometimes interested in developing this type of activity. The development of tourism in rural areas is primarily the result of areas near the sea and the mountains. In many lowland areas, the role of tourism in the local economy is weak.

\* Agriculture and the attractiveness of rural areas

According to an opinion survey conducted among a representative sample of people, the main assets of rural areas are as follows (compared to the city and in descending order): a better quality of the environment; a rhythm of life more pleasant, a cost of living lower, solidarity between people more important, a higher level of security; easier to find accommodation. These same people believe that the main weaknesses in rural areas are: a lack of public transport, a lack of local shops; difficulties in finding employment, a lack of public services (health, etc.); isolation important and some solitude; ageing of the population; a lesser diversity of leisure.

It is mainly through its action on the landscape and the environment that agriculture plays a role in the attractiveness of rural areas. Among the trends identified above, a number expected to attend a gradual improvement of relations between farmers and other rural:

- Farmers take more account of environmental issues: support public are granted subject to strict environmental standards; farming techniques promote a better use of products (fertilizers and pesticides), the significant increase in the cost of energy incentive to lower volumes used; routes techniques are better controlled; modernization of buildings allows better management of effluents; some agricultural products (milk, sheep, pigs, poultry) not grow, or even diminish.
- Farmers are trying to make their work more compatible with the requirements of the neighbouring population. For example, they avoid resorting to some nuisances during evenings and weekends (spreading manure or pesticides).
- The farms are increasingly remote from residential areas. The restructuring of agriculture promotes the construction of buildings in areas where nuisances are potentially less important.
- - Farmers, who are increasingly isolated in rural areas, seek to establish relations with other rural non-farmers. Several factors facilitate this evolution of mentalities: the increase in the level of studies of farmers, the desire of farmers to raise awareness about the strengths and limitations of their profession; work outside of the joint; integration into community life Local.
- - Farms recruit employees (permanent or seasonal) and promote economic activity in local businesses crafts. Despite an unemployment rate sometimes important in rural communities, farms do not always find a skilled workforce and, most importantly, perennial.
- - Some farms develop direct sales of agricultural products. This strategy allows on the one hand, improve relations between farmers and rural people and, on the other hand, to increase the purchasing power of rural people (while guaranteeing a margin attractive to producers).

**3.6.2. Briefly, as a reflection from your findings so far: to what extent have reductions in Pillar 1 payments exacerbated or constrained these trends?**

The quality of life in rural areas does not depend, or only very marginally, on the amount of direct support of the first pillar of the *CAP* granted to farmers. Rural people consider that the most important parameters to consider are the following: unemployment rate, quality of public services (health, schools, postal services, travels), provisions of leisure, the diversity of cultural services and property prices. The relationship between rural areas and farmers is mainly through environmental quality (landscape, level of pollution, noise, odour, etc.), and any services provided by farmers (selling products to farm).

With a modulation rate to 5%, the impact of the decline in direct aid on the quality of life in rural areas was probably insignificant. Indeed, farmers have not, following this fall, changed their productive strategies. An important decline of direct aid (ie above 25% and without a concomitant increase support for rural development) would likely have adverse effects on the quality of life in the rural world. This statement is made by considering three factors: jobs in rural areas would decrease (a decrease in the number of farmers and in the number of agricultural employees); holdings would seek to limit the impact of the aid decline by a largest intensification; farmers have even less available to dedicate themselves to tasks relevant to other residents of their county (municipal mandates, social life, etc.).

The impact of the decline in direct aid under the *CAP* on the quality of life in rural areas is not uniform among all regions. It depends mainly on agricultural specialization, on the part of farmers in the rural population, farmers' incomes and / or types of land (balance agriculture / forestry).

**3.6.3. Briefly, as a reflection from your findings so far: have these effects been offset by the additional money available for Pillar 2?**

The transfer of funds from the first pillar to the second pillar of the *CAP* (through the mechanism of modulation) has a positive impact on the quality of life in rural areas. Two main reasons explain this: rural activities eligible for support under the *PDRH*; support of *PDRH* are strongly focused on the environment. For the experts interviewed at least four reasons explain why this impact is modest, however:

- i) Despite the introduction of modulation, the rural development funds for the period 2007-2013 have not increased over the period 2000-2006.
- ii) A share fund modulation is not up to France.
- iii) Support granted for rural development focus farms.
- iv) The quality of life in rural areas results from a complex set of factors, most of which are not related to agricultural issues.

### **3.6.4. To what extent is compulsory modulation leading to money moving out of the agricultural sector and into other sectors of the rural economy?**

Of the 336 million euros from the modulation in 2008 (see annexes 5-1), only 267 million euros back in France (*EAFRD*). Of this amount, it is estimated that 70% are attributable directly to the farms (see Annex 2-1). The remaining funds (approximately 80 million euros for 2008) are directed towards other rural activities broadly: the forestry sector, food industries, projects of rural actors, organizations consultancy and training. With modulation, the financial transfer from agriculture to other rural activities is very low (slightly less than 0.7% of budgetary support to agriculture).

### **3.6.5. What are the implications of this for the quality of life of rural areas?**

See point 3-6-1.

The funds *PDRH* through four axes have an influence (sometimes indirectly) on the quality of life in rural areas. It is mainly through their impact on the environment and employment priorities 1 and 2 are concerned. The axis 3 entitled "quality of life in rural areas and diversify the rural economy" is surely the one whose influence is the most direct and most important. During the period 2007-2013, nearly one billion euros (representing 7% of the total funds rural development) will be allocated to that line (of which 350 million euros by the *EAFRD*). Thus, the financial contribution of *EAFRD* to the axis 3, for example, is five times smaller than on measures No. 211 and No. 212 (compensation natural handicaps).

The funds of the Axis 4 ("Leader") *PDRH* (526 million euros, of which 286 million euros by the *EAFRD*) are used in 70% toward the Axis 3. In some regions, no provision is made for the measures under axis 3 which are funded under the LEADER programme. In regions where the funds LEADER have been little used during the 2000-2006 period, the Axis 4 was regarded as a complement to the axis 3.

To better understand the potential effects of the axis 3 on the quality of life in rural areas, it is important to quickly submit the content of the various measures envisaged in France. These relate to economic development and services to the population:

- The diversification of non-agricultural activities (Measure No. 311: 73 million euros, of which 29 million euros by the *EAFRD*). Only members of a farm household can benefit from this measure (except for agricultural workers). It is a development aid diversification projects: marketing of agricultural products, farm, services, crafts, equestrian activities, and so on.
- The creation and development of micro-enterprises (Measure No. 312: 62 million euros, of which 21 million euros by the *EAFRD*). Aid concern investment tangible or intangible. Recipients must employ fewer than ten people and have a turnover of less than two million euros.
- The promotion of tourism activities (Measure No. 313: 177 million euros, of which 54 million euros by the *EAFRD*). Support encourage mutual benefits of tourism. They also aim to develop accommodation for tourists in rural areas (small rural hotels, lodges and guest rooms). Beneficiaries include local authorities, associations, etc.

- Basic services for the economy and the rural population (Measure No. 321: 141 million euros, of which 52 million euros by the *EAFRD*). The supports are awarded for the perpetuation and expansion of services to rural populations. The services are varied: sanitary service, health service, service access to employment, cultural department, leisure department, local shops.
- The renovation and development of villages (Measure No. 322: 48 million euros, of which 24 million euros by the *EAFRD*). This measure aims to enhance the attractiveness of territories by improving the visual aspect of rural villages.
- The preservation and enhancement of rural heritage (Measure No. 323: 371 million euros, of which 118 million euros by the *EAFRD*). This measure is composed of five devices: development and animation related to *DOCOB* for all Natura 2000 sites; management contracts for Natura 2000 sites (non-agricultural and non-forest); integrated in favour of pastoralism; preservation and development of natural heritage; preservation and enhancement of cultural heritage.
- The training and information to economic actors in the fields of Axis 3 (Measure No. 331: 16 million euros, of which 7 million euros by the *EAFRD*). The measure to fund training projects or information to a wide audience, but concerned by the measures of the Axis 3: farmers, loggers, people who want to create a micro-enterprise and tourism professionals.
- The acquisition of knowledge, animation and implementation (Measure No. 341: 116 million euros, of which 44 million euros by the *EAFRD*). The measures include two devices: local development strategies of the forest-wood; local strategies for development outside timber industry.

**3.6.6. Which of the Pillar 2 measures implemented in your Member State have the greatest impact on the quality of life in rural areas? What is the nature of these impacts?**

At the national level, it is very difficult to prioritize the impact of different measures *PDRH* on the quality of life in rural areas. Indeed, the measure which plays the most important role is not necessarily the same by region. In mountain regions, the support given to the axis 2 (No. 211 and 214) probably have a greater impact than the axis 3 (whose amounts are particularly low). In the plains intensive aid on the extent No. 123A (investment in food processing industries) are probably the most important. The role of the axis 3 is certainly more influent on other areas.

**3.6.7. What impacts has the availability of additional funds for the Pillar 2 measures had in relation to**

The rural development measures have a positive impact, but low on quality of life in rural areas. By limiting the analysis to the only additional funds from modulation (267 million euros per year, of which approximately 70% from the holdings), the impact is even lower. These funds represent, on average, the equivalent of 20 euros per capita per annum (considering 14.3 million French residing in rural areas). Moreover, only a portion of these funds have targeted an impact on the quality of life.

**3.6.8. If not covered in 6.5 and 6.6 above, what are the impacts of the availability of additional funds through Pillar 2 on the quality of life in rural areas on the following measures:**

See point 3-6-1 and 3-6-5.

### 3.7.Environmental effects

#### **37.1. What are the general environmental trends and priorities in your Member State, in particular in relation to resource protection, biodiversity and climate change?**

The main environmental trends of France (biodiversity, water quality, air quality and soil quality) are first presented. In a second time, an attention is paid to the environmental implications of PDRH (objectives, principles and tools).

##### The main environmental trends of France

###### \* *Biodiversity*

In France, ecosystems are very varied and the ecological wealth is still very big. Several reasons make it difficult to quantify changes in the link between agriculture and biodiversity<sup>4</sup>: if the indicators used are potentially many, the collection of information is costly and the observation tools are sometimes poorly developed or too recent to identify trend changes. Moreover, the measure must be carried out at different geographical scales (variability of situations).

Experts agree on the idea that biodiversity is decreasing on the national territory. The urbanization or population growth in rural areas had a negative impact on biodiversity<sup>5</sup>. By occupying 54% of the territory, agriculture also has its share of responsibility. In this sense, several factors are often mentioned:

- The decrease in agricultural land and changing in crops rotations. In France, the UAA has decreased by 5 million hectares during the past fifty years. The decrease of the UAA is due to urbanization and development of forests. The permanent grasslands, which have an important ecological role (especially in mountain areas: structuring landscapes and prevention of natural hazards), have fallen sharply over a long period. The area of arable crops (cereals, oil seeds, protein, beets) now represents nearly 40% of the UAA. In mountain areas, permanent grasslands decrease to the benefit of woodlands (in the isolated rural areas) or urbanization (as in the Alps).
- The intensification of agricultural production. Over a long period, the development of agricultural production was possible thanks in particular to the use of a large quantity of inputs (fertilizers and pesticides) and land improvements (removal of hedges and groves, drainage, etc.). These developments have often been negative for the maintenance of biodiversity.
- The specialization of agricultural production. It induces, in some regions, a loss of diversity in natural environments.

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<sup>4</sup> In the Rio Convention, biodiversity is defined as the variability among living organisms from all sources, including diversity within species, between species and of ecosystems.

<sup>5</sup> The decline in biodiversity must be considered in its three dimensions: loss of genetic diversity; disappearance or depletion of species, degradation of ecosystems (deterioration and loss of habitats).

- In France, the forest (16 million hectares or 30% of the territory) has a decisive impact on biodiversity. The woodlands occupy an important place in the mountains and in the French departments of the South West. They are, however, somewhat less developed in the West and northern France. The area of forest grew by 1.2 million hectares during the last fifteen years (or 6 million hectares in a century). Forests have an essential function for recreation and environmental protection (the fight against climate change through carbon storage, regulating the water cycle, etc.). With almost 140 species of trees, the French forest is diverse. Nearly 70% of the forest consist of a mixture of two or more tree species. Sometimes, the French forest is destroyed by fires (61 500 hectares in 2003), particularly in the south (because of drought or a high concentration of tourists during the summer).
- According to the French Institute of the Environment, France gathers 136 natural habitat types of community interest among the total of 218 (Annex 1 of the Habitats Directive). In 2006, they cover nearly 2.5 million hectares, or half the total area of Natura 2000 sites. The Natura 2000 sites cover 12% of the territory and involve nearly 60 000 farms. Nearly two-thirds of birds species mentioned in the Birds Directive are present in France. According to observations made since 1989, populations of common birds (sparrows, chickadees, larks, and so on.) decreased by 7%. The decline was more important for bird species of agricultural areas (-29%) and of forests (-18%).

\* The water quality

In France, water quality is the most important environmental problem, especially in areas with high animal density. The problems relate to safe drinking water (in relation to nitrates toxicity) and the eutrophication of water (mainly in relation with phosphorus in the case of freshwater or nitrogen in the case of coastal waters).

*Nitrate*

Agriculture is responsible for two thirds of the presence of nitrates in continental waters. Until the late eighties, the gains in yields obtained with the fertilizers were important. The economic profitability of intensive farms was often satisfactory, especially as the prices of fertilizers were still low (relative to selling prices of agricultural products). According to an estimate of the French Ministry of Agriculture for the period 1994 to 2004, nitrogen use was higher than the crops needs (by about 20%). Nevertheless, sales of mineral fertilizers are decreasing in proportion to crop production. The doses of mineral fertilizers (nitrogen) per hectare are stable since 1990. Phosphorus and potassium are applied at doses increasingly weak.

During the last ten years, the French farmers have changed their strategies by a decline in the use of inputs. Several factors have influenced this evolution: the environmental policies (nitrate Directive); the drop in grain prices; the rising prices of fertilizers; the yields augmentation is becoming less important each year<sup>6</sup>. The very significant increase in the price of fertilizer in 2007 and 2008 should amplify this trend.

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<sup>6</sup> In France, yields of major crops have stagnated over the past decade. Most major crops are involved (including wheat and maize grain). This is a real change because they had strongly increased since the end of the Second World War.



The mineral fertilizers are the primary source of nitrogen in France. With 2.4 million tonnes of nitrogen, they represent nearly two thirds of total flows. The mineral fertilizers are used mostly on cereals. The French herd produces about 1.4 million tons of organic nitrogen per year. The production of organic nitrogen, which has been relatively stable over the past ten years, comes to 75% of cattle, 8% of pigs, 6% of sheep, 6% of poultry, 3% of equine and 1% of goats.

Under the Nitrates directive, nearly 45% of the national territory is classified as vulnerable zone (against 51% on average for EU-25). The measures of nitrates concentration are carried out in 42 agricultural basins spread throughout France (with the exception of North and South-East). According to the French Institute of the Environment, these levels are, on average, 20 mg/l<sup>7</sup> in agricultural areas against 12 mg/l in urban areas and 3mg/l for the other zones. In agricultural areas, these results, however, vary greatly depending on the agricultural specialization and level of intensification.

- For freshwaters, nitrate levels are particularly high in regions with intensive farming (Brittany and to a lesser extent Pays de la Loire) and in areas of field crops (Champagne-Ardenne, Centre, Poitou-Charentes and Ile-de-France). The nitrogen balance is balanced in the regions extensive agriculture (Massif Central, the Alps and the Mediterranean regions).

- For groundwater, nearly half of the control points are classified as average (between 20 and 50 mg/l) or bad (more than 50 mg/l). Over the past ten years, a significant increase in concentrations was observed for one third of the control points, a significant decrease was observed for one fifth of them.

### *Phosphorus*

In France, agriculture accounts for 90% of phosphorus flows from the ground towards water (53% for mineral fertilizers and 37% for organic fertilizers), but is liable only 25% of the phosphorus in water. This is due to the fact that agriculture uses phosphorus which is not very soluble. The transfer in the water is not direct, unlike for the phosphorus of human and industrial activities.

The increase of phosphorus levels in the waters is, with nitrogen, one of the main factors responsible for eutrophication, mainly for freshwater<sup>8</sup>. This phenomenon increases in areas with high animal density (all species combined) and with intensive agricultural practices (Brittany). The proliferation of green algae affects the majority of rivers and reached high levels for 30% of them. On the coast, green algae are more and more abundant. The proliferation of toxic plankton causes sometimes the temporary ban on shellfish farming activities.

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<sup>7</sup> According to the standards of the World Health Organization, drinking water must contain less than 50 mg of nitrate per litre of water.

<sup>8</sup> Unlike nitrogen, phosphorus is not very mobile in the soil. There is risk of leaking only by erosion or if the storage capacity of soil is exceeded.

### *The pesticides in water*

The volume of pesticides used in France is declining. The tonnage marketed (active substances) decrease from 120 500 tonnes in 1999 to 71 600 tonnes in 2006, representing a decrease of 40% of volumes. However, this development is attributable, in a part, to a higher concentration of the substances used.

According to the French Institute of the environment, water contamination by pesticides is widespread<sup>9</sup>. Some active substances were found in 2005 in 91% of the control points of surface water and in 55% of the control points of groundwater. Among the 408 substances searched in surface water, 229 substances have been found. Among the 373 substances searched in groundwater, 166 substances have been found. The active substance which is the most frequent is the Atrazine (55% points).

The levels of contamination are often significant. For surface water, 36% of the control points were ranked "average or bad"<sup>10</sup>. The groundwater quality is classified "poor to bad" in 25% of points of control (this means that a specific treatment is necessary to produce drinking water). With the current tools of observation, it is still difficult to know the trends in the medium and long term. The evaluation method of contamination is not still precise enough and the control points are not yet stabilized.

### *Irrigation*

In France, irrigation of farmland has known an important development over a long period, with the support of public policies. Thus, some aids have been granted for investment in irrigation equipment. During the implementation of the CAP reform (1992) some premiums were allocated specifically to irrigated crops.

The irrigable surface is potentially 10% of farmland, or about 2.7 million hectares. The irrigated area is sometimes lower than that threshold according to the intensity of rainfall and the types of implanted cultures. The quantity of water used for irrigation is estimated at 4.5 billion m<sup>3</sup>, of which about three-quarters comes from surface water. Irrigation accounts for about half the volume of water consumed in France (consumption not returned to the aquatic environment). It concerns mainly maize grain and to a lesser extent, orchards and vegetables crops. It is developed in the South-West and Centre of France and in the Rhone Valley.

The development of irrigation has caused, in some cases, environmental damage. Indeed, it leads to a deterioration of the ecological situation of some wetlands (by reducing the flow of water); it contributes to water shortages during summer, to the detriment of the inhabitants or natural environments; it undermines the sustainability of many aquifers.

For several years, irrigation of farmland is stabilized for three main reasons: i) the French State (prefectures) limits sometimes the water use for irrigation, especially during the summer; ii) the selling price of crops has sharply declined (with the exception of the conjuncture 2007), while the costs of irrigation equipment increase; iii) the technologies used by farmers allow to better adapt irrigated water flows to the real needs of plants.

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<sup>9</sup> The consequences of these pesticides excesses are being investigated. Suspicions of potential impacts are mentioned: carcinogenic risk to humans; abnormalities in fish reproduction; disappearance herbarium in rivers..

<sup>10</sup> For most molecules, this corresponds to an overrun of the threshold of 0.7 µg/l in surface water and of 0.1 µg/l in groundwater.

\* Air Quality

*Emissions of greenhouse gas*

According to estimates made by the United Nations, France is responsible for 3% of global emissions of greenhouse gases (GHG). They represent, on average, 9 tons of carbon dioxide (CO<sub>2</sub>) per capita. In proportion to population, emissions are below those of some other industrialized countries members of the Organisation for Economic Cooperation and Development (OECD). This is mainly due to the strong contribution of nuclear energy to the national production of electricity.

With considering just the gross emissions (i.e. without taking into account the carbon storage), the agricultural sector contributes for 18% to the total emissions of greenhouse gas (GHG) of France. The emissions from agriculture have fallen by 11% between 1990 and 2005. Thus, agriculture lies in third place behind the transport (26% in 2005, with an increase of 22% over the period 1990-2005) and the manufacturing industries (21% in 2005, with a drop of 20 % over the period 1990-2005). The agricultural emissions are mainly due to two gases:

- The methane (CH<sub>4</sub>). In France, emissions of methane (12% of GHG in 2006) fell by 18% between 1990 and 2006. The CH<sub>4</sub> emissions come primarily from agriculture, through enteric fermentation and animal manure. Although emissions from agriculture / forestry have decreased by nearly 7% over the period 1990-2006, the relative share of this sector in the total is higher in 2006 (74%) than in 1990 (66% ). The decline in methane emissions is mainly related to the intensification of milk production (reduction of dairy herd and augmentation of the yield per cow).
- The nitrous oxide (N<sub>2</sub>O). In France, emissions of N<sub>2</sub>O (14% of GHG in 2006) fell by 30% between 1990 and 2006. The N<sub>2</sub>O emissions are primarily due to fertilisers spread on cultivated land (mineral fertilizers and organic fertilizers). The emissions of N<sub>2</sub>O from agricultural and forestry fell by 15% since 1990. However, the share of agriculture in the total emissions has increased (from 69% in 1990 to 83% in 2006) because of the drastic reduction observed in industries (29% of emissions in 1990 to only 13% today).

In France, the emissions of carbon dioxide-CO<sub>2</sub>-(70% GHG) have increased by 34% over the period 1960-2006, but 2% since 1990. Agriculture and forestry are involved for just 2% in the total emissions. The main concerned sectors are road transport (33%) and manufacturing industries (24%). The agriculture and forestry sectors can limit the presence of CO<sub>2</sub> in the atmosphere by trapping carbon in soil and the use of carbon for plant growth. Furthermore, they limit emissions in other sectors through the production of biofuels and biomaterials.

According to some estimates made at the national level, three billion tonnes of carbon are stored in the French soil. This carbon can be partially released into the atmosphere according to the strategies adopted in terms of crops rotation. Forests play a very important role on this point: plant growth represents, each year, 12% of the national emissions of CO<sub>2</sub>.

### *The local emissions in the air: ammonia and pesticides*

The ammonia (NH<sub>3</sub>). Agricultural activities are responsible for almost all of ammonia emissions (740 000 tonnes in 2006, representing 98% of total). These emissions, which come from animal manure and mineral fertilizers, fell by 7% since 1990. This is due to a combination of three factors: a decline in the number of dairy cows (as a result of improving yield of milk per cow); a better adaptation of fertilizer inputs to the needs of plants; a modernization of the livestock buildings.

The pesticides. Emissions of pesticides in the air can vary between 1% and 30% of the total volume applied. They are closely related to agricultural practices and to the conditions of use (weather, precision of the sprayers).

### *The production of biofuel in substitution of fossil energy*

In France, biofuels should represent 7% of fossil fuels in 2010 (against 5.75% at Community level). The development of biofuels, in substitution of fossil fuels, is likely to reduce emissions of carbon dioxide. In 2007, biofuel production is estimated at 950 000 tonnes of diester (mostly from rapeseed) and 230 000 tons of ethanol.

#### *\* The quality of soil and sludge*

The erosion and reduced rates of organic matter are two major concerns in terms of quality of soil (soil fertility). However, it is difficult to quantify the impact of these phenomena on a national scale. The observations are done mainly at a local scale.

In addition, nearly 60% of sludge<sup>11</sup> from wastewater treatment (cities) are spread on farmland (it involves less than 1% of the UAA). It is an environmental service provided by the agriculture to the community (on a voluntary basis). According to observations made so far, there is a willingness to increase the distance between cities and places where sludge are spread. Similarly, the development of composting is used to reduce odours (but it has the disadvantage of reducing the levels of nitrogen). These applications are subject to strict regulation. For now, there have been no serious incidents related to the spreading of sludge from urban areas.

### The PDRH and its environmental implications (objectives, principles and tools)

In France, as in other EU member states, the environment is a central element of public policy<sup>12</sup>. Thus, it occupies an important place in the rural development programme for the period 2007-2013. In the construction of the PDRH, national authorities have considered that it was strategic to reduce threats to wildlife, flora, water, soil and air. These threats are related to urban sprawl, development of economic activities, agricultural intensification and the excessive concentration of production. In France, three goals are assigned to the PDRH:

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<sup>11</sup> For several decades, France has set up sewage treatment plants under the public policy which aims to preserve the quality of natural waters. The wastewater is collected and sent to sewage treatment plants where they are processed. At the end of the treatment, the purified water is released into the natural environment. It remains residues that are sludge. They are composed of water and solids (containing minerals and organic matter).

<sup>12</sup> The Charter of the Environment said in its preamble that the preservation of the environment must be sought in the same way as other fundamental interests of the nation.

- Maintain a balanced occupation of the national territory by ensuring the continuation of farming in disadvantaged areas. This is an essential element for maintaining biodiversity and preserving landscapes.
- Preserve the natural resources through the development of a sustainable agriculture. This is planned in the continuity of some general programs (Natura 2000, Directive on water, climate plan).
- Promote the forest (a sustainable instrument of the territory occupation) by the prevention of natural hazards and the expansion of the wood production.

The PDRH measures are applied on a voluntary basis. Thus, in order to receive aid, farmers must sign a commitment with the government. In addition, the PDRH measures are implemented under the principle of subsidiarity. This choice was made considering that local actors are often better placed than the national authorities to define the precise content of certain actions (definition of measures environmentally friendly, definition of the priority areas for action).

To reach its environmental objectives, the PDRH includes the following tools:

- The agri-environment measures. These are commitments made for five years by farmers to develop agricultural practices which are environmentally friendly.
- The economical compensation of natural handicaps. Such aids can be used to support the income of farms located in disadvantaged areas. These farms must comply with environmental rules. This aid is an important element for maintaining agricultural activity in these areas (and hence for the maintenance of spaces and biodiversity).
- Aids for investment. They help to promote investments (in farms or in industries) that could have a positive impact on the environment.
- The training of people in the rural areas. It helps to educate people to environmental issues, disseminate best practices, and give advices relative to investment choices.
- Aids for the implementation of the PDRH strategy and its animation. These aids are useful because that the national authorities have retained two principles: volunteerism and subsidiarity.

### **3.7.2. To what extent have reductions in Pillar 1 payments exacerbated or constrained these trends?**

The impact of agriculture on the environment depends on a number of factors. The combined effects of these factors are complex. The amount of direct aid per farm is one factor among many others. The relationship between agriculture and environment depends on how the direct aids are allocated between different categories of farms; instruments used to regulate supply (quotas, mandatory set-aside); prices of inputs and outputs. Before addressing more directly the issue, experts have stressed several points:

- The granting of the direct payments from the first pillar is, since 2003, closely linked to the respect of EU rules<sup>13</sup> (in terms notably of environment). The principle of cross-compliance is considered by experts as positive for the environment. It is at least much better than the situation that prevailed before 2003. Experts point out that farms are not identical to face possible sanctions from conditionality. Indeed, the economic impact of the cross-compliance is potentially limited<sup>14</sup> in farms where the amount of direct aid is low. The taxation of the negative externalities would have more direct effects on the environmental behaviour of farmers.
- The requirement to maintain a certain proportion of permanent grasslands in the total agricultural land is considered a useful point for the environment. The permanent grasslands have positive effects on landscapes, biodiversity, water quality, erosion prevention and storage of carbon. The decline of the herbivores herd (especially dairy cows) and the development of cereal crops are factors that encourage, for several decades, lower surfaces of permanent grasslands. In France, the decline in permanent grasslands has been, however, less rapid in recent years.
- The rules for good agricultural practices, set out at the national level, also have a positive impact on the environment. They are designed to meet the following objectives: reduce soil erosion; maintain the rate of soil organic matter; conserve soil structure; provide a minimum level of maintenance (minimum of livestock density, protection of permanent pasture, and so on). In France, five measures have been privileged:
  - Measure 1. A minimum proportion of arable crops (3%) has to be used as "surfaces for environment". For these surfaces (which are implanted in priority along the rivers), the farmer should not apply pesticide or fertilizers.
  - Measure 2. The non-burning of crop residues.
  - Measure 3. The diversity of crops rotations. Each farmer must establish at least three different cultures in its rotation.
  - Measure 4. The control of the irrigation system. Each farmer must have a debit authorization and a means to evaluate the volumes collected.
  - Measure 5. The minimum maintenance of land. This should prevent the development of unwanted weeds and the proliferation of bushes.

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<sup>13</sup> Since January 2005, direct aids of the first pillar are allocated to the condition that farmers respect 19 directives and regulations. Three areas are concerned: the public health of animals and plants (11 texts); the animal welfare (3 texts); the environment (5 texts). For the environment, the guidelines concern the conservation of wild birds; the protection of groundwater against pollution caused by certain dangerous substances; soil protection when using sewage sludge in agriculture; water protection against pollution by nitrates; conservation of natural habitats (wildlife and wild flora).

<sup>14</sup> The respect of the cross-compliance is controlled by the Member States. When the cross-compliance is not respected, the farmer is penalized by a reduction or an abolition of its direct aids. The level of the penalty varies depending on the severity of the damage and persistence. It is 5% maximum in case of negligence; 15% maximum in case of repeated negligence; 15% to 100% in cases of intentional mistake.

- The decoupling of direct aids is theoretically better adapted than the guaranteed price system to improve the relationship between agriculture and environment. The incitation to intensification is, indeed, less important because the financial supports are not directly related to the produced quantities.
- During the implementation of the decoupling, France has not sought to support more the agricultural systems which are the most environmentally friendly. Article 69 of Regulation No. 1782/2003 has not been applied. The amount of the single farm payment was determined on the basis of the 2000-2002 reference. Therefore, the amount of the single payment per hectare is higher in the intensive farms (see Annex 4). The dairy farms which produce corn silage have, for example, a single payment per hectare significantly higher than dairy farms with pastures. Similarly, farms using irrigation also have a higher amount than others.
- The introduction of a full decoupling could have had, in France, some negative implications for the environment. Indeed, the decoupling is likely to lead to a concentration of agricultural production in regions with comparative advantages (which are often those where the concentration of production is already high). In this sense, experts believe it is preferable to maintain a coupling for the premiums to suckler cows and sheep (in its proposals of 20 May 2008, the European Commission has accepted this possibility). With a decoupling of these premiums, some farmers could be encouraged not to produce while respecting the rules of conditionality. This is particularly true for farmers with limited fixed costs (financial charges and depreciation) and a low economic efficiency. For arable crops, the application of a full decoupling does not lead to the same problems (especially with high prices)
- The choice which was taken in 1992 in favour of the set-aside (to limit the European grain production) is the subject of debate. For some experts, it would have been preferable for the environment to incite farmers to reduce the inputs (fertilizers, pesticides). Following the recent proposals by the European Commission (deletion of set-aside from 2008), other experts stressed that it was important to preserve, within the framework of the future CAP, some environmental benefits of the set-aside. In France, the set-aside accounted for 1.2 million hectares in 2007.
- Milk quotas play in France, a fundamental role in land management, particularly in mountainous areas. The dairy farms occupy more than one quarter of the national UAA. In 1984, quotas were determined on the basis of milk production achieved in 1983 by each producer. Unlike some other member states, the French government has banned the establishment of a free market for milk quotas. Thus, the redistribution of quotas between milk producers is carried out by the administrative authorities within each department (according to rules known in advance). This mechanism limits the concentration of milk production in the most competitive. Therefore, the milk production in mountains has not decreased since twenty-five years. The milk price is often higher in mountains areas, thanks to the marketing of cheese with high added value (especially in the Alps and the Jura). Nevertheless, the cost for collecting the milk is more important and the gains of labour productivity in farms are lower. The abolition of dairy quotas in 2015, as forecasted by the European Commission, could have adverse environmental effects, especially if it is accompanied by a strong geographic concentration of production. At least two factors should attenuate this phenomenon: i) the dairy industries will sign contracts with producers to secure their supply volume; ii) some specific aids could be given to dairy farms which are located in mountains (according to the Article No. 68 of EC regulation).

In addition to these comments on the overall functioning of the first pillar, experts believe that a decrease of supports from the first pillar can potentially have a negative impact on the relationship between agriculture and environment. However, they indicate that the decline in direct aids must be significant (i.e. above the threshold of 5%) so that this impact is noticeable. They believe that farmers will be much less sensitive to changes in the indirect supports (refunds on exports, storage costs, etc.). In all cases, a decline in the direct aids of the first pillar can not, in their view, have positive effects on the environment (at best, the effect is neutral).

According to experts, a decline in direct aids of the first pillar (without redistribution) promotes the expansion of farms and intensification of agricultural production. In this case, farmers are encouraged to make productivity gains at different levels (labour, land or livestock) to limit the economic loss. At a collective level, a concentration of the production is expected to the benefit of the most competitive areas. In addition, a decline in direct aids led to decrease the dissuasive role of the cross-compliance. Indeed, the economic sanctions become lower (because they are applied on a lower amount of subsidies).

Experts point out that some factors could have contradictory effects on the environment. To better understand the meaning of this remark, the example of the geographic concentration of milk production is useful. Following a decline in direct aids and an abolishment of the milk quotas, several trends are possible regarding the environment. Two negative impacts: an increase of water pollution (intensification of production on smaller areas); a deterioration of the landscapes in mountain areas; one positive impact: a decrease in emissions of methane in the atmosphere (the number of cows decreases due to higher milk yield per cow).

### **3.7.3 Have these effects been offset by the additional money available for Pillar 2?**

Direct aids of the first pillar of the CAP are not allocated to farmers according to environmental considerations. However, a decline in support can be applied in cases where environmental rules (European and French) are not respected. In 1992, direct aids have been determined so as to attenuate, for each farm, the economic impact of declining institutional prices. They were attributed to production factors (hectare or head of livestock), then they were partially decoupled from 2006. It should be noted that in France, the implementation of the decoupling has not resulted in a redistribution of direct aids between farmers and/or regions (regionalization of the single payment has not been applied, nor Article 69). For a given production sector, the amount of direct aids from the first pillar is often more important (per hectare or per farm) in the intensive farms.

According to experts interviewed, direct aids of the second pillar have a greater impact (and also a more direct impact) on the environment than those of the first pillar. Indeed, the criteria for granting direct aids of the second pillar are different: i) they are allocated under certain conditions such as the geographical location or the agricultural practices (livestock density below certain thresholds, proportion of grasslands in the UAA, Etc.). ii) they are allocated under a contractual agreement between farmers and government iii) they are capped by holding (unlike the direct aids of the first pillar); iv) investment aids are allocated for a precise project (setting-up of a young farmer, modernization of the farm buildings, etc.).



Thus, experts believe that the modulation of direct aids (ie the transfer of support from the first towards the second pillar) has an overall positive impact on the relationship between agriculture and environment. However, they believe that this impact is limited because the collected funds are modest. Moreover, they indicate that the funds of the rural development programme 2007-2013 are, in France, lower than those of the programming 2000-2006. Then, they consider that it is difficult to isolate the specific impact of modulation, especially because the funds have not been focused on one of the PDRH measures. Finally, they mention that the environmental impact is not uniform between farms and between regions (due to regional distribution of PDRH funds). The environmental impact is positive for the disadvantaged areas (mountains) and the farms with extensive systems (dairy, cattle and sheep). It is also positive for intensive livestock farms which receive aids for the modernization of their buildings. It is, however, more neutral in the regions and farms specialized in cereals, wine, horticulture and vegetables.

#### **3.7.4 To what extent do different levels of decreases in P1 payments result in changes to land management practices? For example:**

In France, farming practices are mainly influenced by the changing relationship between the price of land, the price of inputs (fuel, fertilizers and pesticides) and the price of agricultural products. In 2007 and 2008, the strong increase for the prices of fuel, nitrogen, phosphorus or feed stuff has a significant impact on the productive strategies of farmers. The rising price of land (+3% per year on average) is also a factor that encourages the increased level of production per hectare. The cultivation practices are also influenced by the soils potential, the climate conditions and the new technologies (improvement of the precision of the equipment used to spread fertilizers and pesticides).

Since the implementation of the decoupling, direct aids of the first pillar have a low impact on cultivation practices (except through the rules related to cross-compliance). Farmers are now certain to benefit from direct aids (at least those who are decoupled), whatever the crops implemented. In this context, the optimization of the profitability is realized without taking into account the direct aids in the calculations.

According to experts, a slight decrease in direct aids of the first pillar of the CAP (5%) has a marginal impact on the agronomic choices. The choices of crop rotations and inputs use are not taken in relation with the amount of direct aids. The use of inputs (fertilizers, pesticides) is mainly due to the expected yields (in logic of maximizing the farm income).

With the decoupling, farmers who wanted to move towards a less intensive system are comforted. They can keep the direct aids amount acquired through an intensive system, even if they adopt tomorrow a more extensive system. Thus, a decline in direct aids of the first pillar does not change the interest that a farmer can have to use a system which is more environmentally friendly.

In the event of a sharp drop in direct aids of the first pillar, the productive changes would be obviously more important. It would lead to a cessation of agricultural production in the less competitive farms. This would increase the size of the perennial holdings and the intensification of agricultural production in areas which have comparative advantages.

**3.7.5 Please break down your responses by farm type and size where possible and highlight if these impacts are related to a specific geography or farming system (i.e. arable, intensive grazing, extensive grazing, upland)**

The farm specialized in arable crops

During the years 1960-1992, the price structure of inputs and output has encouraged farmers to increase grain production. The prices of inputs (fertilizers and pesticides) were weak, especially compared to the positive economic impact they had (due to the augmentation of yields); the selling price of grain was high (unlimited guaranteed price); the price of agricultural land were high. These factors have led to increased use of inputs, to intensification per hectare and an increase in the size of farms (by higher labour productivity). To minimize risk and maximize their income, it was preferable for farmers to use a quantity of inputs which exceed the real needs of plants (rather than take the risk of insufficient quantities).

Following the CAP reform of 1992, falling grain prices and the granting of direct payments per hectare were theoretically likely to encourage grain producers to adopt more extensive systems. Observations made since then show that the environmental effects have not been as favourable as those expected: the allocation of direct aids per hectare has induced, in some regions, a decrease of the permanent grasslands; granting premiums for irrigated surfaces has encouraged the development of irrigation (the water for irrigation is almost free); the development of thrifty systems (low use of inputs) is limited by the fact that they are more exigent in terms of techniques and time.

The implementation of the decoupling in 2006, the rapid increase in input prices (especially since 2007), the gradual capping of the cereal yields (over the past few years)<sup>15</sup> and improved technology are the main factors that affect current agricultural practices. The new technologies used allow to better adjust the quantity of inputs to the needs of cultures. A simplification of agricultural practice (such as the direct seeding) is increasingly used to limit working hours. In France, the direct seeding is developed for half surfaces of wheat (against the quarter in 2001). In farms over 400 hectares, where the constraints of work are more important, this proportion rises to three quarters.

In its proposals of 20 May 2008, the European Commission proposes that the decoupling of direct aids becomes total in the arable sector (it is 75% in France). With a full decoupling, the direct aids will have a minor influence on the agronomic practices (with the exception of requirements for cross-compliance). Thus, a decline in direct aid will not alter the choices of farmers in relation to quantities of inputs used or crops rotations.

The intensive farms with herbivorous

The analyses outlined above also concern the intensive farms with herbivorous (because they often cultivate some cereals).

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<sup>15</sup> In France, the yield wheat in 2007 (64 quintals) was lower than the situation of 1997. Growth of the yields has been continuous since the Second World War (16 quintals per hectare in 1946). It has stabilized in recent years. With 4.5 million hectares, France is the largest producer of wheat. Yields are high, but below those of Germany or the United Kingdom.

Until the CAP reform in 2003, the milk sector was not concerned directly by the direct aids of the first pillar. Nevertheless, the dairy farms were indirectly concerned through the others agricultural productions (cattle, cereals, etc.). The premium to the surfaces of forage maize has reinforced economically intensive systems. Between 1992 and 2006 (date of the implementation of decoupling), farmers had an interest in keeping their surfaces of forage maize for receiving premiums. Since 2006, the situation is different. They can abandon the forage maize while retaining a portion (75%) of direct aids associated with this culture. The dairy farms which are the most affected by a decline in direct aids of the first pillar are those with an important milk quota, arable crops and bovine males. In the specialized dairy farms with a high proportion of grasslands, direct aids of the first pillar concern only the direct payments granted per tonne of quota (35.5 euros per tonne in 2008). These payments are completely decoupled, so they do not affect agricultural practices.

For the intensive farms with cattle, direct aids of the first pillar play, since 1992, a key role in the farm income (see Annex 4). Like for dairy farms, the use of forage maize can not be explained solely by the fact that this culture receives premiums. The surfaces of forage maize were already highly developed before 1992 and are still in 2008 (despite the implementation of decoupling in 2006). In areas where the availability of land are limited (as in the west of France), this culture allows to produce more milk and beef per hectare than systems based on the grasslands. Moreover, this culture is considered more compatible with the requirements of farmers in terms of work efficiency. With the decoupling, a decline in aids of the first pillar affects income but does not change the productive choices.

#### The extensive farms with herbivorous

In the extensive farms with herbivorous, the amount of direct aids from the first pillar (per farm, AWU or hectare) is generally lower than that of intensive units, for several reasons: i) they have a lower volume of agricultural production (the amount of direct aids is proportional to production factors); they have few arable crops (including forage maize); they have few bovine male. Therefore, the direct aids of the first pillar concern mainly the premium granted to milk quota (decoupled payments), suckler cows (coupled payments), ewe and goat (coupled payments).

In these farms, grasslands (permanent and temporary) occupy a very important place in the UAA. The use of pesticides is low. The spreading of mineral fertilizers is limited through the use of organic fertilizers. If the measures of the second pillar (PHAE and ICHN) have an impact on cultivation practices, this is not the case with those of the first pillar.

#### The farms with pigs or poultry

In these farms, intensive and highly concentrated in the west of France, agricultural practices are clearly influenced by the environmental rules. The amount of direct aids from the first pillar of the CAP is low, especially in proportion to the turnover (see Annex 4). Thus, a variation of these aids has no impact on the productive choices (especially because these aids are, for most of them, decoupled).

### **3.7.6 What are the likely environmental impacts of the redistribution effects of the shift of funds between different farm types and sizes ?**

Before providing some arguments to answer to this question, it is worth recalling three points on the funds issued from the modulation: they are low in proportion of the total amount of direct aids granted to agriculture; they are not focused on one specific PDRH measure; they are not distributed equitably among different categories of farms.

For the most farms specialized in arable crops, the environmental impact of modulation is very low or negligible. For 98% of these holdings (OTEX No. 13), the modulation led to economic loss (Annex 5-7). The second pillar represents only 6% of their total amount of direct aids. Nevertheless, the environmental impact can be positive for farms that benefit from the agri-environmental measure focused on the diversity of cultures and the types of rotations<sup>16</sup>. This measure aims to improve water quality and to protect biodiversity by limiting the development of bio-aggressors and the use of pesticides. More generally, the environmental practices of these farms (whatever their size) are influenced mainly by the rules relating to the cross-compliance and to the good agricultural practices.

For farms with herbivorous (milk, cattle and sheep), the environmental impact of the modulation is generally positive. However, the impacts differ according to the geographic location of the farm, its size and its technical system.

- The environmental impacts of the modulation are clearly positive for the small farms, the farms with extensive systems and the farms located in disadvantaged areas. Indeed, these farms are directly concerned by the two main measures of PDRH, namely measures No. 211 +212 (compensation of natural handicaps) and No. 214 (agri-environment). These measures represent half the total PDRH funds for the period 2007-2013 (see point 3-7-7 for details).

- The environmental impacts of the modulation are often weak or neutral for the farms with intensive systems located in plain. However, they are positive for farms that benefit from aid for the modernization of livestock buildings (see item 3-3-7). In France, a high proportion of these farms are located in the "nitrate vulnerable zones". In these vulnerable zones, farmers must have sufficient storage capacity for the manure; they must comply with prohibition periods for spreading the manure; they must register their fertilization practices (nitrogen). Approximately 37 500 farms had been concerned by the first program to control the agricultural pollution (PMPOA 1, period 1994-2000) which provided aids for the modernization of livestock buildings. For 2000-2006, the PMPOA 2 has involved 53 000 farms (for an average subsidy of 12 000 euros per farm).

The farms specialized in pigs and poultry receive a very low amount of direct aids from the rural development (1 200 euros per farm for units of the OTEX No. 50, see Annex 4-34). Therefore, the modulation has a marginal impact on the environmental practices of these holdings. They are primarily influenced by the rules of the conditionality. Nevertheless, the PDRH measure regarding the training of farmers can have an indirect impact on agricultural practices. It is difficult to quantify this impact and only a small proportion of producers are concerned. This is also true for other productions (viticulture, horticulture, gardening, etc.).

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<sup>16</sup> This PDRH measure is financed mainly by the French Ministry of Agriculture (180 million euros over the period). The aids (32 euros per hectare) are capped at 7 600 euros per year and per farm. To benefit from this aid, farmers must respect, during 5 years, the following points: a minimum of three different cultures is required on the same plot of land (over 5 years); a same culture can not be used two times successively; the main crop must be less than 45% of the UAA.

**3.7.7. Which of the Pillar 2 measures implemented in your Member State have the greatest impact on the environment? What is the nature of these impacts?**

The PDRH measures of axis 2 are those that have the greatest impact on the environment. For the period 2007-2013, the axis 2 is 7.47 billion euros (or 54% of PDRH), including 3.08 billion euros from FEADER. The Axis 2 regroups eight measures, but two of them are particularly central (92% of the axis 2 - see Annex 2-1): the measure No. 214 (agri-environmental measures): 3.48 billion euros (46% of the axis 2), of which 903 million euros from EAFRD; measures No. 211 +212 (compensation for natural handicaps): 3.42 billion euros (46% of the axis 2), including 1.88 billion euros from FEADER. These two measures are those whose influence on the environment is the most important (among the PDRH measures). The aids granted for the modernisation of livestock buildings (Measure No. 121, see 3-3-7) also have a positive impact on the environment.

**\* The agri-environmental measures**

In France, the measure No. 214 is complex because it includes 9 devices.

The PHAE 2 (premiums for grasslands) is the most important PDRH device for the environment (device A - at the national level). This premium was already included in the previous rural development program 2000-2006, but some changes were made to enhance the environmental impact of this measure. This premium is primarily financed by the Ministry of Agriculture. It represents an amount of 1.9 billion euros for the period 2007-2013, i.e. 55% of funds allocated under the measure No. 214.

The PHAE is allocated to approximately 52 000 farms. They cover a quarter of the national grassland areas (permanent and temporary). Nearly 70% of the PHAE funds are allocated to farms located in the mountains (Massif Central, Alps, Pyrenees and Jura). For these mountain farms, the amount of this aid is, on an average, 2 000 euros (i.e. 10% of the farm income).

This premium (PHAE2) aims to stabilize the grasslands, particularly in disadvantaged areas. This premium aims to promote biodiversity on farms and to maintain practices which are friendly to the environment. This premium is attributed because grasslands provide several non-market services to society. They maintain the biodiversity; they protect the soil from erosion; they help to structure the landscapes; they give a good image to sell the agricultural products. In addition, grasslands established for a period of more than two years are generally thrifty in inputs (fertilizers, pesticides and energy). This amount of this premium (76 euros per hectare) is limited to 100 hectares per farm. The surfaces concerned are temporary meadows and permanent grassland. The surfaces of moors and the summer mountain pasture can also benefit from the PHAE, but the aid is reduced (depending on rules set out in each department).

To benefit from this premium, farmers must have a minimum share of grassland in the UAA (this rate, ranging between 50% and 75% is determined by department) and a livestock density lower than 1.4 LU/ha. The beneficiaries must respect, during five years, the rules of conditionality and the terms of reference of the PHAE. The contract concerns notably a maximum level of fertilizers (mineral and organic) per hectare and per year (125 units of nitrogen, 90 units of phosphorus and 160 units of potassium) and the non-use of pesticides. It is important to notice that the quantity of fertilizers used is limited for each plot of land and not for the farm as a whole. The beneficiaries must maintain some elements of the biodiversity up to 20% of the total surfaces. The reversal of temporary grassland is allowed but within the limit to 20% of the total grasslands.

The other agri-environment measures (No. 214) are classified into three categories:

- *Device A (measures with a precise geographic targeting).*

These measures represent 38% of the total funds granted to the measure n°214. They aim to preserve water quality and to limit the degradation of biodiversity. They are geographically targeted to deal with specific threats. They relate to the requirements of Natura 2000, the Water Framework Directive and the Birds and Habitats Directives (excluding Natura 2000).

- *Another national device (in addition to the PHAE)*

The device B. It concerns the aids granted to farmers to encourage crop diversity and rotations between crop types (3-7-6).

- *Six devices with a national specification, but with a regional implementation*

The device C: “systems with a low inputs use”. It is restricted to farms that can not benefit from the devices A, B, D and E. The beneficiaries must have efficient systems inputs (limiting the use of fertilizers, pesticides and concentrates).

The device D: “conversion to organic farming”. It provides aids (to cover the additional costs) to convert farms (in part or in full) to organic farming. This aid is paid per hectare (example: 200 euros per hectare per year in annual crop). The farmer commits for 5 years to meet the specifications of organic farming.

The device E: “maintenance of organic agriculture”. This device is designed to support the organic farms. These farms participate positively to the water protection and the preservation of biodiversity. These aids are paid per hectare and depend on the types of crops (example: 100 euros per hectare per year in annual crop). The devices D and E represent only 5% of funds from the measure n° 214.

The device F: “protection of endangered breeds”. This device is intended to help the farmers which have animals belonging to local breeds threatened with extinction. The conservation of purebred animals is a requirement for maintaining biodiversity. The aid is 50 euros per LU per annum (cattle, sheep, goats and pigs).

The device G: “preservation of plant resources endangered”. This device is intended to promote conservation and reintegration of old plant varieties or of plants threatened by genetic erosion. The amount of aid per hectare varies depending on the types of crops: 52 euros for annual crops against 400 euros for vegetables crops.

The device F: “improving the potential for pollination of bees”. This device is intended to encourage the presence of hives in strategic areas in terms of biodiversity (even if it led to a decline in the yield of honey). The aid is set at 17 euros per hive per year.

\* The compensation of natural handicaps the mountain farms

The measures No. 211 and 212 (3.4 billion euros for the period 2007-2013, including 55% of European funds) aim to support farmers located in disadvantaged areas. This aid contributes to a harmonious distribution of agricultural activities on the territory and to the preservation of the landscape.

Since 2001, this aid (ICHN) is attributed by hectare, with a ceiling of 50 hectares per farm. The amount of aid per hectare varies, depending on the zone, between 55 euros (piedmont zone) and 220 euros (area of high-mountain). The aid is more important for the 25 first hectares. For the farmers who practice transhumance, this aid is 10% higher in mountain areas (and high mountain) and 30% in piedmont area. This aid concerns the fodder surfaces in mountain areas and high mountain. The cultivated surfaces which are not eligible to direct payments (by the CMO) are also concerned: wines, fruit, medicinal plants, plants for perfume.

To receive this aid (ICHN), created in 1974, farmers must be located in disadvantaged areas and stay there for five years. They must meet the following conditions: have at least 3 hectares of agricultural area and at least three LU; have the buildings of their farm and at least 80% of their land in disadvantaged areas; have at least 50% their professional income comes from farming. At the environmental level, they must respect the livestock density (minimum and maximum) defined at the departmental level.

According to experts, this aid (ICHN) has a significant positive impact on the environment, even if the primary objective is to support farmers' incomes. These effects are mainly the preservation of biodiversity and landscapes.

This aid (ICHN) concerns in France, 4.3 million hectares (2.4 million hectares in mountain areas and 1.9 million hectares in other disadvantaged areas). Nearly 100 000 farms benefit from this aid, including 54 300 in the mountains. The average amount of this aid (ICHN) is 6 200 euros per farm in mountain areas, i.e. a quarter of the income.

**3.7.8. How does the availability of additional funds for the Pillar 2 measures affect the nature and extent of environmental benefits delivered with particular reference to effects on:**

The funds from modulation are, as already mentioned, a complement to the EAFRD funds of the PDRH. Therefore, the environmental impact of these funds is proportional to their amount and to the environmental effectiveness of PDRH. The environmental benefits of PDRH are difficult to quantify in the short term. It will be necessary, of course, to wait several years before establishing a precise analysis of environmental implications of the measures applied since 2007.

a. Resource protection (water and soils)

In France, the Water Framework Directive is a national priority. Two programs are mobilised on this point: a program focuses on the nitrates (in accordance with the European rules), a other program is focused on pesticides (with the reduction by half in five years of the most dangerous substances). The PDRH fits into this framework. Several factors can have a positive impact on water quality:

- The aids of the axis 2 of PDRH (agri-environmental measures and ICHN) are allocated to the condition that farmers comply with the conditionality (cross-compliance). To reduce water pollution by nitrates, farmers are no longer allowed to cultivate the soil near ditches or rivers. Moreover, they must meet some minimum requirements for using fertilizers and pesticides.
- The agri-environmental aids are generally granted to farmers who use not a lot of fertilizer and pesticides. Moreover, some funds are granted for conversion to organic farming.

- The funds allocated to the modernization of livestock buildings (Axe 1 of the PDRH) should help limit pollution.
- The use of water for irrigation is more controlled (conditionality).
- Farmers can participate in training programmes relating to soil fertilisation.
- The good agricultural practice influences positively the soil protection (see 3-7-2). Some measures of the PDRH will also have an influence on this point. This is notably the case of agri-environmental measures targeted to specific geographic areas. The support for forestry activities also has a positive indirect impact on soil protection.

#### b. Biodiversity

The French authorities have adopted a biodiversity strategy for the remarkable areas (Natura 2000) and also for the other areas (biodiversity ordinary). The national strategy has several devices. For example, the state allows that the price of land rent is lower in case of compliance with certain environmental practices. Likewise, it grants an exemption from taxes for certain areas useful in terms of biodiversity (nature reserve, Natura 2000, national parks).

In areas that are not Natura 2000, several measures of the PDRH contributes to the maintenance of biodiversity: national measures of axis 2 (ICHN, PHAE) have a significant impact on this point; the training for farmers can also help to better consider the biodiversity.

In areas Natura 2000, the PDRH participates in financing the management of sites. The sites of Natura 2000 are managed on a voluntary basis. The conservation objectives are defined in the “objectives document” of each site. This document is made locally.

#### C. Climate change

In the continuity of commitments taken in Kyoto, the fight against climate change is a priority for the French government.

To reduce emissions of greenhouse gases, the government developed a "climate plan" that affects all sectors of activity. For agriculture and forestry, some measures have already been taken (energy preservation, methane production, etc.). At its modest extent, the PDRH contributes to this overall strategy by the awareness of farmers to rational use of fertilisers (which can lead to lower emissions of nitrous oxide). It will also support the investments that have a positive impact on air quality.

Regarding bioenergy, the French government's objective is to incorporate 10% of biofuels in fuels by 2015 (and 7% in 2010). These goals are more ambitious than those of the European Commission (5.75% in 2010). To achieve them, two economic tools are used: an exemption from the domestic tax on petroleum products (partial for the biodiesel and bioethanol and total for the pure vegetable oils used as fuel in agriculture); a tax is applied to distributors of fuel who do not respect these targets.

The PDRH makes contributes very modestly to this objective by three main measures: the measure No. 226 relative to the forests, which has a positive effect (but low quantity) on the carbon storage; the measure No. 121-B, which allocates aid for environmental investments that go beyond the standards (in the crop sector); the measure No. 311 which concern the diversification of activities (the sale of biogas for example).



**3.7.9. How does the availability of additional funds for the Pillar 2 measures affect the nature and extent of environmental benefits delivered with particular reference to effects on:**

The funds from modulation were regarded as the other PRDH funds. Thus, they have no influence on the development of specific Rural Development measures (eligibility, targeting). During the 2007-2013 programme, national authorities sought to improve the environmental impact of the second pillar. They have introduced agri-environmental measures targeted at regional objectives and they have changed the conditions for granting certain aid (PHAE<sup>17</sup> and ICHN). This evolution has occurred in the continuity of certain criticisms levelled against the agri-environmental measures<sup>18</sup>. Indeed, during the mid-term evaluation of rural development programme 2000-2006, it was suggested to improve the policy readability of AEM; to improve the targeting of measures on key issues; to strengthen the role of regional and local structures in the implementation of the AEM.

The decrease in support for rural development for the period 2007-2013 (compared to the period 2000-2006) has obliged the national authorities to finance the PHAE on its own budget.

**3.7.10. If not covered in 7.7-7.9 above, what are the impacts of the availability of additional funds for the environment through the following measures:**

See point 3-7-7 and 3-7-8.

**3.7.11. Have negative environmental impacts been experienced from investments in non-environmentally focused measures? If so, what are these environmentally damaging effects and which measures are these associated with?**

As has been mentioned previously, it is still too early to draw a clear analysis of the environmental effects of measures adopted in 2007. Indeed, it will be necessary to have information on the medium term to address this issue.

The experts insist first on the positive effects for the environment of rural development measures. The aids granted for the young farmers allow to promote the generational renewal and, therefore, to limit the concentration of production. The aids granted for modernisation of the livestock buildings allow to improve the relation between livestock and environment. The agri-environmental measures and the ICHN help to maintain agricultural activity in disadvantaged areas (the farms located in these regions use generally a low quantity of inputs). Spontaneously, the experts did not mention that some measures of the rural development programme could have a negative impact for the environment. However, they believe that some adjustments are always desirable in the perspective to better integrate environmental issues in public policy. Likewise, they stressed that some controversial debates exist between them on the intensity of the environmental effects of measures PDRH.

Nevertheless, according to some experts, the measure No.121 could have an indirect negative impact on the environment (and territory occupation). Aid for modernisation of the livestock buildings can indirectly accelerate the geographic concentration of agricultural production (main factor of pollution). Indeed, small farms, where the modernization of buildings is considered economically unprofitable, are gradually eliminated in favour of larger structures.

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<sup>17</sup> For example, the beneficiaries of PHAE must now comply with the conditionality and must respect some rules relating to the use of fertilizers.

<sup>18</sup> The European Court of Auditors has criticised several times inspection procedures for agri-environmental measures. It considers that too much attention is paid to the statements of contractors and that the points of control are insufficient or inadequate in relation to the specifications of the measures. In addition, The European Court of Auditors considers that sanctions are often insufficient to be truly dissuasive.

#### 4. Conclusions and synthesis of results

In France, the budgetary support (French and European) allocated to agriculture has been well controlled over the past decade. As in most other member states of the European Union, this support decreased as a proportion of Gross Domestic Product (GDP). If this development is positive and consistent with the objectives set during the MacSharry reform, it is clear that the amount of direct subsidies per farm and per AWU increases over the years, for two main reasons: the three CAP reforms (1992, 1999, 2003) led to an increase in direct subsidies to farmers, but to a decrease in indirect support related to the regulation of markets (export refunds, storage costs, etc.); due to the decrease of the number of holdings (at a rate of 3% per annum), the funds are paid to less farmers.

In 2008, the amount of direct aids from the first pillar per farm still depends mainly on the agricultural specialization and on the size (hectares, LU or milk quota). This is the result of the choices made in previous reforms. In fact, direct aids have been allocated to farmers, on the basis of the production factors, in order to compensate partially or completely, the negative economic impact of declining institutional prices. In France, the distribution of the direct aids from the first pillar between farms has finally changed very little over the last fifteen years.

During the Agenda 2000, and as allowed in Article 4 of EC Regulation No. 1259/1999, the French government has decided to implement the optional modulation. The mechanism adopted was complex because the modulation rate was not fixed, but variable depending on several factors: the amount of direct aids per farm; the economical dimension of the farm; the number of jobs. The modulation concerned only 15% of all French farms, especially the large units, strongly supported but with a small number of agricultural jobs. Theoretically, this device would achieve a redistribution of support between categories of farms. In fact, its impact was limited for two reasons: it was applied only during two years; it has allowed a low transfer between the two pillars (just under 1% of the support of the first pillar). If this modulation device had a limited impact, it has been the subject of much criticism, essentially because the collected funds did not return fully to French farms.

In 2006, during the implementation of the decoupling, the French authorities did not use the options offered by the EC Regulation No. 1782/2003 to redistribute the support between categories of farms. Indeed, they have decided that the amount of the single payment for each farm should be determined on the basis of the historical situation 2000-2002. Thus, they did not use the articles No. 58 and No. 59 of the Regulation (regionalization of the single payment), nor Article 69. The distribution of the single payment between farms is therefore substantially equivalent to that which prevailed for direct aids allocated to production factors. The amount of the single payment per hectare is higher in the intensive farms. In addition, national authorities have implemented a partial decoupling, with a maximization of the coupling rate (compared to what the rules allowed). These choices are different from those taken in other Member States like United Kingdom, Germany and so on. This demonstrates the sensitivity of French farmers and national authorities face to an evolution of direct aids to agriculture and, more generally, of the agricultural policy.

During negotiations on the CAP reform in 2003, the French authorities were not spontaneously favourable to the implementation of a compulsory modulation of direct aids (Article No. 10 of EC Regulation 1782/2003). Since then, the agricultural Ministers have rarely mentioned the strengths and limits of this modulation device in their speeches. According to information collected from experts and simulations applied to the FADN, several remarks can be made about the application of this device in France:

- In 2008, the modulation allows to collect, in France, a total of 336 million euros. This amount represents 2.5% of the budgetary support to French agriculture or 4% of direct aids from the first pillar. Only 80% of these funds are redistributed to France (268 million euros per year from 2008). These funds can supplement the financing of PDRH (13.7 billion euros for the period 2007-2013, of which 5.7 billion euros for the EAFRD). They were not used in a specific manner, but they were spread over all the PRDH measures. They have not been considered as an exceptional increase of the budget that would have allowed the introduction of new rural development measures. Indeed, even taking into account the funds from the modulation, the budget for the rural development programme 2007-2013 remains lower than in the previous period.
- The modulation device has a low redistributive effect on the direct aids and on the incomes between the categories of farms. The rate of modulation is, firstly, linear and not gradual depending on the size of the farm or the amount of direct aids. Then, the franchise (5000 euros) was set at a low level, leading to what 80% of French professional farms are affected by the modulation. Finally, only a part of the collected funds (between 50% and 60%) is redistributed in favour of farms. According to the simulations made on the FADN, and after the redistribution of funds by the Rural Development, about one quarter of farms are economically "winners" with modulation (+5% of income on an average). For nearly 60% of farms, modulation causes a loss of income (-4% of income on an average). The beneficiaries are mainly the farms with extensive herbivorous (milk, cattle, sheep), especially those located in disadvantaged areas. The farms "losers" are mainly those with large surfaces of crops, essentially because they are rarely concerned by the rural development support. The farm income of the 53 000 biggest farms (over 100 ESU) classified as "losers" decreases, but only of 3%.
- The productive strategies of French farmers have not been altered, or only very marginally, by the implementation of the modulation device. Since 2005, farmers have not always had specific knowledge of amounts which were deducted by the modulation. Indeed, the decline in direct aids was carried out before and not after the payment (for example by a tax that farmers would have to pay to the State). During the period 2005-2008, and despite the modulation, the amount of direct aids per farm has increased as a result of the expansions of farms and/or the implementation of direct aids in the dairy sector. The low influence of the modulation on productive strategies is mainly due to the fact that its economic implications have been weak in relation to the impact of changes in prices of inputs and outputs.
- The effects of the modulation on the farms structure and agricultural employment are considered by experts as slightly positive at the national level. However, this impact varies according to regions and types of farms. For units "losers", the modulation encourages farmers to increase labour productivity to offset the economic loss. For units "winners", the modulation can help to maintain the agricultural employment, mainly in disadvantaged areas and in the sheep sector where incomes are often lower than elsewhere. The aids granted for the setting-up of young farmers have, however, a direct impact on the renewal of generations and employment on farms.

- The competitiveness of French agriculture has not been changed following the implementation of the modulation. Indeed, this change in the way of support was consistent (at least for the modulation rate) between all European farms (except in the new member states). In other words, the modulation device has not led to distortion in the competition between European farms. In addition, many other factors, often more important than the amount of direct aid granted to farms, affect the competitiveness. These factors include the conditions of the natural environment (climate, topography), production costs, technical performance, innovation in food firms, the parity between the currencies, customs duties, and so on.
- The impact of the modulation on the quality of life in rural areas is seen as potentially positive, but with a low overall effect. Indeed, the measures of the Axis No. 2 and No. 3 of PDRH permit to take into account certain expectations of rural citizens. Nevertheless, the quality of life in rural areas depends on many factors which are not directly related to agricultural, such as unemployment, the quality of services (transport, health, education), the price of houses or the distance to the cities.
- The modulation, or more exactly the increase in direct aids allocated to rural development, is seen as a positive factor for the relationship between agriculture and the environment. However, experts stress that cross-compliance measures of the first pillar is also a positive factor, especially as some intensive farms are not or little concerned by the measures of rural development. In France, the environmental issues are a priority for the rural development programme. Indeed, the Axis 2 represents just over half of the PDRH funds. The two main measures of the Axis 2 are the compensation of natural handicaps (one third of the EAFRD for PDRH) and agri-environment (16% of the EAFRD for PDRH). The quantification of the impact of the axis 2 is difficult to achieve because many tools act simultaneously on the same territory (the first pillar of the CAP, the measures of the PRDH, regional and local policies, etc.). Similarly, the indicators used are not always sustainable over time. The agri-environmental measures are based on obligations of means and not on environmental results achieved. The environmental results depend mainly on the link between practices required and their environmental effects; the location of the farms which are concerned by the PDRH measures; the number of contracts in a same region; the compliance with specifications by contractors; the quality of the controls made in the beneficiaries farms; the sustainability of the practices, with or without renewal of contracts.

In the current negotiations related to the CAP health check, the French minister has indicated that he was favourable to a certain redistribution of direct aid within agriculture. To do this, he recommends using a new version of Article 69 to allow a transfer of funds within the first pillar. This position is shared by a large majority of professional organizations. In its proposals of 20 May 2008 (see Article 68), the European Commission took account of some of these expectations. Thus, the collected funds from Article 69 will not necessarily be redistributed to the production sectors which were concerned by the budget cut. However, the European Commission has capped the rate to a maximum of 10% (some French farmers' organisations wanted 15%). Moreover, some strict rules have been taken to use the collected funds. If the final version of the Article 68 is not exactly conform to the expectations expressed, national authorities would nevertheless use it. They want to allocate a direct support to the dairy farms located in mountains, because these farms could be economically disadvantaged by the abolition of milk quotas. It is still too early to know if France will decide to apply the maximum rate (10%), knowing that the European Commission wishes to increase the rate of the mandatory modulation.

In France, the Minister of Agriculture and most agricultural professional organisations are not agree with an increase of the rate of the mandatory modulation (beyond the current threshold of 5%). They justify their choice through the main following arguments: the funds of the rural development programme for the period 2007-2013 have already been decided; the rural development measures induce a co-financing from Member States; the collected funds are not distributed only to farms. The European Commission proposed on 20 May 2008, to increase the modulation rate of at least 8% by 2013 (and a little more for farms receiving more than 100 000 euros of direct aids). The simulations made on the national FADN show that these new rates would represent nearly 550 million euros extra per year for the second pillar. The redistributive impact will depend mainly on the choices made regarding the allocation of these funds (see annexes 6-5 and 6-6).

The sharp increase in the prices of some agricultural products in 2007 and 2008, led, despite the rising cost of inputs (fuel, feed, fertilizers, pesticides), to a significant improvement in the income of some categories of farms (mainly those with large surfaces of crops). However, for other farms, farm incomes fell because of increased grain price. Given the commitments made in 1995 in the Agricultural Agreement of the Uruguay Round, the EU authorities did not decide to reduce the amount of aids granted to farms beneficiaries of price increases. Indeed, according to this multilateral agreement, direct aids must not be variable depending on agricultural prices (domestic or international) to be considered decoupled. Nevertheless, the granting of direct aids to farmers who benefit from high agricultural prices still remain a real question for European taxpayer (especially if this situation persists for the next years, as it is suggested by the OECD estimates). Before the forthcoming budget negotiations of the EU in 2013, the modulation is one of the tools that can give a little more sense to public aid granted to agriculture. Without a better justification of the public support to agriculture, the risk is high for the French farmers (and European ones) to have a significant drop in direct aids after that date.

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<b>List of interviewees</b>
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This list shows the names of persons who, by their answers to questions and/or their published work, allowed me to conduct this analysis. Many other contacts were engaged to better understand the position of the various organisations regarding to the modulation.

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VOLLET Dominique (CEMAGREF Clermont-Ferrand)

## Acronyms

### French acronyms

**ANIA:** National association of food industries (*Association Nationale des Industries Agroalimentaires*)

**AOC:** Controlled term of origin (*Appellation d'Origine Contrôlée*)

**APCA :** Permanent Assembly of Agricultural Chambers (*Assemblée Permanente des Chambres d'Agriculture*)

**AUP:** The French agency which pay the direct subsidies (first pillar) to farmers (*Agence Unique de Paiement*)

**CAD:** Individual contract between farmer and state for sustainable agriculture (*Contrat d'Agriculture Durable*)

**CGAAER:** *Conseil Général de l'Agriculture de l'Alimentation et des Espaces Ruraux*

**CNIEL :** National professional organisation for milk (*Centre National Interprofessionnel de l'Economie laitière*)

**COOP DE FRANCE:** National association of agricultural cooperatives (*Association des coopératives agricoles*)

**CTE:** Individual contract between farmer and state for sustainable agriculture (*Contrat Territorial d'Exploitation*)

**FNAB:** National federation of organic agriculture (*Fédération Nationale de l'agriculture Biologique*)

**FNB:** National federation of beef producers (*Fédération Nationale Bovine*)

**FNO:** National federation of ovine producers (*Fédération Nationale Ovine*)

**FNPL:** National federation of milk producers (*Fédération Nationale des Producteurs de Lait*)

**FNSEA:** Union of farmers FNSEA (*Fédération Nationale des Syndicats d'Exploitants Agricoles*)

**GAEC :** Association of farmers who work in a same farm (*Groupement agricole d'Exploitation en Commun*)

**ICHN:** Natural handicaps payments to farmers (*Indemnité Compensatoire de Handicaps Naturels*)

**INRA :** National Institute of Agronomic Research (*Institut National de la Recherche Agronomique*)

**JA:** Union of young farmers (*Jeunes Agriculteurs*)

**PDRH:** Rural development hexagonal plan (*Plan de Développement Rural Hexagonal*)

**PDRN:** Rural development national plan (*Plan de Développement Rural National*)

**PHAE:** Direct subsidies for grass area (*Prime Herbagère Agro-Environnementale*)

**PMBE:** The modernization plan of the livestock buildings (*Plan de Modernisation des Bâtiments d'Élevage*)

**PMPOA:** Global monitoring for environment and security (*Plan de Maîtrise des Pollution d'Origine Agricole*)

**PMSEE:** Premium for extensive livestock systems (*Prime au Maintien des Systèmes d'Élevage Extensifs*)

### English acronyms

**AEM:** Agro-environment measures

**AWU :** Agricultural Work Unit

**CAP:** Common agricultural policy

**EAGGF:** European Agricultural Guidance and Guarantee Fund (EAGGF)

**EAGGF:** European Agricultural Guidance and Guarantee Fund

**ESU:** Economic size unit

**FADN:** Farm Accountancy Data Network

**FFI:** Family Farm Income (= GFI - interest paid - depreciation)

**GFI:** Gross Farm Income (= Family farm income + interest paid + depreciation)

**LFA:** Less favourable area (LFA).

**LU:** Livestock Unit

**SGM:** Standard gross margin (1 ESU = 1200 euros)

**TF:** Type of Farming (see classification of FADN)

**UAA:** Usable Agricultural Area

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### **Annex 7. The optional modulation in France in 2000-2001 (Article 4 of Regulation No. 1259/1999)**

<b>Annex 1. Impact of the modulation - Qualitative approaches</b>
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**Annex 1-1.** Impact of the modulation (rate: 5%) on farm structure and farm income

no	Indicator	Impact due to CM in the first pillar	Impact due to use of CM funds in measures of the second pillar		Synthesis: impact of changes of first and second pillar due to CM
2.1	Utilized agricultural area (UAA) (ha)	0	Measure 111	0	+ (farms of the disadvantaged areas are encouraged)
			Measure 112	0	
			Measure 113	0	
			Measure 121	0	
			Measure 211+212	+	
			Measure 214	+	
2.2	Share of arable area in UAA (%)	-	Measure 111	0	- (support to permanent pastures in disadvantaged areas)
			Measure 112	0	
			Measure 113	0	
			Measure 121	+	
			Measure 211+212	-	
			Measure 214	-	
2.3	Number of farms	-	Measure 111	0	+
			Measure 112	+	
			Measure 113	-	
			Measure 121	-	
			Measure 211+212	+	
			Measure 214	+	
2.4	Average farm size (ha)	++	Measure 111	0	+
			Measure 112	-	
			Measure 113	+	
			Measure 121	+	
			Measure 211+212	+	
			Measure 214	+	
2.5	Average farm size (ESU)	++	Measure 111	0	+
			Measure 112	-	
			Measure 113	+	
			Measure 121	+	
			Measure 211+212	0	
			Measure 214	0	
2.6	Agricultural labour force (AWU)	-	Measure 111	0	+
			Measure 112	+	
			Measure 113	-	
			Measure 121	-	
			Measure 211+212	+	
			Measure 214	+	
2.7	Composition of farming types (% of total)	0	Measure 111	0	0
			Measure 112	0	
			Measure 113	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
2.8	Organic land as % of UAA	0	Measure 111	0	0
			Measure 112	0	
			Measure 113	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	



2.9	Organic production as % of total agricultural production	0	Measure 111	0	0
			Measure 112	0	
			Measure 113	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
1.2.1	Farm income (per holding)	-	Measure 111	0	-
			Measure 112	-	
			Measure 113	+	
			Measure 121	+	
			Measure 211+212	+	
			Measure 214	+	
1.2.2	Farm household income (per holding)	-	Measure 111	0	-
			Measure 112	-	
			Measure 113	+	
			Measure 121	+	
			Measure 211+212	+	
			Measure 214	+	
1.2.3	Farm income (per Family Work Unit)	-	Measure 111	0	-
			Measure 112	-	
			Measure 113	+	
			Measure 121	+	
			Measure 211+212	+	
			Measure 214	+	
1.2.4	Farm household income (per Family Work Unit)	-	Measure 111	0	-
			Measure 112	-	
			Measure 113	+	
			Measure 121	+	
			Measure 211+212	+	
			Measure 214	+	

Sources : Points of view of some experts

**Code :** ++ : increase ; + : slightly increase ; 0 : neutral ; - : slightly decrease ; -- : decrease

**Remarks :**

The code is synthesis for all French farms. Sometimes the impact is negative for some farms and positive for the others. The code is also considered according to the amount of the funds granted (see annex 2-1 and 2-2).

**Annex 1-2.** Impact of the modulation (rate: 5%) on the competitiveness of the agricultural sector

no	Indicator	Impact due to CM in the first pillar	Impact due to use of CM funds in measures of the second pillar		Synthesis: impact of changes of first and second pillar due to CM
1.1.1	GVA in the primary sector	0* or -	Measure 111	0* or +	0 + (otherwise)
			Measure 112	0	
			Measure 113	0	
			Measure 121	0* or +	
			Measure 211+212	0* or +	
			Measure 214		
1.1.2	GVA in the food industry	- (they have to buy agricultural products to higher prices)	Measure 111	+	
			Measure 112	0	
			Measure 113	0	
			Measure 121	+	
			Measure 211+212	+	
			Measure 214	+	

Sources : Points of view of some experts

**Code :** ++ : increase ; +: slightly increase ; 0 : neutral ; - : slightly increase ; -- decrease

**Remarks :**

The code is synthesis for all French farms. Sometimes the impact is negative for some farms and positive for the others. The code is also considered according to the amount of the funds granted (see annex 2-1 and 2-2).

(\* ) 0, if we consider that direct subsidies are not integrated in the calculation of the GVA. – (otherwise).

**Annex 1-3.** Impact of the modulation (rate: 5%) on employment

no	Indicator	Impact due to CM in the first pillar	Impact due to use of CM funds in measures of the second pillar		Synthesis: impact of changes of first and second pillar due to CM
1.3.1	Share of part-time farm holders (% of total)	-	Measure 111	+	0
			Measure 112	0	
			Measure 121	-	
			Measure 211+212	0	
			Measure 214	0	
			Measure 311	+	
			Measure 312	+	
			Measure 313	+	
			Leader	0	
1.3.2	Share of farm holders with other gainful activities (% of total)	-	Measure 111	+	0
			Measure 112	0	
			Measure 121	-	
			Measure 211+212	0	
			Measure 214	0	
			Measure 311	+	
			Measure 312	+	
			Measure 313	+	
			Leader	0	
1.3.3	Total employment	-	Measure 111	0	+ (but very slightly)
			Measure 112	+	
			Measure 121	-	
			Measure 211+212	+	
			Measure 214	+	
			Measure 311	+	
			Measure 312	+	
			Measure 313	+	
			Leader	+	
1.3.4	Agricultural employment (AWU)	-	Measure 111	0	+ (but slightly)
			Measure 112	+	
			Measure 121	-	
			Measure 211+212	+	
			Measure 214	+	
			Measure 311	+	
			Measure 312	+	
			Measure 313	+	
			Leader	+	
1.3.5	Industrial employment (AWU)	0	Measure 111	0	0
			Measure 112	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
			Measure 311	+	
			Measure 312	+	
			Measure 313	+	
			Leader	0	
1.3.6	Services employment (AWU)	-	Measure 111	0	+ (but slightly)
			Measure 112	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
			Measure 311	0	
			Measure 312	0	
			Measure 313	0	
			Leader	0	

Sources : Points of view of some experts

**Annex 1-4.** Impact of the modulation (rate: 5%) on quality of life

no	Indicator	Impact due to CM in the first pillar	Impact due to use of CM funds in measures of the second pillar		Synthesis: impact of changes of first and second pillar due to CM
1.4.1	Actions to support basic services for the economy and rural population	0	Measure 111	0	+ (but very slightly)
			Measure 112	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
			Measure 321	+	
			Measure 322	0	
			Measure 323	0	
			Leader	0	
1.4.2	Village renewals	0	Measure 111	0	+ (but very slightly)
			Measure 112	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
			Measure 321	0	
			Measure 322	+	
			Measure 323	0	
			Leader	0	
1.4.3	Actions to support rural heritage	0	Measure 111	0	+ (but very slightly)
			Measure 112	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
			Measure 321	0	
			Measure 322	0	
			Measure 323	+	
			Leader	0	
1.4.4	Number of tourists	- (but very slightly)	Measure 111	0	+ (due essentially to preservation of the landscape in mountains)
			Measure 112	+	
			Measure 121	0	
			Measure 211+212	++	
			Measure 214	++	
			Measure 321	+	
			Measure 322	++	
			Measure 323	++	
			Leader		
1.4.5	Internet penetration	0	Measure 111	+	+ (but very slightly)
			Measure 112	0	
			Measure 121	0	
			Measure 211+212	0	
			Measure 214	0	
			Measure 321	+	
			Measure 322	0	
			Measure 323	0	
			Leader	0	

Sources : Points of view of some experts

**Code :** ++ : increase ; + : slightly increase ; 0 : neutral ; - : slightly decrease ; -- : decrease**Remarks :**

The code is synthesis for all French farms. Sometimes the impact is negative for some farms and positive for the others. The code is also considered according to the amount of the funds granted (see annex 2-1 and 2-2).

**Annex 1-5.** Impact of the modulation (rate: 5%) on environment

no	Indicator	Impact due to CM in the first pillar	Impact due to use of CM funds in measures of the second pillar		Synthesis: impact of changes of first and second pillar due to CM
3.1	Land cover (% agricultural area in total area)	0	Measure 211+212	+	+
			Measure 213	0	
			Measure 214	+	
			Measure 226	-	
3.2	% UAA in non-LFA/LFA	-	Measure 211+212	++	+
			Measure 213	0	
			Measure 214	++	
			Measure 226	-	
3.3	% UAA for extensive arable crops	-	Measure 211+212	-	-
			Measure 213	-	
			Measure 214	-	
			Measure 226	-	
3.4	% UAA for extensive grazing	-	Measure 211+212	++	++
			Measure 213	0	
			Measure 214	++	
			Measure 226	-	
3.5	% UAA under Natura 2000	0	Measure 211+212	0	0
			Measure 213	0	
			Measure 214	0	
			Measure 226	0	
3.6	% UAA under agri-environmental support (measure 214)	+	Measure 211+212	++	++
			Measure 213	0	
			Measure 214	++	
			Measure 226	0	
3.7	Forest area (ha)	+	Measure 211+212	--	-
			Measure 213	0	
			Measure 214	--	
			Measure 226	++	
3.8	% territory designated as Nitrate Vulnerable Zone	0	Measure 211+212	--	-
			Measure 213	0	
			Measure 214	-	
			Measure 226	-	
3.9	% irrigated UAA	-	Measure 211+212	0	-
			Measure 213	0	
			Measure 214	0	
			Measure 226	0	
3.10	Production of renewable energy	+	Measure 211+212	0	0
			Measure 213	0	
			Measure 214	0	
			Measure 226	0	
3.11	Nutrients surplus N, P, K (per ha)	-	Measure 211+212	-	-
			Measure 213	0	
			Measure 214	-	
			Measure 226	0	
3.12	Biodiversity (bird species)	-	Measure 211+212	+	+
			Measure 213	0	
			Measure 214	+	
			Measure 226	+	
3.13	High nature value farmland and forestry (ha)	0	Measure 211+212	+	+
			Measure 213	0	
			Measure 214	+	
			Measure 226	+	

Sources : Points of view of some experts

**Code :** ++ : increase ; + : slightly increase ; 0 : neutral ; - : slightly decrease ; -- : decrease

<b>Annex 2. The French Rural Development National Plan (RDNP – Hexagonal, 2007-2013)</b>
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## Annex 2-1. The French RDNP 2007-2013 (millions euros)

Code	Measures	FEADER	National funds	Top-up	Total
AXE 1 “Improving competitiveness” (with leader)		1 978	1 975	726	4 679
<b>AXE 1 without Leader</b>		<b>1 961</b>	<b>1 961</b>	<b>726</b>	<b>4 648</b>
111	Vocational training, information actions	61	61	34	156
112	Setting up of young farmers	578	578	70	1 227
113	Early retirement of farmers and farm workers	21	21	0	42
121	Farm modernisation	610	610	404	1 623
122	Improving the economic value of the forest	29	29	0	57
123	Adding value to agricultural and forestry products	240	240	97	577
124	Cooperation for development of new products	5	5	5	14
125	Improving and developing infrastructure	57	57	92	206
125	- Agricultural infrastructures	14	14	92	121
125	- Forestry infrastructures	43	43	0	85
126	Restoring agricultural production potential	336	336	0	673
132	Supporting farmers who participate in food quality schemes	6	6	7	19
133	Supporting producer groups under food quality schemes	18	18	18	53
AXE 2 “Improving environment and countryside” (with leader)		3 104	2 539	1 880	7 523
<b>AXE 2 without Leader</b>		<b>3 080</b>	<b>2 520</b>	<b>1 880</b>	<b>7 479</b>
211	Natural handicap payments to farmers in mountain areas	1 571	1 286	0	2 857
212	Payments in areas with handicaps, other than mountain areas	315	257	0	572
214	Agri-environmental payments	903	739	1 839	3 481
216	Support for non-productive investments	7	6	7	20
221	First afforestation of agricultural land;	4	3	7	14
223	First afforestation of non-agricultural land	1	1	0	2
226	Restoring forestry potential and introducing prevention actions	256	209	12	478
227	Support for non-productive investments (forest)	23	19	14	56
AXE 3 “Improving rural life” (with leader)		594	549	312	1 455
<b>AXE 3 without Leader</b>		<b>348</b>	<b>348</b>	<b>307</b>	<b>1 004</b>
311	Diversification into non-agricultural activities	29	29	16	73
312	Support for the creation and development of micro-enterprises	21	21	20	62
313	Encouragement of tourism activities	54	54	70	177
321	Basic services for the economy and rural population	52	52	37	141
322	Village renewal and development	24	24	0	48
323	Conservation and upgrading of the rural heritage	118	118	135	371
331	Training and information for economic actors operating	7	7	2	16
341	Animation with a view to implementing a local strategy	44	44	28	116
<b>AXE 4 “Leader”</b>		<b>286</b>	<b>234</b>	<b>5</b>	<b>526</b>
411	Axe 1 “Improving competitiveness”	14	11	0	25
412	Axe 2 “Improving environment and countryside”	20	16	0	36
413	Axe 3 “Improving rural life”	202	165	4	370
421	Transnational and inter-regional cooperation	13	11	0	24
431	Running the local action group, skills acquisition, animation	38	31	1	70
<b>Technical assistance</b>		<b>52</b>	<b>52</b>	<b>1</b>	<b>105</b>
<b>TOTAL</b>		<b>5 727</b>	<b>5 115</b>	<b>2 920</b>	<b>13 762</b>

## Annex 2-2. The French RDNP 2007-2013 (%)

Code	Measures	FEADER	National funds	Top-up	Total
AXE 1 "Improving competitiveness" (with leader)		34,5%	38,6%	24,9%	34,0%
<b>AXE 1 without Leader</b>		<b>34,2%</b>	<b>38,3%</b>	<b>24,9%</b>	<b>33,8%</b>
111	Vocational training, information actions	1,1%	1,2%	1,2%	1,1%
112	Setting up of young farmers	10,1%	11,3%	2,4%	8,9%
113	Early retirement of farmers and farm workers	0,4%	0,4%	0,0%	0,3%
121	Farm modernisation	10,7%	11,9%	13,8%	11,8%
122	Improving the economic value of the forest	0,5%	0,6%	0,0%	0,4%
123	Adding value to agricultural and forestry products	4,2%	4,7%	3,3%	4,2%
124	Cooperation for development of new products	0,1%	0,1%	0,2%	0,1%
125	Improving and developing infrastructure	1,0%	1,1%	3,2%	1,5%
125	- Agricultural infrastructures	0,2%	0,3%	3,2%	0,9%
125	- Forestry infrastructures	0,8%	0,8%	0,0%	0,6%
126	Restoring agricultural production potential	5,9%	6,6%	0,0%	4,9%
132	Supporting farmers who participate in food quality schemes	0,1%	0,1%	0,2%	0,1%
133	Supporting producer groups under food quality schemes	0,3%	0,4%	0,6%	0,4%
AXE 2 "Improving environment and countryside" (with leader)		54,2%	49,6%	64,4%	54,7%
<b>AXE 2 without Leader</b>		<b>53,8%</b>	<b>49,3%</b>	<b>64,4%</b>	<b>54,3%</b>
211	Natural handicap payments to farmers in mountain areas	27,4%	25,1%	0,0%	20,8%
212	Payments in areas with handicaps, other than mountain areas	5,5%	5,0%	0,0%	4,2%
214	Agri-environmental payments	15,8%	14,4%	63,0%	25,3%
216	Support for non-productive investments	0,1%	0,1%	0,2%	0,1%
221	First afforestation of agricultural land;	0,1%	0,1%	0,2%	0,1%
223	First afforestation of non-agricultural land	0,0%	0,0%	0,0%	0,0%
226	Restoring forestry potential and introducing prevention actions	4,5%	4,1%	0,4%	3,5%
227	Support for non-productive investments (forest)	0,4%	0,4%	0,5%	0,4%
AXE 3 "Improving rural life" (with leader)		10,4%	10,7%	10,7%	10,6%
<b>AXE 3 without Leader</b>		<b>6,1%</b>	<b>6,8%</b>	<b>10,5%</b>	<b>7,3%</b>
311	Diversification into non-agricultural activities	0,5%	0,6%	0,5%	0,5%
312	Support for the creation and development of micro-enterprises	0,4%	0,4%	0,7%	0,5%
313	Encouragement of tourism activities	0,9%	1,1%	2,4%	1,3%
321	Basic services for the economy and rural population	0,9%	1,0%	1,3%	1,0%
322	Village renewal and development	0,4%	0,5%	0,0%	0,3%
323	Conservation and upgrading of the rural heritage	2,1%	2,3%	4,6%	2,7%
331	Training and information for economic actors operating	0,1%	0,1%	0,1%	0,1%
341	Animation with a view to implementing a local strategy	0,8%	0,9%	1,0%	0,8%
<b>AXE 4 "Leader"</b>		<b>5,0%</b>	<b>4,6%</b>	<b>0,2%</b>	<b>3,8%</b>
411	Axe 1 "Improving competitiveness"	0,2%	0,2%	0,0%	0,2%
412	Axe 2 "Improving environment and countryside"	0,3%	0,3%	0,0%	0,3%
413	Axe 3 "Improving rural life"	3,5%	3,2%	0,1%	2,7%
421	Transnational and inter-regional cooperation	0,2%	0,2%	0,0%	0,2%
431	Running the local action group, skills acquisition, animation	0,7%	0,6%	0,0%	0,5%
<b>Technical assistance</b>		<b>0,9%</b>	<b>1,0%</b>	<b>0,0%</b>	<b>0,8%</b>
<b>TOTAL</b>		<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

<b>Annex 3. Budgetary support to French agriculture (1999-2006)</b>
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**Annex 3-1. The budgetary support of EU and France to French agriculture (millions euros)**

	1999	2000	2001	2002	2003	2004	2005	2006
<b>First pillar of the CAP</b>	<b>10 229</b>	<b>10 567</b>	<b>10 641</b>	<b>10 612</b>	<b>10 708</b>	<b>10 282</b>	<b>10 442</b>	<b>11 207</b>
<u>Support for market and income</u>	<u>10 058</u>	<u>10 329</u>	<u>10 028</u>	<u>9 998</u>	<u>10 178</u>	<u>9 851</u>	<u>10 068</u>	<u>10 806</u>
* Direct subsidies linked with production	6 667	7 509	7 498	7 563	7 739	7 835	8 225	3 312
- Area aid (including set-aside)	4 953	5 484	5 156	5 130	5 128	5 115	4 943	1 138
- Premium for suckler cow	807	960	974	1 044	1 099	1 018	1 252	1 080
- Special premium for bovine male	308	413	383	410	454	405	463	298
- Slaughter premium	3	22	200	308	468	407	438	341
- Premium for ewe, sheep and goat	194	162	130	191	179	175	170	77
- Premium based on the milk quota	0	0	0	0	0	279	545	5
- Others directs subsidies link with production	402	468	655	480	411	436	414	373
* Single Payment	0	0	0	0	0	0	0	5 644
* Others measures concerning market	3 391	2 820	2 530	2 435	2 439	2 016	1 843	1 850
<u>Health safety of plants and animals</u>	<u>171</u>	<u>238</u>	<u>613</u>	<u>614</u>	<u>530</u>	<u>431</u>	<u>374</u>	<u>401</u>
<b>Second pillar (Rural development)</b>	<b>2 072</b>	<b>1 923</b>	<b>1 925</b>	<b>2 063</b>	<b>2 297</b>	<b>2 176</b>	<b>2 229</b>	<b>2 340</b>
<u>Setting up of farmers and modernisation</u>	<u>541</u>	<u>429</u>	<u>419</u>	<u>466</u>	<u>553</u>	<u>445</u>	<u>459</u>	<u>464</u>
* Loan interest paid by state	329	220	222	207	253	206	204	156
* Aid to setting up of young farmers	147	131	125	117	120	111	138	142
* Access to land and water	14	13	9	10	8	12	12	13
* PMPOA (control of agricultural pollution)	35	38	26	27	21	22	22	27
* CTE - Economical and social measures	0	6	15	64	111	50	42	25
* CAD - Economical and social measures	0	0	0	0	0	0	9	16
* Others aids to modernisation	16	22	22	41	41	45	33	86
<u>Early retirement</u>	<u>245</u>	<u>200</u>	<u>146</u>	<u>119</u>	<u>105</u>	<u>102</u>	<u>89</u>	<u>80</u>
<u>Less Favoured Area (LFA) payment</u>	<u>373</u>	<u>392</u>	<u>433</u>	<u>453</u>	<u>463</u>	<u>489</u>	<u>527</u>	<u>516</u>
<u>Agro-environmental measures</u>	<u>275</u>	<u>290</u>	<u>327</u>	<u>457</u>	<u>602</u>	<u>541</u>	<u>552</u>	<u>576</u>
* PHAE	0	0	0	0	196	211	196	211
* PMSEE	90	97	184	159	8	0	0	0
* CTE - Agro-environmental measures	0	3	81	257	350	290	281	230
* CAD -Agro-environmental measures	0	0	0	0	0	0	36	99
* Aid in favour of crop rotation	0	6	0	4	11	20	27	26
* Others agro-environmental	185	185	61	37	37	21	12	11
<u>Protection of rural areas</u>	<u>385</u>	<u>385</u>	<u>393</u>	<u>362</u>	<u>381</u>	<u>399</u>	<u>366</u>	<u>408</u>
<u>Processing and marketing of product</u>	<u>81</u>	<u>81</u>	<u>60</u>	<u>75</u>	<u>52</u>	<u>65</u>	<u>49</u>	<u>144</u>
<u>Horse activities</u>	<u>171</u>	<u>142</u>	<u>146</u>	<u>128</u>	<u>140</u>	<u>134</u>	<u>186</u>	<u>150</u>
<b>All Budgetary support to agriculture</b>	<b>12 301</b>	<b>12 490</b>	<b>12 566</b>	<b>12 676</b>	<b>13 006</b>	<b>12 460</b>	<b>12 672</b>	<b>13 549</b>



**Annex 3-2.** The budgetary support of France to French agriculture (millions euros)

	1999	2000	2001	2002	2003	2004	2005	2006
<b>First pillar of the CAP</b>	<b>968</b>	<b>1 335</b>	<b>1 636</b>	<b>1 419</b>	<b>1 404</b>	<b>1 242</b>	<b>1 178</b>	<b>1 400</b>
<u>Support for market and income</u>	<u>811</u>	<u>1 107</u>	<u>1 052</u>	<u>866</u>	<u>916</u>	<u>842</u>	<u>830</u>	<u>1 028</u>
* Direct subsidies linked with production	192	274	405	336	252	224	244	306
- Area aid (including set-aside)	0	0	0	0	0	0	0	0
- Premium for suckler cow	78	174	115	158	169	150	148	223
- Special premium for bovine male	0	0	0	0	0	0	0	0
- Slaughter premium	0	0	0	0	0	0	0	0
- Premium for ewe, sheep and goat	0	0	0	0	0	0	0	0
- Premium based on the milk quota	0	0	0	0	0	0	0	0
- Others directs subsidies link with production	114	100	290	178	83	74	96	86
* Single Payment	0	0	0	0	0	0	0	0
* Others measures concerning market (*)	619	833	647	530	664	618	586	719
<u>Health safety of plants and animals</u>	<u>157</u>	<u>228</u>	<u>584</u>	<u>553</u>	<u>488</u>	<u>400</u>	<u>348</u>	<u>372</u>
<b>Second pillar (Rural development)</b>	<b>1 207</b>	<b>1 298</b>	<b>1 299</b>	<b>1 305</b>	<b>1 378</b>	<b>1 220</b>	<b>1 135</b>	<b>1 094</b>
<u>Setting up of farmers and modernisation</u>	<u>391</u>	<u>407</u>	<u>315</u>	<u>315</u>	<u>403</u>	<u>303</u>	<u>288</u>	<u>308</u>
* Loan interest paid by state	238	217	162	162	194	131	135	115
* Aid to setting up of young farmers	89	112	85	33	77	69	61	82
* Access to land and water	14	13	9	10	8	12	12	13
* PMPOA (control of agricultural pollution)	35	38	26	27	21	22	22	27
* CTE - Economical and social measures	0	6	13	42	63	28	23	14
* CAD - Economical and social measures	0	0	0	0	0	0	4	8
* Others aids to modernisation	14	21	22	41	41	42	31	50
<u>Early retirement</u>	<u>189</u>	<u>166</u>	<u>122</u>	<u>104</u>	<u>95</u>	<u>89</u>	<u>76</u>	<u>69</u>
<u>Less Favoured Area (LFA) payment</u>	<u>273</u>	<u>210</u>	<u>219</u>	<u>208</u>	<u>233</u>	<u>244</u>	<u>264</u>	<u>254</u>
<u>Agro-environmental measures</u>	<u>133</u>	<u>143</u>	<u>176</u>	<u>253</u>	<u>323</u>	<u>288</u>	<u>265</u>	<u>234</u>
* PHAE	0	0	0	0	98	105	85	84
* PMSEE	90	97	92	81	3	0	0	0
* CTE - Agro-environmental measures	0	3	56	151	195	158	143	93
* CAD -Agro-environmental measures	0	0	0	0	0	0	18	39
* Aid in favour of crop rotation	0	0	0	2	6	10	12	10
* Others agro-environmental	43	44	29	19	22	15	8	8
<u>Protection of rural areas</u>	<u>84</u>	<u>160</u>	<u>267</u>	<u>263</u>	<u>164</u>	<u>139</u>	<u>43</u>	<u>42</u>
<u>Processing and marketing of product</u>	<u>37</u>	<u>67</u>	<u>52</u>	<u>32</u>	<u>19</u>	<u>21</u>	<u>12</u>	<u>34</u>
<u>Horse activities</u>	<u>171</u>	<u>142</u>	<u>146</u>	<u>128</u>	<u>140</u>	<u>134</u>	<u>185</u>	<u>150</u>
<b>All Budgetary support to agriculture</b>	<b>2 175</b>	<b>2 633</b>	<b>2 935</b>	<b>2 724</b>	<b>2 782</b>	<b>2462</b>	<b>2 313</b>	<b>2 494</b>

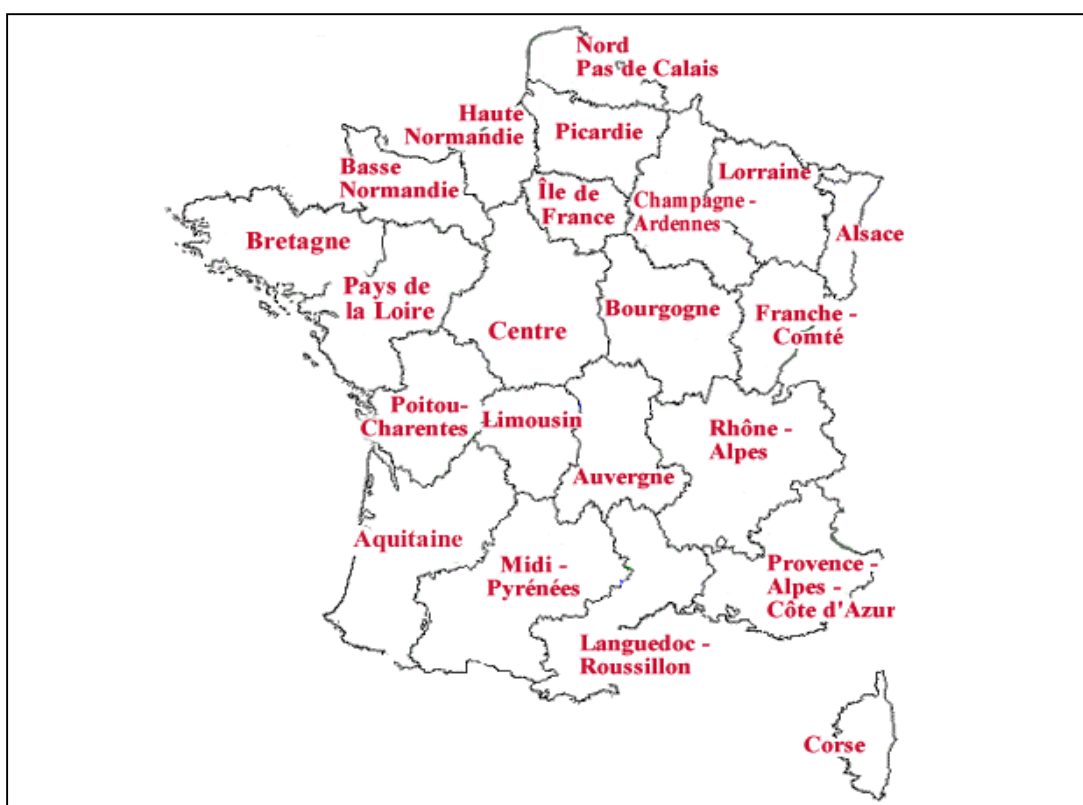
French Ministry of Agriculture, 2007

**Annex 3-3.** Percentage of French funds in the total budgetary support to French agriculture

	1999	2000	2001	2002	2003	2004	2005	2006
<b>First pillar of the CAP</b>	<b>9%</b>	<b>13%</b>	<b>15%</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>	<b>11%</b>	<b>12%</b>
<u>Support for market and income</u>	<u>8%</u>	<u>11%</u>	<u>10%</u>	<u>9%</u>	<u>9%</u>	<u>9%</u>	<u>8%</u>	<u>9%</u>
* Direct subsidies linked with production	3%	4%	5%	4%	3%	3%	3%	9%
- Area aid (including set-aside)	0%	0%	0%	0%	0%	0%	0%	0%
- Premium for suckler cow	10%	18%	12%	15%	15%	15%	12%	21%
- Special premium for bovine male	0%	0%	0%	0%	0%	0%	0%	0%
- Slaughter premium	0%	0%	0%	0%	0%	0%	0%	0%
- Premium for ewe, sheep and goat	0%	0%	0%	0%	0%	0%	0%	0%
- Premium based on the milk quota						0%	0%	0%
- Others directs subsidies link with production	28%	21%	44%	37%	20%	17%	23%	23%
* Single Payment								0%
* Others measures concerning market (*)	18%	30%	26%	22%	27%	31%	32%	39%
<u>Health safety of plants and animals</u>	<u>92%</u>	<u>96%</u>	<u>95%</u>	<u>90%</u>	<u>92%</u>	<u>93%</u>	<u>93%</u>	<u>93%</u>
<b>Second pillar (Rural development)</b>	<b>58%</b>	<b>67%</b>	<b>67%</b>	<b>63%</b>	<b>60%</b>	<b>56%</b>	<b>51%</b>	<b>47%</b>
<u>Setting up of farmers and modernisation</u>	<u>72%</u>	<u>95%</u>	<u>75%</u>	<u>68%</u>	<u>73%</u>	<u>68%</u>	<u>63%</u>	<u>66%</u>
* Loan interest paid by state	72%	98%	73%	78%	77%	64%	66%	73%
* Aid to setting up of young farmers	55%	83%	61%	15%	58%	55%	38%	53%
* Access to land and water	100%	100%	100%	100%	100%	100%	100%	100%
* <i>PMPOA</i> (control of agricultural pollution)	100%	100%	100%	100%	100%	100%	100%	100%
* <i>CTE</i> - Economical and social measures		106%	84%	66%	56%	56%	54%	55%
* <i>CAD</i> - Economical and social measures							44%	48%
* Others aids to modernisation	88%	95%	99%	100%	100%	94%	95%	58%
<u>Early retirement</u>	<u>77%</u>	<u>83%</u>	<u>84%</u>	<u>87%</u>	<u>90%</u>	<u>87%</u>	<u>85%</u>	<u>86%</u>
<u>Less Favoured Area (LFA) payment</u>	<u>73%</u>	<u>54%</u>	<u>51%</u>	<u>46%</u>	<u>50%</u>	<u>50%</u>	<u>50%</u>	<u>49%</u>
<u>Agro-environmental measures</u>	<u>48%</u>	<u>49%</u>	<u>54%</u>	<u>55%</u>	<u>54%</u>	<u>53%</u>	<u>48%</u>	<u>41%</u>
* <i>PHAE</i>					50%	50%	43%	40%
* <i>PMSEE</i>	100%	100%	50%	51%	41%			
* <i>CTE</i> - Agro-environmental measures		102%	69%	59%	56%	55%	51%	40%
* <i>CAD</i> -Agro-environmental measures							50%	39%
* Aid in favour of crop rotation				45%	50%	49%	43%	40%
* Others agro-environmental	23%	24%	47%	51%	60%	70%	69%	76%
<u>Protection of rural areas</u>	<u>22%</u>	<u>42%</u>	<u>68%</u>	<u>73%</u>	<u>43%</u>	<u>35%</u>	<u>12%</u>	<u>10%</u>
<u>Processing and marketing of product</u>	<u>46%</u>	<u>83%</u>	<u>87%</u>	<u>43%</u>	<u>37%</u>	<u>32%</u>	<u>24%</u>	<u>24%</u>
<u>Horse activities</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>99%</u>	<u>100%</u>
<b>All Budgetary support to agriculture</b>	<b>18%</b>	<b>21%</b>	<b>23%</b>	<b>21%</b>	<b>21%</b>	<b>20%</b>	<b>18%</b>	<b>18%</b>

French Ministry of Agriculture, 2007

## Annex 3-4. Map of the French regions



## Annex 3-5. Direct subsidies from the first pillar of the CAP\* (millions euros - 1999 to 2006)

	1999	2000	2001	2002	2003	2004	2005	2006
Alsace	89,9	93,3	102,8	117,3	119,2	123,9	125,9	129,8
Aquitaine	348,4	351,8	382,8	421,7	416,9	422,2	424,1	430,9
Auvergne	235,9	265,7	293,3	326,8	325,8	337,8	341,6	361,1
Basse-Normandie	225,2	245,2	274,3	294,6	300,6	330,8	358,7	374,1
Bourgogne	464,8	474,1	504,2	522,4	522,3	524,2	516,2	525,6
Bretagne	334,7	371,8	407,6	432,5	430,5	483,9	531,2	571,9
Centre	763,2	733,8	750,7	762,4	763,9	763,9	747,0	754,8
Ch. Ardennes	445,0	437,4	458,2	467,0	474,9	481,6	481,2	543,3
Corse	13,5	14,0	14,9	18,2	18,0	18,4	18,4	9,4
Franche-Comté	87,7	91,0	98,6	102,6	103,5	116,0	126,9	137,8
Haute-Normandie	222,7	221,8	253,3	252,6	257,3	267,3	270,2	278,7
Île de France	197,1	187,3	195,8	200,0	204,1	207,7	201,9	212,1
L. Roussillon	109,5	106,5	109,2	129,5	127,8	132,1	127,1	119,7
Limousin	155,6	184,2	203,4	226,9	227,2	229,5	226,2	229,9
Lorraine	270,0	269,4	287,3	297,1	299,3	313,4	327,3	334,8
Midi-Pyrénées	611,2	601,5	624,1	675,1	667,8	677,8	668,6	674,2
Nord Pas de Calais	202,1	215,7	239,8	241,6	245,5	264,5	272,9	298,2
PACA	88,0	80,6	75,0	93,7	91,2	103,6	96,5	90,3
Pays de la Loire	509,0	556,9	595,6	626,8	621,6	664,5	687,3	717,9
Picardie	394,9	398,0	420,3	433,0	443,5	460,1	459,6	508,6
Poitou-Charentes	524,9	515,4	524,6	530,6	527,2	542,0	538,8	541,5
Rhône-Alpes	214,7	226,0	243,2	263,7	262,4	279,9	288,5	306,2
France	6 507,6	6 641,3	7 058,9	7 436,2	7 450,3	7 744,9	7 836,1	8 151,0

(\*) Direct subsidies linked with production and single payments. EU and national funds.

French Ministry of Agriculture, 2007

**Annex 3-6.** Direct subsidies from the second pillar of the CAP\*\* (millions euros - 1999 to 2006)

	1999	2000	2001	2002	2003	2004	2005	2006
Alsace	5,5	5,9	5,7	7,2	8,5	7,0	6,5	7,7
Aquitaine	36,3	35,8	44,4	59,4	61,4	63,4	58,0	52,5
Auvergne	120,0	126,7	135,0	156,3	174,1	172,2	179,3	181,9
Basse-Normandie	13,2	11,1	12,7	17,4	23,9	22,0	23,3	25,4
Bourgogne	39,6	39,8	42,6	49,4	76,9	70,8	72,0	76,0
Bretagne	7,0	7,3	8,3	13,3	23,9	18,4	15,1	11,2
Centre	14,0	12,7	16,1	25,5	35,6	26,1	34,3	31,6
Ch. Ardennes	4,6	4,7	6,8	12,2	16,3	18,5	18,6	22,8
Corse	6,2	6,8	8,9	9,1	10,3	10,2	11,8	13,1
Franche-Comté	32,0	35,8	37,6	41,8	52,4	48,5	51,8	55,7
Haute-Normandie	2,3	1,5	3,0	4,6	6,3	5,3	5,1	6,3
Ile de France	0,4	0,5	1,1	3,0	2,3	5,8	5,6	7,1
L. Roussillon	35,6	37,9	48,1	54,7	64,3	61,9	68,2	65,1
Limousin	54,2	55,3	60,1	70,9	73,9	77,1	81,0	81,9
Lorraine	13,2	14,8	14,2	24,7	30,8	28,6	29,1	32,3
Midi-Pyrénées	105,6	109,4	130,3	156,5	172,3	164,9	175,9	167,3
Nord Pas de Calais	2,6	2,5	3,1	5,1	5,7	4,4	5,5	7,7
PACA	30,6	32,5	38,4	45,0	50,7	49,6	53,1	53,5
Pays de la Loire	17,6	15,5	19,1	31,4	41,4	30,6	34,0	36,9
Picardie	2,7	2,1	5,0	11,1	12,1	8,9	9,8	10,6
Poitou-Charentes	17,8	16,9	20,8	26,7	32,8	31,1	32,7	34,2
Rhône-Alpes	74,9	79,8	93,7	112,4	123,4	121,1	129,6	137,7
France	635,8	655,1	755,0	937,6	1099,2	1046,2	1100,1	1118,3

(\*) EU and National funds

French Ministry of Agriculture, 2007

**Annex 3-7.** Direct subsidies from the second pillar of the CAP\*\* / Total direct subsidies\* (% - 1999 to 2006)

	1999	2000	2001	2002	2003	2004	2005	2006
Alsace	5,8%	6,0%	5,3%	5,8%	6,7%	5,4%	4,9%	5,6%
Aquitaine	9,4%	9,2%	10,4%	12,3%	12,8%	13,0%	12,0%	10,9%
Auvergne	33,7%	32,3%	31,5%	32,3%	34,8%	33,8%	34,4%	33,5%
Basse-Normandie	5,5%	4,3%	4,4%	5,6%	7,4%	6,2%	6,1%	6,4%
Bourgogne	7,8%	7,7%	7,8%	8,6%	12,8%	11,9%	12,2%	12,6%
Bretagne	2,0%	1,9%	2,0%	3,0%	5,3%	3,7%	2,8%	1,9%
Centre	1,8%	1,7%	2,1%	3,2%	4,5%	3,3%	4,4%	4,0%
Ch. Ardennes	1,0%	1,1%	1,5%	2,5%	3,3%	3,7%	3,7%	4,0%
Corse	31,3%	32,8%	37,3%	33,3%	36,3%	35,6%	39,1%	58,1%
Franche-Comté	26,7%	28,2%	27,6%	28,9%	33,6%	29,5%	29,0%	28,8%
Haute-Normandie	1,0%	0,7%	1,2%	1,8%	2,4%	2,0%	1,9%	2,2%
Ile de France	0,2%	0,3%	0,6%	1,5%	1,1%	2,7%	2,7%	3,3%
L. Roussillon	24,6%	26,3%	30,6%	29,7%	33,5%	31,9%	34,9%	35,2%
Limousin	25,8%	23,1%	22,8%	23,8%	24,6%	25,1%	26,4%	26,3%
Lorraine	4,7%	5,2%	4,7%	7,7%	9,3%	8,4%	8,2%	8,8%
Midi-Pyrénées	14,7%	15,4%	17,3%	18,8%	20,5%	19,6%	20,8%	19,9%
Nord	1,3%	1,1%	1,3%	2,1%	2,3%	1,6%	2,0%	2,5%
PACA	25,8%	28,8%	33,8%	32,4%	35,7%	32,4%	35,5%	37,2%
Pays de la Loire	3,3%	2,7%	3,1%	4,8%	6,2%	4,4%	4,7%	4,9%
Picardie	0,7%	0,5%	1,2%	2,5%	2,7%	1,9%	2,1%	2,0%
Poitou-Charentes	3,3%	3,2%	3,8%	4,8%	5,9%	5,4%	5,7%	5,9%
Rhône-Alpes	25,9%	26,1%	27,8%	29,9%	32,0%	30,2%	31,0%	31,0%
France	8,9%	9,0%	9,7%	11,2%	12,9%	11,9%	12,3%	12,1%

(\*) EU and National funds

French Ministry of Agriculture, 2007

(\*\*) = Direct subsidies for ICHN, CTE, CAD, PMSEE, PHAE and others agro-environmental measures.

<b>Annex 4. Direct subsidies and the single farm payment to French farms (2006)</b>
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**Annex 4-1.** French professional farms: according to TF and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	4,1%	2,3%	2,7%	2,7%	4,2%	15,9%
14 - General field cropping	1,2%	0,8%	0,8%	0,9%	2,9%	6,6%
28 - Market Gardening	0,7%	0,2%	0,2%	0,2%	0,4%	1,6%
29 - Specialist horticulture	0,6%	0,2%	0,2%	0,1%	0,4%	1,5%
37 - Specialist vineyards (AOC)	1,7%	1,0%	1,2%	1,3%	4,5%	9,7%
38 - Other vineyards	1,7%	0,6%	0,5%	0,4%	0,5%	3,6%
39 - Fruits and permanent crops	1,0%	0,4%	0,4%	0,2%	0,9%	2,9%
41 - Specialist dairying	5,6%	4,3%	2,9%	2,6%	1,5%	16,9%
42 - Specialist cattle-rearing and fattening	8,2%	2,0%	1,1%	0,3%	0,2%	11,7%
43 - Cattle-dairying, rearing and fattening	0,5%	0,4%	0,6%	0,4%	0,6%	2,5%
44 - Sheep, goats and other grazing livestock	3,8%	1,2%	0,4%	0,3%	0,2%	5,8%
50 - Specialist granivores	0,8%	0,2%	0,2%	0,3%	0,8%	2,2%
60 - Mixed cropping	1,5%	0,5%	0,5%	0,4%	0,8%	3,5%
71 - Mixed livestock, mainly grazing livestock	0,4%	0,3%	0,3%	0,4%	0,3%	1,8%
72 - Mixed livestock, mainly granivores	0,3%	0,2%	0,3%	0,3%	0,8%	2,0%
81 - Field crops-grazing livestock combined	2,5%	1,0%	1,5%	1,6%	2,9%	9,5%
82 - Various crops and livestock combined	0,8%	0,3%	0,3%	0,3%	0,5%	2,2%
<b>All French farms</b>	<b>35,4%</b>	<b>15,8%</b>	<b>14,0%</b>	<b>12,6%</b>	<b>22,2%</b>	<b>100,0%</b>

French FADN 2006 / INRA Nantes

**Annex 4-2.** Distribution of the direct subsidies (total): according to TF and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	2,4%	2,2%	3,5%	4,4%	11,4%	23,9%
14 - General field cropping	0,5%	0,5%	0,6%	0,9%	5,8%	8,3%
28 - Market Gardening	0,0%	0,0%	0,0%	0,0%	0,2%	0,3%
29 - Specialist horticulture	0,0%	0,0%	0,0%	0,0%	0,1%	0,1%
37 - Specialist vineyards (AOC)	0,1%	0,1%	0,2%	0,1%	0,8%	1,2%
38 - Other vineyards	0,3%	0,1%	0,1%	0,1%	0,3%	1,0%
39 - Fruits and permanent crops	0,1%	0,1%	0,1%	0,1%	0,7%	1,1%
41 - Specialist dairying	3,0%	3,1%	2,8%	3,4%	2,7%	15,1%
42 - Specialist cattle-rearing and fattening	9,0%	3,3%	2,3%	0,8%	0,7%	16,2%
43 - Cattle-dairying, rearing and fattening	0,4%	0,5%	0,7%	0,7%	1,3%	3,5%
44 - Sheep, goats and other grazing livestock	3,0%	1,3%	0,6%	0,5%	0,4%	5,8%
50 - Specialist granivores	0,1%	0,0%	0,1%	0,1%	0,5%	0,8%
60 - Mixed cropping	0,4%	0,3%	0,4%	0,4%	1,2%	2,6%
71 - Mixed livestock, mainly grazing livestock	0,3%	0,3%	0,4%	0,5%	0,6%	2,0%
72 - Mixed livestock, mainly granivores	0,2%	0,2%	0,3%	0,3%	0,9%	1,9%
81 - Field crops-grazing livestock combined	1,8%	1,0%	2,0%	2,6%	7,3%	14,7%
82 - Various crops and livestock combined	0,3%	0,2%	0,2%	0,2%	0,7%	1,6%
<b>All French farms</b>	<b>21,9%</b>	<b>13,1%</b>	<b>14,3%</b>	<b>15,1%</b>	<b>35,5%</b>	<b>100,0%</b>

French FADN 2006 / INRA Nantes

**Annex 4-3.** Number of French professional farms: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	14 000	7 800	9 200	9 200	14 300	54 500
14 - General field cropping	4 200	2 600	2 800	3 000	10 000	22 500
28 - Market Gardening	2 500	600	700	600	1 300	5 600
29 - Specialist horticulture	2 000	800	500	400	1 500	5 300
37 - Specialist vineyards (AOC)	5 900	3 300	4 300	4 300	15 300	33 100
38 - Other vineyards	5 700	2 000	1 600	1 500	1 700	12 500
39 - Fruits and permanent crops	3 500	1 400	1 200	800	3 000	9 900
41 - Specialist dairying	19 300	14 600	9 900	9 000	5 100	57 900
42 - Specialist cattle-rearing and fattening	28 100	6 800	3 600	1 000	700	40 100
43 - Cattle-dairying, rearing and fattening	1 700	1 500	2 000	1 500	1 900	8 700
44 - Sheep, goats and other grazing livestock	13 000	4 000	1 500	1 000	600	20 000
50 - Specialist granivores	2 600	500	700	1 000	2 600	7 500
60 - Mixed cropping	5 000	1 600	1 700	1 200	2 600	12 100
71 - Mixed livestock, mainly grazing livestock	1 500	1 000	1 100	1 400	1 200	6 100
72 - Mixed livestock, mainly granivores	1 100	800	1 200	1 200	2 600	6 900
81 - Field crops-grazing livestock combined	8 500	3 500	5 300	5 400	9 900	32 700
82 - Various crops and livestock combined	2 700	1 100	900	900	1 900	7 400
<b>All French farms</b>	<b>121 400</b>	<b>54 100</b>	<b>48 100</b>	<b>43 200</b>	<b>76 100</b>	<b>342 800</b>

French FADN 2006 / INRA Nantes

**Annex 4-4.** Direct subsidies (total) per farm: according to TF and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	17 100	28 300	38 700	48 100	81 100	44 300
14 - General field cropping	11 100	19 000	22 700	30 000	58 900	37 100
28 - Market Gardening	1 200	2 200	3 700	4 800	13 100	4 700
29 - Specialist horticulture	1 000	1 800	1 300	ns	3 600	2 000
37 - Specialist vineyards (AOC)	1 400	2 700	3 600	2 300	5 300	3 700
38 - Other vineyards	5 000	5 800	8 300	7 900	18 000	7 700
39 - Fruits and permanent crops	4 200	8 000	7 700	11 600	23 700	11 600
41 - Specialist dairying	15 800	21 700	28 600	37 700	54 300	26 300
42 - Specialist cattle-rearing and fattening	32 500	49 000	65 800	81 100	110 300	40 800
43 - Cattle-dairying, rearing and fattening	22 500	30 200	36 000	46 400	67 700	41 100
44 - Sheep, goats and other grazing livestock	23 300	32 700	38 600	56 000	65 900	29 200
50 - Specialist granivores	2 000	5 600	7 700	12 900	19 100	10 200
60 - Mixed cropping	8 400	17 400	27 100	29 300	45 200	22 200
71 - Mixed livestock, mainly grazing livestock	ns	27 100	34 600	38 900	48 700	33 700
72 - Mixed livestock, mainly granivores	ns	22 600	24 600	26 800	36 300	27 600
81 - Field crops-grazing livestock combined	21 400	28 100	38 800	49 200	73 900	45 500
82 - Various crops and livestock combined	12 700	16 300	23 000	22 700	36 600	21 600
<b>All French farms</b>	<b>18 200</b>	<b>24 500</b>	<b>30 200</b>	<b>35 300</b>	<b>47 200</b>	<b>29 500</b>

French FADN 2006 / INRA Nantes

**Annex 4-5.** Direct subsidies (total) per AWU: according to TF and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	14 800	24 600	32 200	34 800	39 900	31 000
14 - General field cropping	6 600	11 500	11 500	17 800	22 000	17 300
28 - Market Gardening	500	800	1 100	800	1 800	1 100
29 - Specialist horticulture	600	600	300	ns	500	500
37 - Specialist vineyards (AOC)	1 000	1 500	1 700	900	1 200	1 200
38 - Other vineyards	4 200	4 300	3 700	3 400	4 500	4 100
39 - Fruits and permanent crops	2 300	3 100	2 800	2 800	2 500	2 600
41 - Specialist dairying	13 000	14 100	15 300	17 600	18 500	15 400
42 - Specialist cattle-rearing and fattening	28 700	33 300	33 900	35 900	37 600	30 900
43 - Cattle-dairying, rearing and fattening	18 700	20 800	23 300	23 800	24 300	22 800
44 - Sheep, goats and other grazing livestock	17 600	20 400	20 000	21 900	18 100	18 700
50 - Specialist granivores	1 500	4 300	5 000	7 000	7 700	5 700
60 - Mixed cropping	5 200	10 700	10 900	15 300	11 200	9 700
71 - Mixed livestock, mainly grazing livestock	ns	16 600	19 100	19 200	18 100	17 800
72 - Mixed livestock, mainly granivores	ns	14 000	15 700	15 300	14 400	14 100
81 - Field crops-grazing livestock combined	18 800	23 100	24 900	26 000	27 600	25 100
82 - Various crops and livestock combined	10 100	11 400	13 100	17 900	15 200	13 200
<b>All French farms</b>	<b>14 000</b>	<b>16 000</b>	<b>16 600</b>	<b>17 200</b>	<b>13 800</b>	<b>15 000</b>

French FADN 2006 / INRA Nantes

**Annex 4-6.** Direct subsidies (total) per UAA: according to TF and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	376	371	371	360	372	370
14 - General field cropping	359	404	395	403	382	385
28 - Market Gardening	502	436	393	514	490	479
29 - Specialist horticulture	1 464	832	586	ns	632	703
37 - Specialist vineyards (AOC)	186	247	253	129	193	194
38 - Other vineyards	299	230	236	179	234	240
39 - Fruits and permanent crops	337	437	340	306	472	417
41 - Specialist dairying	352	363	371	387	409	375
42 - Specialist cattle-rearing and fattening	474	436	482	461	440	465
43 - Cattle-dairying, rearing and fattening	424	409	417	406	389	404
44 - Sheep, goats and other grazing livestock	350	382	452	358	398	369
50 - Specialist granivores	484	309	439	453	377	395
60 - Mixed cropping	317	332	390	388	363	359
71 - Mixed livestock, mainly grazing livestock	ns	425	479	512	404	449
72 - Mixed livestock, mainly granivores	ns	478	479	420	436	446
81 - Field crops-grazing livestock combined	379	384	393	394	397	393
82 - Various crops and livestock combined	415	398	413	351	360	380
<b>All French farms</b>	<b>401</b>	<b>387</b>	<b>396</b>	<b>379</b>	<b>377</b>	<b>386</b>

French FADN 2006 / INRA Nantes

**Annex 4-7.** Direct subsidies (total) per Family Farm income: according to TF and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	218%	155%	154%	153%	140%	151%
14 - General field cropping	78%	101%	63%	92%	78%	79%
28 - Market Gardening	5%	7%	12%	8%	28%	14%
29 - Specialist horticulture	7%	6%	5%	ns	10%	8%
37 - Specialist vineyards (AOC)	11%	11%	12%	8%	7%	8%
38 - Other vineyards	62%	74%	108%	16%	27%	37%
39 - Fruits and permanent crops	22%	26%	24%	37%	37%	31%
41 - Specialist dairying	96%	94%	87%	94%	91%	93%
42 - Specialist cattle-rearing and fattening	143%	160%	151%	133%	122%	145%
43 - Cattle-dairying, rearing and fattening	121%	119%	121%	133%	117%	121%
44 - Sheep, goats and other grazing livestock	145%	153%	143%	135%	96%	141%
50 - Specialist granivores	13%	48%	25%	29%	23%	23%
60 - Mixed cropping	70%	87%	118%	71%	88%	85%
71 - Mixed livestock, mainly grazing livestock	ns	87%	92%	98%	87%	96%
72 - Mixed livestock, mainly granivores	ns	93%	87%	81%	52%	67%
81 - Field crops-grazing livestock combined	153%	159%	146%	136%	125%	134%
82 - Various crops and livestock combined	79%	72%	82%	104%	60%	71%
<b>All French farms</b>	<b>114%</b>	<b>109%</b>	<b>102%</b>	<b>98%</b>	<b>71%</b>	<b>90%</b>

French FADN 2006 / INRA Nantes

**Annex 4-8.** Single Farm Payment per farm: according to TF and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	11 600	19 500	27 700	34 100	58 400	31 500
14 - General field cropping	7 000	14 200	16 700	22 000	43 300	27 100
28 - Market Gardening	0	200	1 000	1 100	2 600	900
29 - Specialist horticulture	0	0	0	ns	400	100
37 - Specialist vineyards (AOC)	100	100	600	500	1 700	1 000
38 - Other vineyards	700	1 200	2 300	3 900	7 600	2 300
39 - Fruits and permanent crops	600	1 000	1 400	2 100	3 700	1 800
41 - Specialist dairying	8 000	13 800	20 100	25 900	39 400	17 100
42 - Specialist cattle-rearing and fattening	8 100	14 800	21 700	30 900	42 100	11 600
43 - Cattle-dairying, rearing and fattening	7 600	14 900	21 700	27 100	46 200	24 000
44 - Sheep, goats and other grazing livestock	5 300	8 700	11 200	19 000	26 600	7 800
50 - Specialist granivores	300	2 100	3 500	6 600	12 300	5 700
60 - Mixed cropping	4 400	10 400	15 300	17 600	28 700	13 300
71 - Mixed livestock, mainly grazing livestock	ns	11 500	16 500	21 700	33 900	17 900
72 - Mixed livestock, mainly granivores	ns	8 000	12 600	15 700	24 100	15 300
81 - Field crops-grazing livestock combined	10 000	16 400	23 900	30 600	52 200	29 100
82 - Various crops and livestock combined	4 300	10 500	13 100	14 900	25 500	12 800
<b>All French farms</b>	<b>6 600</b>	<b>12 200</b>	<b>17 500</b>	<b>22 300</b>	<b>31 900</b>	<b>16 600</b>

French FADN 2006 / INRA Nantes



**Annex 4-9.** Single Farm Payment / Total direct subsidies: according to TF and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	68%	69%	72%	71%	72%	71%
14 - General field cropping	63%	75%	73%	73%	74%	73%
28 - Market Gardening	2%	9%	26%	23%	20%	18%
29 - Specialist horticulture	0%	1%	0%	ns	10%	7%
37 - Specialist vineyards (AOC)	5%	4%	15%	20%	33%	26%
38 - Other vineyards	14%	20%	27%	49%	42%	30%
39 - Fruits and permanent crops	15%	13%	18%	18%	15%	16%
41 - Specialist dairying	51%	63%	70%	69%	72%	65%
42 - Specialist cattle-rearing and fattening	25%	30%	33%	38%	38%	28%
43 - Cattle-dairying, rearing and fattening	34%	49%	60%	58%	68%	58%
44 - Sheep, goats and other grazing livestock	23%	27%	29%	34%	40%	27%
50 - Specialist granivores	14%	38%	45%	51%	64%	56%
60 - Mixed cropping	53%	60%	57%	60%	63%	60%
71 - Mixed livestock, mainly grazing livestock	ns	42%	48%	56%	70%	53%
72 - Mixed livestock, mainly granivores	ns	36%	51%	59%	66%	56%
81 - Field crops-grazing livestock combined	46%	58%	62%	62%	71%	64%
82 - Various crops and livestock combined	34%	64%	57%	66%	70%	59%
<b>All French farms</b>	<b>36%</b>	<b>50%</b>	<b>58%</b>	<b>63%</b>	<b>68%</b>	<b>56%</b>

French FADN 2006 / INRA Nantes

**Annex 4-10.** Single Farm Payment per hectare: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	271	269	281	266	278	275
14 - General field cropping	278	357	356	333	330	331
28 - Market Gardening	268	274	215	307	213	225
29 - Specialist horticulture	ns	21	ns	ns	252	240
37 - Specialist vineyards (AOC)	151	120	235	161	255	240
38 - Other vineyards	271	260	278	257	268	267
39 - Fruits and permanent crops	289	192	185	113	246	216
41 - Specialist dairying	192	242	272	279	309	256
42 - Specialist cattle-rearing and fattening	124	141	167	183	182	139
43 - Cattle-dairying, rearing and fattening	151	220	259	252	277	249
44 - Sheep, goats and other grazing livestock	94	116	137	128	166	111
50 - Specialist granivores	244	243	213	246	260	253
60 - Mixed cropping	224	239	286	276	281	267
71 - Mixed livestock, mainly grazing livestock	ns	191	241	304	299	254
72 - Mixed livestock, mainly granivores	ns	180	260	260	303	263
81 - Field crops-grazing livestock combined	186	235	253	253	292	263
82 - Various crops and livestock combined	169	274	257	255	274	250
<b>All French farms</b>	<b>162</b>	<b>212</b>	<b>253</b>	<b>260</b>	<b>288</b>	<b>242</b>

French FADN 2006 / INRA Nantes

**Annex 4-11.** Distribution of direct subsidies from the first pillar of the CAP: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	2,7%	2,5%	4,1%	5,1%	13,4%	27,7%
14 - General field cropping	0,5%	0,6%	0,7%	1,1%	6,6%	9,4%
28 - Market Gardening	0,0%	0,0%	0,0%	0,0%	0,1%	0,1%
29 - Specialist horticulture	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
37 - Specialist vineyards (AOC)	0,0%	0,0%	0,0%	0,0%	0,5%	0,6%
38 - Other vineyards	0,1%	0,0%	0,1%	0,1%	0,2%	0,5%
39 - Fruits and permanent crops	0,1%	0,0%	0,0%	0,0%	0,2%	0,3%
41 - Specialist dairying	2,2%	2,9%	2,8%	3,4%	3,0%	14,4%
42 - Specialist cattle-rearing and fattening	7,7%	2,9%	2,1%	0,7%	0,7%	14,2%
43 - Cattle-dairying, rearing and fattening	0,3%	0,4%	0,8%	0,7%	1,4%	3,6%
44 - Sheep, goats and other grazing livestock	1,8%	0,8%	0,4%	0,4%	0,3%	3,7%
50 - Specialist granivores	0,0%	0,0%	0,1%	0,1%	0,6%	0,8%
60 - Mixed cropping	0,4%	0,3%	0,5%	0,4%	1,2%	2,7%
71 - Mixed livestock, mainly grazing livestock	0,3%	0,3%	0,4%	0,5%	0,6%	2,0%
72 - Mixed livestock, mainly granivores	0,1%	0,2%	0,3%	0,3%	1,0%	2,0%
81 - Field crops-grazing livestock combined	1,9%	1,1%	2,2%	2,9%	8,2%	16,2%
82 - Various crops and livestock combined	0,3%	0,2%	0,2%	0,2%	0,8%	1,7%
<b>All French farms</b>	<b>18,2%</b>	<b>12,3%</b>	<b>14,7%</b>	<b>16,0%</b>	<b>38,8%</b>	<b>100,0%</b>

French FADN 2006 / INRA Nantes

**Annex 4-12.** Direct subsidies from the first pillar of the CAP per farm: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	15 700	26 600	36 800	45 700	77 500	42 100
14 - General field cropping	9 500	17 700	21 100	28 900	55 100	34 600
28 - Market Gardening	100	1 400	1 400	1 500	5 700	1 800
29 - Specialist horticulture	0	0	0	700	600	200
37 - Specialist vineyards (AOC)	100	200	800	900	2 600	1 400
38 - Other vineyards	1 000	1 600	3 100	5 100	10 200	3 100
39 - Fruits and permanent crops	1 400	1 900	2 000	3 200	5 100	2 800
41 - Specialist dairying	9 500	16 600	23 800	31 400	48 700	20 600
42 - Specialist cattle-rearing and fattening	22 600	35 800	49 000	60 200	85 400	29 200
43 - Cattle-dairying, rearing and fattening	13 700	24 200	31 200	39 200	61 300	34 500
44 - Sheep, goats and other grazing livestock	11 200	16 800	21 900	35 300	44 400	15 300
50 - Specialist granivores	1 200	4 000	6 300	11 400	17 800	9 000
60 - Mixed cropping	6 200	15 100	23 800	25 000	39 200	18 800
71 - Mixed livestock, mainly grazing livestock	16 500	21 700	28 200	29 000	44 400	27 600
72 - Mixed livestock, mainly granivores	9 900	17 000	21 900	22 700	32 700	23 500
81 - Field crops-grazing livestock combined	18 100	25 200	34 600	43 800	68 200	41 000
82 - Various crops and livestock combined	8 800	14 700	18 600	20 700	34 000	18 500
<b>All French farms</b>	<b>12 400</b>	<b>18 900</b>	<b>25 300</b>	<b>30 500</b>	<b>42 200</b>	<b>24 100</b>

French FADN 2006 / INRA Nantes

**Annex 4-13.** Direct subsidies from the first pillar of the CAP per AWU: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	13 500	23 200	30 700	33 100	38 200	29 400
14 - General field cropping	5 600	10 700	10 700	17 100	20 600	16 100
28 - Market Gardening	0	500	400	300	800	400
29 - Specialist horticulture	0	0	0	100	100	100
37 - Specialist vineyards (AOC)	100	100	400	400	600	500
38 - Other vineyards	900	1 100	1 300	2 200	2 600	1 700
39 - Fruits and permanent crops	800	700	700	800	500	600
41 - Specialist dairying	7 800	10 800	12 800	14 700	16 600	12 100
42 - Specialist cattle-rearing and fattening	20 000	24 400	25 300	26 700	29 200	22 100
43 - Cattle-dairying, rearing and fattening	11 400	16 700	20 100	20 100	22 100	19 200
44 - Sheep, goats and other grazing livestock	8 400	10 500	11 300	13 800	12 200	9 800
50 - Specialist granivores	1 000	3 100	4 000	6 200	7 200	5 000
60 - Mixed cropping	3 800	9 400	9 600	13 100	9 700	8 200
71 - Mixed livestock, mainly grazing livestock	11 800	13 300	15 600	14 300	16 500	14 500
72 - Mixed livestock, mainly granivores	6 900	10 500	13 900	13 000	12 900	12 100
81 - Field crops-grazing livestock combined	15 900	20 600	22 200	23 200	25 500	22 700
82 - Various crops and livestock combined	7 000	10 300	10 600	16 300	14 200	11 300
<b>All French farms</b>	<b>9 500</b>	<b>12 300</b>	<b>13 900</b>	<b>14 900</b>	<b>12 400</b>	<b>12 200</b>

French FADN 2006 / INRA Nantes

**Annex 4-14.** Direct subsidies from the first pillar of the CAP / FFI (%): according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	200%	146%	147%	146%	134%	144%
14 - General field cropping	66%	94%	58%	89%	73%	74%
28 - Market Gardening	0%	4%	4%	3%	12%	5%
29 - Specialist horticulture	0%	0%	0%	22%	2%	1%
37 - Specialist vineyards (AOC)	1%	1%	3%	3%	3%	3%
38 - Other vineyards	13%	20%	40%	11%	15%	15%
39 - Fruits and permanent crops	7%	6%	6%	10%	8%	8%
41 - Specialist dairying	58%	72%	73%	78%	81%	73%
42 - Specialist cattle-rearing and fattening	99%	117%	113%	99%	94%	104%
43 - Cattle-dairying, rearing and fattening	74%	95%	104%	112%	106%	102%
44 - Sheep, goats and other grazing livestock	70%	79%	81%	85%	65%	74%
50 - Specialist granivores	8%	34%	20%	26%	21%	20%
60 - Mixed cropping	52%	75%	104%	60%	76%	72%
71 - Mixed livestock, mainly grazing livestock	111%	70%	75%	73%	79%	79%
72 - Mixed livestock, mainly granivores	111%	70%	77%	68%	47%	57%
81 - Field crops-grazing livestock combined	129%	142%	130%	121%	115%	121%
82 - Various crops and livestock combined	54%	65%	67%	95%	56%	61%
<b>All French farms</b>	<b>77%</b>	<b>84%</b>	<b>85%</b>	<b>84%</b>	<b>64%</b>	<b>74%</b>

French FADN 2006 / INRA Nantes

**Annex 4-15.** Distribution of direct subsidies from the second pillar of the CAP: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	1,1%	0,7%	0,9%	1,2%	2,8%	6,7%
14 - General field cropping	0,4%	0,2%	0,2%	0,2%	2,0%	3,0%
28 - Market Gardening	0,2%	0,0%	0,1%	0,1%	0,5%	0,9%
29 - Specialist horticulture	0,1%	0,1%	0,0%	0,0%	0,2%	0,5%
37 - Specialist vineyards (AOC)	0,4%	0,4%	0,7%	0,3%	2,3%	4,1%
38 - Other vineyards	1,2%	0,5%	0,5%	0,2%	0,7%	3,1%
39 - Fruits and permanent crops	0,5%	0,5%	0,4%	0,3%	3,0%	4,8%
41 - Specialist dairying	6,6%	4,1%	2,5%	3,1%	1,6%	17,9%
42 - Specialist cattle-rearing and fattening	15,1%	4,8%	3,3%	1,1%	0,9%	25,2%
43 - Cattle-dairying, rearing and fattening	0,8%	0,5%	0,5%	0,6%	0,7%	3,1%
44 - Sheep, goats and other grazing livestock	8,6%	3,5%	1,3%	1,1%	0,7%	15,2%
50 - Specialist granivores	0,1%	0,0%	0,1%	0,1%	0,2%	0,5%
60 - Mixed cropping	0,6%	0,2%	0,3%	0,3%	0,8%	2,2%
71 - Mixed livestock, mainly grazing livestock	0,4%	0,3%	0,4%	0,8%	0,3%	2,1%
72 - Mixed livestock, mainly granivores	0,3%	0,3%	0,2%	0,3%	0,5%	1,5%
81 - Field crops-grazing livestock combined	1,5%	0,6%	1,2%	1,6%	3,1%	8,0%
82 - Various crops and livestock combined	0,6%	0,1%	0,2%	0,1%	0,3%	1,2%
<b>All French farms</b>	<b>38,5%</b>	<b>16,7%</b>	<b>12,8%</b>	<b>11,3%</b>	<b>20,6%</b>	<b>100,0%</b>

French FADN 2006 / INRA Nantes

**Annex 4-16.** Direct subsidies from the second pillar of the CAP per farm: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	1 400	1 700	1 800	2 400	3 600	2 300
14 - General field cropping	1 700	1 300	1 600	1 100	3 700	2 500
28 - Market Gardening	1 200	900	2 300	3 300	7 300	2 900
29 - Specialist horticulture	1 000	1 800	1 300	1 600	3 000	1 800
37 - Specialist vineyards (AOC)	1 300	2 500	2 800	1 400	2 700	2 300
38 - Other vineyards	4 000	4 300	5 300	2 800	7 800	4 600
39 - Fruits and permanent crops	2 800	6 100	5 800	8 300	18 600	8 900
41 - Specialist dairying	6 300	5 100	4 700	6 200	5 600	5 700
42 - Specialist cattle-rearing and fattening	9 900	13 200	16 800	20 800	24 900	11 600
43 - Cattle-dairying, rearing and fattening	8 800	6 000	4 900	7 200	6 400	6 600
44 - Sheep, goats and other grazing livestock	12 100	15 900	16 700	20 700	21 500	13 900
50 - Specialist granivores	700	1 600	1 400	1 500	1 200	1 200
60 - Mixed cropping	2 200	2 300	3 200	4 200	6 000	3 400
71 - Mixed livestock, mainly grazing livestock	4 400	5 300	6 400	9 900	4 300	6 200
72 - Mixed livestock, mainly granivores	5 000	5 600	2 800	4 100	3 700	4 000
81 - Field crops-grazing livestock combined	3 300	3 000	4 300	5 300	5 700	4 500
82 - Various crops and livestock combined	4 000	1 600	4 400	2 000	2 600	3 100
<b>All French farms</b>	<b>5 800</b>	<b>5 700</b>	<b>4 900</b>	<b>4 800</b>	<b>5 000</b>	<b>5 400</b>

French FADN 2006 / INRA Nantes

**Annex 4-17.** Direct subsidies from the second pillar of the CAP per AWU: according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	1 230	1 450	1 500	1 700	1 780	1 570
14 - General field cropping	990	770	830	630	1 400	1 140
28 - Market Gardening	450	300	670	580	1 030	710
29 - Specialist horticulture	550	610	330	220	430	430
37 - Specialist vineyards (AOC)	930	1 390	1 350	570	630	750
38 - Other vineyards	3 370	3 160	2 320	1 210	1 970	2 450
39 - Fruits and permanent crops	1 570	2 350	2 110	1 990	1 990	1 970
41 - Specialist dairying	5 180	3 330	2 520	2 920	1 920	3 320
42 - Specialist cattle-rearing and fattening	8 730	8 960	8 650	9 210	8 500	8 770
43 - Cattle-dairying, rearing and fattening	7 340	4 130	3 150	3 680	2 290	3 660
44 - Sheep, goats and other grazing livestock	9 120	9 970	8 680	8 090	5 910	8 930
50 - Specialist granivores	580	1 230	920	840	500	640
60 - Mixed cropping	1 370	1 400	1 300	2 200	1 480	1 480
71 - Mixed livestock, mainly grazing livestock	3 180	3 280	3 540	4 880	1 590	3 240
72 - Mixed livestock, mainly granivores	3 500	3 470	1 760	2 320	1 450	2 070
81 - Field crops-grazing livestock combined	2 880	2 430	2 730	2 830	2 120	2 470
82 - Various crops and livestock combined	3 140	1 140	2 490	1 570	1 070	1 890
<b>All French farms</b>	<b>4 490</b>	<b>3 720</b>	<b>2 690</b>	<b>2 330</b>	<b>1 460</b>	<b>2 720</b>

French FADN 2006 / INRA Nantes

**Annex 4-18.** Direct subsidies from the second pillar of the CAP/ FFI (%): according to TF and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	18%	9%	7%	8%	6%	8%
14 - General field cropping	12%	7%	4%	3%	5%	5%
28 - Market Gardening	5%	3%	7%	6%	16%	8%
29 - Specialist horticulture	7%	6%	5%	48%	8%	7%
37 - Specialist vineyards (AOC)	10%	10%	10%	5%	3%	5%
38 - Other vineyards	49%	54%	69%	6%	12%	22%
39 - Fruits and permanent crops	15%	20%	18%	27%	29%	24%
41 - Specialist dairying	38%	22%	14%	16%	9%	20%
42 - Specialist cattle-rearing and fattening	43%	43%	39%	34%	28%	41%
43 - Cattle-dairying, rearing and fattening	47%	24%	16%	21%	11%	19%
44 - Sheep, goats and other grazing livestock	75%	75%	62%	50%	31%	67%
50 - Specialist granivores	5%	14%	5%	3%	1%	3%
60 - Mixed cropping	18%	11%	14%	10%	12%	13%
71 - Mixed livestock, mainly grazing livestock	30%	17%	17%	25%	8%	18%
72 - Mixed livestock, mainly granivores	56%	23%	10%	12%	5%	10%
81 - Field crops-grazing livestock combined	23%	17%	16%	15%	10%	13%
82 - Various crops and livestock combined	24%	7%	16%	9%	4%	10%
<b>All French farms</b>	<b>36%</b>	<b>25%</b>	<b>17%</b>	<b>13%</b>	<b>8%</b>	<b>16%</b>

French FADN 2006 / INRA Nantes

**Annex 4-19.** French professional farms: according to regions and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	0,6%	0,2%	0,2%	0,3%	0,5%	1,8%
Aquitaine	3,2%	1,1%	0,9%	0,6%	2,2%	8,0%
Auvergne	3,2%	0,8%	0,5%	0,3%	0,2%	5,1%
Basse-Normandie	1,4%	0,7%	0,8%	0,7%	0,7%	4,3%
Bourgogne	1,2%	0,7%	0,7%	0,6%	1,3%	4,5%
Bretagne	2,0%	1,7%	1,5%	1,5%	2,0%	8,7%
Centre	0,9%	0,8%	0,8%	1,1%	1,8%	5,4%
Ch. Ardennes	0,4%	0,4%	0,7%	0,7%	2,5%	4,7%
Corse	0,4%	0,1%	0,0%	0,0%	0,0%	0,5%
Franche-Comté	0,7%	0,4%	0,3%	0,2%	0,2%	1,9%
Haute-Normandie	0,2%	0,3%	0,2%	0,4%	0,9%	2,1%
Ile de France	0,1%	0,1%	0,2%	0,2%	0,7%	1,2%
L. Roussillon	3,0%	0,9%	0,6%	0,4%	0,6%	5,5%
Limousin	1,9%	0,6%	0,3%	0,2%	0,1%	3,0%
Lorraine	0,4%	0,3%	0,4%	0,4%	0,9%	2,4%
Midi-Pyrénées	5,1%	1,7%	1,1%	0,7%	0,7%	9,2%
Nord Pas de Calais	0,6%	0,5%	0,6%	0,5%	1,0%	3,2%
PACA	2,4%	1,6%	1,5%	1,3%	1,6%	8,5%
Pays de la Loire	0,3%	0,2%	0,4%	0,5%	1,7%	3,1%
Picardie	1,4%	1,0%	1,0%	0,8%	1,2%	5,4%
Poitou-Charentes	1,9%	0,5%	0,4%	0,3%	0,8%	3,9%
Rhône-Alpes	4,1%	1,1%	0,9%	0,7%	0,8%	7,5%
<b>France</b>	<b>35,4%</b>	<b>15,8%</b>	<b>14,0%</b>	<b>12,6%</b>	<b>22,2%</b>	<b>100,0%</b>

French FADN 2006 / INRA Nantes

**Annex 4-20.** Distribution of the direct subsidies (total): according to regions and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	0,2%	0,1%	0,2%	0,2%	0,4%	1,2%
Aquitaine	2,0%	0,8%	0,8%	0,5%	1,4%	5,5%
Auvergne	2,9%	1,2%	0,9%	0,7%	0,6%	6,3%
Basse-Normandie	0,7%	0,5%	0,8%	0,9%	1,3%	4,2%
Bourgogne	1,2%	0,9%	1,1%	0,9%	2,3%	6,3%
Bretagne	0,7%	1,0%	1,1%	1,3%	2,2%	6,3%
Centre	0,5%	0,8%	0,9%	1,6%	3,8%	7,5%
Ch. Ardennes	0,1%	0,3%	0,6%	0,9%	3,7%	5,6%
Corse	0,3%	0,0%	0,0%	0,0%	0,0%	0,3%
Franche-Comté	0,4%	0,3%	0,3%	0,3%	0,5%	1,9%
Haute-Normandie	0,1%	0,2%	0,2%	0,6%	1,8%	2,9%
Ile de France	0,0%	0,1%	0,2%	0,3%	1,6%	2,1%
L. Roussillon	1,3%	0,5%	0,3%	0,1%	0,5%	2,7%
Limousin	1,7%	0,8%	0,6%	0,3%	0,1%	3,6%
Lorraine	0,3%	0,3%	0,5%	0,7%	2,3%	4,1%
Midi-Pyrénées	3,9%	1,7%	1,4%	1,0%	1,3%	9,4%
Nord Pas de Calais	0,2%	0,3%	0,5%	0,5%	1,5%	3,1%
PACA	1,2%	1,3%	1,6%	1,9%	2,8%	8,7%
Pays de la Loire	0,1%	0,2%	0,4%	0,6%	4,0%	5,3%
Picardie	0,8%	0,9%	1,1%	1,0%	2,2%	6,0%
Poitou-Charentes	0,8%	0,2%	0,1%	0,1%	0,5%	1,7%
Rhône-Alpes	2,4%	0,8%	0,6%	0,7%	0,7%	5,3%
<b>France</b>	<b>21,9%</b>	<b>13,1%</b>	<b>14,3%</b>	<b>15,1%</b>	<b>35,5%</b>	<b>100,0%</b>

French FADN 2006 / INRA Nantes

**Annex 4-21.** Number of French professional farms: according to regions and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	2 100	700	800	900	1 800	6 300
Aquitaine	11 000	3 700	3 100	2 200	7 600	27 500
Auvergne	11 100	2 900	1 700	1 200	700	17 500
Basse-Normandie	4 900	2 400	2 800	2 400	2 400	14 900
Bourgogne	4 200	2 300	2 500	2 000	4 400	15 500
Bretagne	6 800	5 800	5 000	5 200	6 900	29 700
Centre	3 000	2 800	2 700	3 800	6 300	18 500
Ch. Ardennes	1 200	1 400	2 600	2 500	8 400	16 100
Corse	1 200	200	100	0	100	1 700
Franche-Comté	2 500	1 500	1 000	800	800	6 700
Haute-Normandie	800	1 100	700	1 500	3 000	7 100
Ile de France	200	300	600	700	2 300	4 200
L. Roussillon	10 100	3 200	2 100	1 400	2 100	18 900
Limousin	6 600	1 900	1 100	500	200	10 300
Lorraine	1 400	1 000	1 500	1 400	3 000	8 300
Midi-Pyrénées	17 400	5 900	3 700	2 300	2 400	31 600
Nord Pas de Calais	2 200	1 700	2 000	1 800	3 400	11 100
PACA	8 400	5 400	5 100	4 600	5 500	29 000
Pays de la Loire	900	900	1 300	1 800	5 700	10 600
Picardie	4 900	3 500	3 300	2 900	4 000	18 500
Poitou-Charentes	6 600	1 700	1 400	1 000	2 600	13 200
Rhône-Alpes	14 000	3 800	3 000	2 300	2 600	25 600
<b>France</b>	<b>121 400</b>	<b>54 100</b>	<b>48 100</b>	<b>43 200</b>	<b>76 100</b>	<b>342 800</b>

French FADN 2006 / INRA Nantes

**Annex 4-22.** Direct subsidies (total) per farm: according to regions and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	11 000	18 600	24 600	25 100	23 700	19 300
Aquitaine	18 300	22 600	25 400	22 500	19 300	20 300
Auvergne	26 300	41 500	54 900	62 500	83 800	36 200
Basse-Normandie	15 400	20 900	28 600	36 900	52 300	28 200
Bourgogne	27 900	38 400	43 500	43 400	53 300	41 300
Bretagne	11 000	17 400	22 400	25 000	32 100	21 500
Centre	16 900	27 300	34 300	42 100	61 100	41 100
Ch. Ardennes	ns	18 900	24 600	37 000	44 200	35 000
Corse	21 700	14 200	17 400	ns	12 500	19 700
Franche-Comté	17 500	23 000	32 700	39 800	62 800	29 600
Haute-Normandie	ns	19 200	ns	38 600	59 700	40 800
Ile de France	ns	24 500	30 500	37 300	69 100	50 900
L. Roussillon	12 600	15 800	16 500	8 000	25 600	14 700
Limousin	26 600	40 700	60 100	66 100	ns	35 700
Lorraine	ns	29 100	35 400	46 300	77 300	49 500
Midi-Pyrénées	22 700	29 900	38 500	45 600	55 000	30 000
Nord Pas de Calais	10 400	18 600	24 900	28 800	45 700	28 000
PACA	14 200	23 800	31 200	41 100	50 700	30 200
Pays de la Loire	ns	21 900	28 600	33 600	71 000	50 700
Picardie	15 900	25 800	33 300	36 100	56 600	32 700
Poitou-Charentes	12 500	12 300	7 800	13 000	18 200	13 100
Rhône-Alpes	17 700	20 700	21 100	29 600	28 900	20 700
<b>France</b>	<b>18 200</b>	<b>24 500</b>	<b>30 200</b>	<b>35 300</b>	<b>47 200</b>	<b>29 500</b>

French FADN 2006 / INRA Nantes

**Annex 4-23.** Direct subsidies (total) per AWU: according to regions and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	8 400	12 400	15 100	10 500	6 400	8 800
Aquitaine	13 900	13 200	11 500	10 400	4 800	8 800
Auvergne	22 600	23 700	28 900	25 300	25 900	24 100
Basse-Normandie	11 000	15 000	17 200	18 700	19 100	16 000
Bourgogne	24 900	26 700	32 200	26 800	16 400	22 000
Bretagne	8 200	11 800	13 200	13 200	10 000	11 000
Centre	10 800	21 800	21 300	27 000	24 000	22 100
Ch. Ardennes	ns	15 500	17 800	23 300	13 200	14 500
Corse	17 900	6 900	5 400	ns	2 300	11 200
Franche-Comté	15 400	14 700	19 800	22 000	20 900	18 100
Haute-Normandie	ns	13 000	ns	22 600	22 800	20 900
Ile de France	ns	17 300	18 500	10 200	26 100	19 600
L. Roussillon	10 000	9 700	7 300	2 600	4 300	7 100
Limousin	21 300	25 900	26 500	26 300	ns	23 700
Lorraine	ns	20 400	21 300	25 000	29 400	25 800
Midi-Pyrénées	17 300	19 600	18 300	19 600	14 100	17 500
Nord Pas de Calais	6 900	13 100	16 000	17 000	18 200	15 200
PACA	11 600	16 700	15 700	17 800	12 400	14 300
Pays de la Loire	ns	18 600	21 700	25 100	31 200	28 100
Picardie	12 900	21 300	23 800	22 000	19 900	19 600
Poitou-Charentes	7 800	5 600	3 200	3 700	2 800	4 600
Rhône-Alpes	12 900	10 800	8 800	10 400	5 700	10 000
<b>France</b>	<b>14 000</b>	<b>16 000</b>	<b>16 600</b>	<b>17 200</b>	<b>13 800</b>	<b>15 000</b>

French FADN 2006 / INRA Nantes

**Annex 4-24.** Direct subsidies (total) per UAA: according to regions and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	369	479	457	480	409	426
Aquitaine	548	490	479	445	333	447
Auvergne	450	413	427	410	413	431
Basse-Normandie	326	362	361	371	389	364
Bourgogne	400	391	381	365	363	377
Bretagne	418	403	400	404	386	398
Centre	348	359	364	348	353	354
Ch. Ardennes	ns	326	365	361	375	368
Corse	263	213	267	ns	237	257
Franche-Comté	303	273	285	309	315	298
Haute-Normandie	ns	358	ns	422	372	381
Ile de France	ns	366	390	390	374	377
L. Roussillon	320	330	366	187	385	328
Limousin	427	404	411	417	ns	418
Lorraine	ns	362	340	346	353	353
Midi-Pyrénées	473	423	461	380	408	440
Nord Pas de Calais	379	404	432	418	408	411
PACA	394	380	447	414	414	411
Pays de la Loire	ns	431	419	415	414	413
Picardie	363	378	369	359	363	366
Poitou-Charentes	464	361	284	286	352	385
Rhône-Alpes	316	365	367	359	357	339
<b>France</b>	<b>401</b>	<b>387</b>	<b>396</b>	<b>379</b>	<b>377</b>	<b>386</b>

French FADN 2006 / INRA Nantes



**Annex 4-25.** Direct subsidies (total) per Family Farm income: according to regions and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	69%	102%	87%	99%	37%	59%
Aquitaine	128%	108%	112%	94%	65%	96%
Auvergne	147%	185%	181%	174%	134%	159%
Basse-Normandie	85%	92%	98%	99%	108%	98%
Bourgogne	146%	167%	159%	159%	84%	119%
Bretagne	85%	76%	71%	71%	44%	60%
Centre	85%	122%	123%	114%	106%	109%
Ch. Ardennes	ns	61%	62%	79%	34%	41%
Corse	121%	67%	66%	ns	22%	93%
Franche-Comté	102%	108%	90%	95%	85%	95%
Haute-Normandie	ns	173%	ns	98%	90%	99%
Ile de France	ns	103%	117%	231%	106%	110%
L. Roussillon	ns	ns	s	ns	ns	ns
Limousin	132%	136%	140%	158%	ns	134%
Lorraine	ns	165%	129%	129%	107%	119%
Midi-Pyrénées	149%	138%	139%	157%	118%	141%
Nord Pas de Calais	77%	93%	86%	79%	77%	80%
PACA	62%	96%	83%	94%	77%	81%
Pays de la Loire	ns	108%	110%	110%	113%	115%
Picardie	89%	108%	99%	75%	63%	78%
Poitou-Charentes	79%	58%	31%	29%	38%	51%
Rhône-Alpes	110%	67%	65%	70%	49%	77%
<b>France</b>	<b>114%</b>	<b>109%</b>	<b>102%</b>	<b>98%</b>	<b>71%</b>	<b>90%</b>

French FADN 2006 / INRA Nantes

**Annex 4-26.** Single Farm Payment per farm: according to regions and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	6 900	13 800	18 300	19 700	17 100	13 900
Aquitaine	6 100	10 100	12 600	13 100	10 500	9 100
Auvergne	8 200	15 500	23 700	29 400	41 300	13 600
Basse-Normandie	7 400	13 300	19 600	26 800	38 100	18 700
Bourgogne	10 200	14 600	21 400	26 400	33 300	21 400
Bretagne	5 700	12 200	17 200	18 500	23 300	15 200
Centre	7 300	15 000	22 500	28 000	43 600	27 200
Ch. Ardennes	ns	13 100	18 900	26 700	33 400	26 200
Corse	2 500	1 500	800	ns	300	2 100
Franche-Comté	7 200	11 500	19 400	25 700	43 700	16 900
Haute-Normandie	ns	14 200	ns	27 200	45 400	30 200
Ile de France	ns	17 600	21 900	26 400	51 500	37 400
L. Roussillon	3 000	3 900	5 400	1 500	6 900	3 700
Limousin	7 100	12 700	21 600	26 500	ns	11 100
Lorraine	ns	16 000	22 400	28 800	53 500	31 900
Midi-Pyrénées	8 000	12 300	18 200	24 600	30 200	12 900
Nord Pas de Calais	6 900	13 500	17 700	21 200	32 100	19 900
PACA	6 400	14 300	17 500	24 100	31 700	17 500
Pays de la Loire	ns	17 100	21 700	25 600	52 400	37 600
Picardie	7 000	13 500	20 300	22 700	39 400	20 000
Poitou-Charentes	3 100	3 100	3 100	4 500	5 600	3 700
Rhône-Alpes	6 200	10 400	11 800	16 100	14 800	9 300
<b>France</b>	<b>6 600</b>	<b>12 200</b>	<b>17 500</b>	<b>22 300</b>	<b>31 900</b>	<b>16 600</b>

French FADN 2006 / INRA Nantes

**Annex 4-27.** Single Farm Payment / Total direct subsidies: according to regions and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	63%	74%	74%	78%	72%	72%
Aquitaine	33%	45%	50%	58%	55%	45%
Auvergne	31%	37%	43%	47%	49%	38%
Basse-Normandie	48%	64%	69%	73%	73%	66%
Bourgogne	37%	38%	49%	61%	63%	52%
Bretagne	52%	70%	77%	74%	72%	71%
Centre	43%	55%	65%	66%	71%	66%
Ch. Ardennes	ns	69%	77%	72%	76%	75%
Corse	11%	10%	4%	ns	3%	10%
Franche-Comté	41%	50%	59%	65%	70%	57%
Haute-Normandie	ns	74%	ns	70%	76%	74%
Ile de France	ns	72%	72%	71%	75%	74%
L. Roussillon	24%	25%	33%	18%	27%	25%
Limousin	27%	31%	36%	40%	ns	31%
Lorraine	ns	55%	63%	62%	69%	64%
Midi-Pyrénées	35%	41%	47%	54%	55%	43%
Nord Pas de Calais	67%	72%	71%	73%	70%	71%
PACA	45%	60%	56%	59%	63%	58%
Pays de la Loire	ns	78%	76%	76%	74%	74%
Picardie	44%	52%	61%	63%	70%	61%
Poitou-Charentes	25%	25%	39%	35%	31%	28%
Rhône-Alpes	35%	50%	56%	55%	51%	45%
<b>France</b>	<b>36%</b>	<b>50%</b>	<b>58%</b>	<b>63%</b>	<b>68%</b>	<b>56%</b>

French FADN 2006 / INRA Nantes

**Annex 4-28.** Single Farm Payment per hectare: according to regions and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	250	385	360	416	357	346
Aquitaine	197	243	279	310	298	253
Auvergne	149	162	191	203	212	170
Basse-Normandie	163	245	262	282	297	254
Bourgogne	155	162	196	232	251	210
Bretagne	240	299	325	321	305	304
Centre	160	210	249	242	268	248
Ch. Ardennes	ns	239	294	271	303	292
Corse	76	101	63	ns	26	76
Franche-Comté	137	142	177	210	238	183
Haute-Normandie	ns	299	ns	307	308	304
Ile de France	ns	281	293	293	301	298
L. Roussillon	104	128	268	155	333	144
Limousin	122	134	160	174	ns	139
Lorraine	ns	204	223	222	253	235
Midi-Pyrénées	176	196	240	223	258	206
Nord Pas de Calais	280	338	342	349	340	337
PACA	188	243	268	259	284	256
Pays de la Loire	ns	354	346	335	335	335
Picardie	181	217	250	253	282	249
Poitou-Charentes	152	147	265	196	288	188
Rhône-Alpes	135	204	239	218	252	181
<b>France</b>	<b>162</b>	<b>212</b>	<b>253</b>	<b>260</b>	<b>288</b>	<b>242</b>

French FADN 2006 / INRA Nantes

**Annex 4-29.** Distribution of direct subsidies from the first pillar of the CAP: according to region and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	0,2%	0,2%	0,2%	0,3%	0,5%	1,3%
Aquitaine	1,9%	0,8%	0,8%	0,5%	1,4%	5,3%
Auvergne	2,0%	0,9%	0,8%	0,6%	0,5%	4,9%
Basse-Normandie	0,7%	0,5%	0,9%	0,9%	1,4%	4,5%
Bourgogne	1,1%	0,8%	1,1%	1,0%	2,5%	6,4%
Bretagne	0,8%	1,1%	1,3%	1,5%	2,5%	7,2%
Centre	0,5%	0,8%	1,0%	1,8%	4,4%	8,6%
Ch. Ardennes	0,1%	0,3%	0,7%	1,0%	4,2%	6,4%
Corse	0,2%	0,0%	0,0%	0,0%	0,0%	0,2%
Franche-Comté	0,3%	0,3%	0,3%	0,3%	0,5%	1,7%
Haute-Normandie	0,1%	0,2%	0,2%	0,7%	2,1%	3,4%
Ile de France	0,0%	0,1%	0,2%	0,3%	1,8%	2,4%
L. Roussillon	0,7%	0,3%	0,2%	0,0%	0,2%	1,4%
Limousin	1,4%	0,6%	0,5%	0,3%	0,1%	3,0%
Lorraine	0,3%	0,3%	0,6%	0,7%	2,5%	4,4%
Midi-Pyrénées	3,3%	1,5%	1,3%	1,0%	1,3%	8,3%
Nord Pas de Calais	0,3%	0,4%	0,6%	0,6%	1,7%	3,6%
PACA	1,2%	1,4%	1,7%	1,9%	3,0%	9,2%
Pays de la Loire	0,1%	0,2%	0,4%	0,7%	4,7%	6,2%
Picardie	0,8%	0,9%	1,2%	1,1%	2,5%	6,5%
Poitou-Charentes	0,4%	0,1%	0,1%	0,1%	0,3%	0,9%
Rhône-Alpes	1,7%	0,6%	0,6%	0,6%	0,6%	4,1%
<b>France</b>	<b>18,2%</b>	<b>12,3%</b>	<b>14,7%</b>	<b>16,0%</b>	<b>38,8%</b>	<b>100,0%</b>

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**Annex 4-30.** Direct subsidies from the first pillar of the CAP per farm: according to regions and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	9 100	17 800	23 500	23 900	21 600	17 600
Aquitaine	14 100	17 400	20 600	18 800	14 900	15 900
Auvergne	15 300	26 900	38 300	43 900	63 800	23 200
Basse-Normandie	12 500	18 300	26 000	32 700	48 600	25 100
Bourgogne	21 300	28 000	35 200	38 600	46 600	34 100
Bretagne	9 600	16 100	21 200	23 700	30 000	20 000
Centre	14 200	23 200	31 800	39 300	58 700	38 300
Ch. Ardennes	ns	17 700	23 200	34 400	41 200	32 700
Corse	13 400	5 400	6 400	ns	4 300	11 200
Franche-Comté	9 800	14 000	24 200	32 000	54 500	21 300
Haute-Normandie	ns	18 200	ns	36 600	57 900	39 300
Ile de France	ns	23 400	29 100	35 600	66 400	48 700
L. Roussillon	5 400	6 800	7 900	2 100	9 200	6 100
Limousin	17 400	27 700	41 800	49 700	ns	24 300
Lorraine	ns	24 900	30 900	39 100	69 800	43 700
Midi-Pyrénées	15 500	21 300	28 000	35 900	43 600	21 600
Nord Pas de Calais	10 300	18 200	23 700	27 900	42 700	26 600
PACA	12 300	21 300	27 800	34 500	44 500	26 400
Pays de la Loire	ns	21 200	27 400	32 500	67 700	48 400
Picardie	12 800	21 200	29 900	32 600	52 400	29 000
Poitou-Charentes	5 300	4 900	4 400	7 200	8 500	5 900
Rhône-Alpes	10 100	14 000	16 200	20 300	19 600	13 300
<b>France</b>	<b>12 400</b>	<b>18 900</b>	<b>25 300</b>	<b>30 500</b>	<b>42 200</b>	<b>24 100</b>

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**Annex 4-31.** Direct subsidies from the first pillar of the CAP per AWU: according to regions and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	7 000	11 900	14 400	10 000	5 900	8 000
Aquitaine	10 800	10 100	9 300	8 700	3 700	6 900
Auvergne	13 200	15 300	20 200	17 800	19 700	15 500
Basse-Normandie	9 000	13 100	15 700	16 500	17 700	14 200
Bourgogne	19 000	19 500	26 100	23 800	14 400	18 100
Bretagne	7 200	10 900	12 500	12 500	9 300	10 200
Centre	9 100	18 500	19 700	25 200	23 000	20 600
Ch. Ardennes	ns	14 500	16 800	21 700	12 300	13 600
Corse	11 100	2 600	2 000	ns	800	6 300
Franche-Comté	8 600	8 900	14 700	17 700	18 100	13 100
Haute-Normandie	ns	12 300	ns	21 400	22 100	20 200
Ile de France	ns	16 500	17 600	9 700	25 100	18 700
L. Roussillon	4 300	4 200	3 500	700	1 500	2 900
Limousin	14 000	17 700	18 400	19 800	ns	16 100
Lorraine	ns	17 400	18 600	21 100	26 600	22 700
Midi-Pyrénées	11 800	13 900	13 300	15 400	11 100	12 700
Nord Pas de Calais	6 800	12 800	15 200	16 400	17 000	14 500
PACA	10 000	14 900	14 000	14 900	10 900	12 400
Pays de la Loire	ns	18 000	20 800	24 300	29 700	26 900
Picardie	10 400	17 600	21 400	19 900	18 500	17 400
Poitou-Charentes	3 300	2 200	1 800	2 100	1 300	2 100
Rhône-Alpes	7 400	7 300	6 700	7 100	3 900	6 400
<b>France</b>	<b>9 500</b>	<b>12 300</b>	<b>13 900</b>	<b>14 900</b>	<b>12 400</b>	<b>12 200</b>

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**Annex 4-32.** Direct subsidies from the first pillar of the CAP / FFI: according to regions and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	57%	98%	83%	94%	34%	54%
Aquitaine	99%	83%	91%	78%	51%	75%
Auvergne	86%	120%	126%	122%	102%	102%
Basse-Normandie	69%	81%	90%	88%	101%	87%
Bourgogne	112%	122%	128%	142%	74%	98%
Bretagne	75%	71%	67%	67%	42%	56%
Centre	72%	104%	114%	106%	102%	102%
Ch. Ardennes	ns	57%	58%	74%	32%	38%
Corse	75%	26%	24%	ns	7%	52%
Franche-Comté	57%	66%	67%	76%	74%	68%
Haute-Normandie	ns	165%	ns	93%	87%	95%
Ile de France	ns	99%	111%	220%	101%	106%
L. Roussillon	ns	ns	s	ns	ns	ns
Limousin	86%	93%	98%	119%	ns	91%
Lorraine	ns	141%	113%	109%	97%	105%
Midi-Pyrénées	102%	98%	101%	123%	93%	102%
Nord Pas de Calais	77%	91%	82%	76%	72%	76%
PACA	54%	86%	74%	79%	68%	71%
Pays de la Loire	ns	105%	106%	106%	108%	110%
Picardie	72%	89%	89%	68%	58%	69%
Poitou-Charentes	34%	23%	17%	16%	18%	23%
Rhône-Alpes	63%	45%	50%	48%	33%	50%
<b>France</b>	<b>77%</b>	<b>84%</b>	<b>85%</b>	<b>84%</b>	<b>64%</b>	<b>74%</b>

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**Annex 4-33.** Distribution of direct subsidies from the second pillar of the CAP: according to region and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	0,2%	0,0%	0,0%	0,1%	0,2%	0,5%
Aquitaine	2,5%	1,1%	0,8%	0,4%	1,8%	6,6%
Auvergne	6,6%	2,3%	1,5%	1,2%	0,7%	12,4%
Basse-Normandie	0,8%	0,3%	0,4%	0,5%	0,5%	2,5%
Bourgogne	1,5%	1,3%	1,1%	0,5%	1,6%	6,1%
Bretagne	0,5%	0,4%	0,3%	0,4%	0,8%	2,4%
Centre	0,4%	0,6%	0,4%	0,6%	0,8%	2,8%
Ch. Ardennes	0,0%	0,1%	0,2%	0,4%	1,3%	2,0%
Corse	0,5%	0,1%	0,1%	0,0%	0,0%	0,8%
Franche-Comté	1,0%	0,7%	0,5%	0,4%	0,4%	3,0%
Haute-Normandie	0,0%	0,1%	0,0%	0,2%	0,3%	0,6%
Ile de France	0,0%	0,0%	0,0%	0,1%	0,3%	0,5%
L. Roussillon	4,0%	1,6%	1,0%	0,4%	1,9%	8,8%
Limousin	3,3%	1,3%	1,1%	0,5%	0,2%	6,4%
Lorraine	0,3%	0,2%	0,4%	0,6%	1,2%	2,6%
Midi-Pyrénées	6,8%	2,8%	2,1%	1,2%	1,5%	14,4%
Nord Pas de Calais	0,0%	0,0%	0,1%	0,1%	0,5%	0,8%
PACA	0,9%	0,8%	1,0%	1,7%	1,9%	6,1%
Pays de la Loire	0,0%	0,0%	0,1%	0,1%	1,0%	1,3%
Picardie	0,8%	0,9%	0,6%	0,5%	0,9%	3,7%
Poitou-Charentes	2,6%	0,7%	0,3%	0,3%	1,4%	5,2%
Rhône-Alpes	5,7%	1,4%	0,8%	1,2%	1,3%	10,4%
<b>France</b>	<b>38,5%</b>	<b>16,7%</b>	<b>12,8%</b>	<b>11,3%</b>	<b>20,6%</b>	<b>100,0%</b>

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**Annex 4-34.** Direct subsidies from the second pillar of the CAP per farm: according to regions and SGM

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	1 900	700	1 000	1 200	2 100	1 600
Aquitaine	4 100	5 300	4 800	3 700	4 300	4 400
Auvergne	11 000	14 600	16 600	18 600	20 000	13 000
Basse-Normandie	2 900	2 600	2 600	4 200	3 600	3 100
Bourgogne	6 600	10 400	8 300	4 800	6 600	7 200
Bretagne	1 300	1 300	1 200	1 300	2 100	1 500
Centre	2 700	4 100	2 600	2 900	2 400	2 800
Ch. Ardennes	ns	1 300	1 400	2 600	2 900	2 300
Corse	8 200	8 800	11 000	ns	8 300	8 500
Franche-Comté	7 700	9 000	8 500	7 800	8 300	8 200
Haute-Normandie	ns	1 000	ns	2 000	1 900	1 500
Ile de France	ns	1 100	1 400	1 700	2 700	2 200
L. Roussillon	7 200	9 000	8 700	6 000	16 400	8 600
Limousin	9 200	13 000	18 300	16 400	ns	11 500
Lorraine	ns	4 200	4 500	7 300	7 400	5 800
Midi-Pyrénées	7 200	8 700	10 500	9 700	11 400	8 400
Nord Pas de Calais	100	400	1 200	900	3 000	1 400
PACA	1 900	2 600	3 400	6 700	6 200	3 900
Pays de la Loire	ns	700	1 200	1 100	3 400	2 200
Picardie	3 100	4 600	3 300	3 500	4 200	3 700
Poitou-Charentes	7 200	7 400	3 500	5 800	9 700	7 200
Rhône-Alpes	7 600	6 700	4 900	9 300	9 300	7 500
<b>France</b>	<b>5 800</b>	<b>5 700</b>	<b>4 900</b>	<b>4 800</b>	<b>5 000</b>	<b>5 400</b>

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**Annex 4-35.** Direct subsidies from the second pillar of the CAP per AWU: according to regions and SGM (euros)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	1 440	500	640	510	570	730
Aquitaine	3 150	3 070	2 180	1 720	1 070	1 920
Auvergne	9 480	8 360	8 710	7 540	6 190	8 660
Basse-Normandie	2 040	1 860	1 560	2 130	1 330	1 770
Bourgogne	5 860	7 240	6 150	2 980	2 040	3 840
Bretagne	1 000	870	710	710	650	750
Centre	1 700	3 310	1 590	1 850	940	1 520
Ch. Ardennes	ns	1 030	1 000	1 610	880	950
Corse	6 800	4 300	3 420	ns	1 530	4 850
Franche-Comté	6 770	5 730	5 160	4 310	2 770	5 040
Haute-Normandie	ns	640	ns	1 170	710	760
Ile de France	ns	800	870	460	1 030	860
L. Roussillon	5 720	5 490	3 850	1 960	2 750	4 130
Limousin	7 360	8 280	8 070	6 530	ns	7 590
Lorraine	ns	2 970	2 720	3 930	2 820	3 030
Midi-Pyrénées	5 490	5 650	5 010	4 150	2 920	4 880
Nord Pas de Calais	50	310	790	530	1 200	740
PACA	1 540	1 800	1 730	2 880	1 510	1 830
Pays de la Loire	ns	590	880	800	1 470	1 230
Picardie	2 490	3 770	2 390	2 130	1 490	2 220
Poitou-Charentes	4 500	3 330	1 420	1 660	1 480	2 520
Rhône-Alpes	5 520	3 500	2 030	3 270	1 850	3 600
<b>France</b>	<b>4 490</b>	<b>3 720</b>	<b>2 690</b>	<b>2 330</b>	<b>1 460</b>	<b>2 720</b>

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**Annex 4-36.** Direct subsidies from the second pillar of the CAP / FFI: according to regions and SGM (%)

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	12%	4%	4%	5%	3%	5%
Aquitaine	29%	25%	21%	16%	15%	21%
Auvergne	62%	65%	54%	52%	32%	57%
Basse-Normandie	16%	11%	9%	11%	8%	11%
Bourgogne	34%	45%	30%	18%	10%	21%
Bretagne	10%	6%	4%	4%	3%	4%
Centre	13%	19%	9%	8%	4%	8%
Ch. Ardennes	ns	4%	3%	5%	2%	3%
Corse	46%	42%	42%	ns	15%	40%
Franche-Comté	45%	42%	23%	19%	11%	26%
Haute-Normandie	ns	9%	ns	5%	3%	4%
Ile de France	ns	5%	5%	10%	4%	5%
L. Roussillon	ns	ns	s	ns	ns	ns
Limousin	46%	43%	43%	39%	ns	43%
Lorraine	ns	24%	16%	20%	10%	14%
Midi-Pyrénées	47%	40%	38%	33%	24%	39%
Nord Pas de Calais	1%	2%	4%	2%	5%	4%
PACA	8%	10%	9%	15%	9%	10%
Pays de la Loire	ns	3%	4%	3%	5%	5%
Picardie	17%	19%	10%	7%	5%	9%
Poitou-Charentes	46%	35%	14%	13%	20%	28%
Rhône-Alpes	47%	22%	15%	22%	16%	28%
<b>France</b>	<b>36%</b>	<b>25%</b>	<b>17%</b>	<b>13%</b>	<b>8%</b>	<b>16%</b>

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### Annex 5. Impact of the modulation in France (article 10, Regulation N°1782/2003)

**Annex 5-1.** The modulation in France over the period 2005-2013 (millions euros)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Impact of the modulation (A)	186,3	265,8	334,4	336,9	338,3	336,0	336,0	336,0	
- In % total budgetary support to agriculture	1,47%	1,96%							
- In % fist pillar budgetary support	1,78%	2,40%							
- In % first pillar (CAP) direct subsidies	2,26%	2,96%							
Financial return by rural development (B)		149,0	212,6	267,5	269,5	270,6	268,8	268,8	268,8
Rate of funds return (B/A n-1)		80%	80%	80%	80%	80%	80%	80%	80%
Net impact of the modulation (A n-1- B)		-37,3	-53,2	-66,9	-67,4	-67,4	-67,2	-67,2	-67,2
- In % total budgetary support to agriculture		0,3%	0,4%						

European Commission, 2007 ; French Ministry of agriculture 2007

#### Typology of the Modulation (“winners” and “losers”)

**Unaffected:** Farm who are not affected by modulation (i.e. farms under the franchise level), but who are also not eligible or have chosen not to enter into Pillar 2 schemes.

**Winners (type 1):** Farms who are not affected by modulation, but who are eligible for entry into Pillar 2 schemes.

**Winners (type 2):** Farms who are affected by modulation and where the global impact of the modulation (decrease of the first CAP pillar + Increase of rural development measures) is positive.

**Losers (type 1):** Farms who are affected by modulation and where the global impact of the modulation (decrease of the first CAP pillar + Increase of rural development measures) is negative.

**Losers (type 2):** Farms who are affected by modulation, but who are not eligible for entry into Pillar 2 schemes.

**Annex 5-2.** French professional farms according to the typology “winners and losers”

	Unaffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
Number of farms	63 800	9 900	72 100	82 000	58 100	138 800	196 900	342 800
AWU per farm	3,06	2,32	1,54	1,63	1,76	1,76	1,76	1,97
SGM (in ESU) per farm	96	57	44	46	87	86	87	79
UAA (ha) per farm	15	32	82	76	113	89	96	76
GFI / Family AWU	25 900	17 200	17 200	17 200	25 300	23 600	24 100	22 800
CAP direct subsidies per farm	500	2 100	19 100	17 000	39 400	32 100	34 200	23 800
Impact of the modulation (euros)	0	0	-700	-600	-1 700	-1 300	-1 400	- 1 000
Return from rural development (*)	0	1 000	1 800	1 700	700	0	200	550
Impact after redistribution	0	1 000	1 100	1 100	-1 000	-1 300	-1 200	-450
Impact after redistribution / GFI (%)	0%	4,2%	4,8%	4,7%	-2,6%	-3,9%	-3,5%	-1,4%

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(\*) In France, funds from the modulation are estimated at 328 million euros (rate: 5%). A return of 80% (262 million euros) would be allocated the year n +1, by the rural development measures. But, only a part of those returns would be allocated to farms. According to the Ministry of Agriculture, the amount of rural development measures was 2.34 billion euros in 2006 (Annex 1), in which 70% correspond to subsidies for farms. Therefore, in the simulation, it is considered that French farms will receive 183 million euros (70%\*262 million). These funds are used to increase (+16.2%) the direct subsidies allocated to agro-environmental measures (AEM) and to less favourable area (LFA).

**Annex 5-3.** Characteristics of French professional farms according to the typology “winners and losers” and the Standard Gross Margin

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
<b>Unaffected</b>						
Number of farms	23 500	7 400	7 800	6 700	18 500	63 800
AWU per farm	1,60	2,01	2,56	3,25	5,49	3,06
SGM (in ESU) per farm	28	50	70	89	216	96
UAA (ha) per farm	9	12	15	17	22	15
GFI / Family AWU (before modulation)	12 500	17 400	20 500	22 900	43 900	25 900
CAP direct subsidies per farm	600	100	600	700	500	500
Impact of the modulation (euros)	0	0	0	0	0	0
Return from rural development (euros)	0	0	0	0	0	0
Impact after redistribution (euros)	0	0	0	0	0	0
Impact after redistribution / GFI (%)	0%	0%	0%	0%	0%	0%
<b>Winners (types 1 and 2)</b>						
Number of farms	51 300	14 400	7 200	4 800	4 400	82 000
AWU per farm	1,25	1,71	2,10	2,39	4,19	1,63
SGM (in ESU) per farm	28	49	68	89	160	46
UAA (ha) per farm	62	84	101	129	120	76
GFI / Family AWU (before modulation)	14 900	15 400	18 200	19 700	31 200	17 200
CAP direct subsidies per farm	13 600	18 000	25 400	28 700	28 000	17 000
Impact of the modulation (euros)	-500	-600	-900	-1 000	-1 000	-600
Return from rural development (euros)	1 500	1 800	2 100	2 800	2 500	1 700
Impact after redistribution (euros)	1 000	1 200	1 200	1 800	1 500	1 100
Impact after redistribution / GFI (%)	6%	5%	4%	4%	2%	5%
<b>Losers (types 1 and 2)</b>						
Number of farms	46 700	32 300	33 100	31 800	53 100	197 000
AWU per farm	1,21	1,34	1,58	1,75	2,62	1,76
SGM (in ESU) per farm	30	50	70	89	167	87
UAA (ha) per farm	46	66	85	104	161	96
GFI / Family AWU (before modulation)	12 900	17 600	21 100	23 600	34 600	24 100
CAP direct subsidies per farm	16 300	23 200	30 700	36 700	57 400	34 200
Impact of the modulation (euros)	-600	-900	-1 300	-1 500	-2 500	-1 400
Return from rural development (euros)	100	200	200	200	300	200
Impact after redistribution (euros)	-500	-700	-1 100	-1 300	-2 200	-1 200
Impact after redistribution / GFI (%)	-3%	-3%	-4%	-4%	-3%	-3%
<b>All farms</b>						
Number of farms	121 400	54 100	48 100	43 200	76 100	342 800
AWU per farm	1,30	1,53	1,82	2,05	3,41	1,97
SGM (in ESU) per farm	29	50	70	89	179	79
UAA (ha) per farm	46	63	76	93	125	76
GFI / Family AWU (before modulation)	13 700	16 900	20 600	22 900	36 300	22 800
CAP direct subsidies per farm	12 100	18 700	25 000	30 300	41 800	23 800
Impact of the modulation (euros)	-400	-700	-1 000	-1 200	-1 800	-1 000
Return from rural development (euros)	700	600	500	500	300	500
Impact after redistribution (euros)	300	-100	-600	-800	-1 500	-400
Impact after redistribution / GFI (%)	2%	0%	-2%	-2%	-2%	-1%



**Annex 5-4.** Number of French farms according to the typology “winners and losers” and types of farming

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
13 - Specialist cereals, oilseed and protein crops	0	0	1 200	1 200	10 500	42 700	53 200	54 500
14 - General field cropping	2 800	200	1 600	1 800	2 600	15 300	18 000	22 500
28 - Market Gardening	5 000	200	0	300	100	200	300	5 600
29 - Specialist horticulture	5 300	0	0	0	0	0	0	5 300
37 - Specialist vineyards (AOC)	28 700	2 000	200	2 200	300	1 900	2 200	33 100
38 - Other vineyards	8 000	1 700	200	1 900	200	2 400	2 600	12 500
39 - Fruits and permanent crops	7 200	1 000	400	1 500	100	1 200	1 200	9 900
41 - Specialist dairying	200	1 500	20 700	22 300	9 400	26 000	35 500	57 900
42 - Specialist cattle-rearing and fattening	100	200	23 000	23 200	11 300	5 500	16 800	40 100
43 - Cattle-dairying, rearing and fattening	0	0	2 300	2 300	2 100	4 200	6 300	8 700
44 - Sheep, goats and other grazing livestock	700	1 700	14 400	16 100	1 900	1 300	3 200	20 000
50 - Specialist granivores	3 600	100	300	400	600	2 900	3 500	7 500
60 - Mixed cropping	1 900	800	900	1 600	1 800	6 800	8 600	12 100
71 - Mixed livestock, mainly grazing livestock	0	0	1 100	1 100	2 500	2 500	5 000	6 100
72 - Mixed livestock, mainly granivores	0	100	1 300	1 500	1 900	3 400	5 400	6 900
81 - Field crops-grazing livestock combined	100	0	3 000	3 000	11 400	18 200	29 600	32 700
82 - Various crops and livestock combined	200	200	1 400	1 600	1 400	4 200	5 600	7 400
<b>All farms</b>	<b>63 800</b>	<b>9 900</b>	<b>72 100</b>	<b>82 000</b>	<b>58 100</b>	<b>138 800</b>	<b>197 000</b>	<b>342 800</b>

FADN France 2006 / INRA Nantes

**Annex 5-5.** Distribution of French farms according to the typology “winners and losers” and types of farming

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
13 - Specialist cereals, oilseed and protein crops	0%	0%	2%	2%	19%	78%	98%	100%
14 - General field cropping	12%	1%	7%	8%	12%	68%	80%	100%
28 - Market Gardening	90%	4%	0%	5%	2%	3%	5%	100%
29 - Specialist horticulture	99%	0%	0%	0%	0%	1%	1%	100%
37 - Specialist vineyards (AOC)	87%	6%	1%	7%	1%	6%	7%	100%
38 - Other vineyards	64%	14%	2%	15%	1%	20%	21%	100%
39 - Fruits and permanent crops	73%	11%	4%	15%	1%	12%	12%	100%
41 - Specialist dairying	0%	3%	36%	38%	16%	45%	61%	100%
42 - Specialist cattle-rearing and fattening	0%	1%	57%	58%	28%	14%	42%	100%
43 - Cattle-dairying, rearing and fattening	0%	0%	27%	27%	24%	49%	73%	100%
44 - Sheep, goats and other grazing livestock	4%	8%	72%	80%	10%	6%	16%	100%
50 - Specialist granivores	48%	2%	4%	6%	8%	38%	46%	100%
60 - Mixed cropping	15%	6%	7%	13%	15%	57%	71%	100%
71 - Mixed livestock, mainly grazing livestock	1%	0%	18%	18%	41%	41%	82%	100%
72 - Mixed livestock, mainly granivores	1%	2%	19%	22%	28%	50%	78%	100%
81 - Field crops-grazing livestock combined	0%	0%	9%	9%	35%	56%	90%	100%
82 - Various crops and livestock combined	3%	3%	19%	22%	18%	57%	75%	100%
<b>All farms</b>	<b>19%</b>	<b>3%</b>	<b>21%</b>	<b>24%</b>	<b>17%</b>	<b>40%</b>	<b>57%</b>	<b>100%</b>

FADN France 2006 / INRA Nantes

**Annex 5-6.** Farms “winners” with the modulation (in % of all farms) according to types of farming and Standard Gross Margin

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	2%	4%	2%	3%	1%	2%
14 - General field cropping	28%	4%	5%	1%	4%	8%
28 - Market Gardening	9%	3%	2%	0%	1%	5%
29 - Specialist horticulture	0%	0%	0%	0%	1%	0%
37 - Specialist vineyards (AOC)	7%	8%	9%	7%	5%	7%
38 - Other vineyards	17%	12%	12%	11%	20%	15%
39 - Fruits and permanent crops	10%	32%	8%	8%	17%	15%
41 - Specialist dairying	61%	37%	25%	23%	14%	38%
42 - Specialist cattle-rearing and fattening	66%	40%	40%	31%	22%	58%
43 - Cattle-dairying, rearing and fattening	63%	28%	14%	21%	11%	27%
44 - Sheep, goats and other grazing livestock	83%	85%	72%	60%	47%	80%
50 - Specialist granivores	4%	8%	9%	6%	6%	6%
60 - Mixed cropping	21%	12%	10%	7%	4%	13%
71 - Mixed livestock, mainly grazing livestock	37%	27%	21%	0%	4%	18%
72 - Mixed livestock, mainly granivores	71%	28%	4%	17%	8%	22%
81 - Field crops-grazing livestock combined	19%	7%	7%	7%	3%	9%
82 - Various crops and livestock combined	50%	8%	10%	5%	2%	22%
<b>All farms</b>	<b>42%</b>	<b>27%</b>	<b>15%</b>	<b>11%</b>	<b>6%</b>	<b>24%</b>

French FADN 2006 / INRA Nantes

**Annex 5-7.** Farms “losers” with the modulation (in % of all farms) according to types of farming and Standard Gross Margin

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
13 - Specialist cereals, oilseed and protein	97%	96%	98%	97%	99%	98%
14 - General field cropping	35%	86%	78%	93%	93%	80%
28 - Market Gardening	0%	6%	5%	3%	17%	5%
29 - Specialist horticulture	0%	0%	0%	0%	2%	1%
37 - Specialist vineyards (AOC)	0%	1%	5%	4%	12%	7%
38 - Other vineyards	6%	18%	27%	42%	48%	21%
39 - Fruits and permanent crops	8%	8%	8%	24%	19%	12%
41 - Specialist dairying	38%	63%	75%	77%	86%	61%
42 - Specialist cattle-rearing and fattening	33%	60%	60%	69%	78%	42%
43 - Cattle-dairying, rearing and fattening	37%	72%	86%	79%	89%	73%
44 - Sheep, goats and other grazing livestock	13%	14%	18%	40%	53%	16%
50 - Specialist granivores	3%	32%	56%	71%	81%	46%
60 - Mixed cropping	53%	73%	89%	83%	88%	71%
71 - Mixed livestock, mainly grazing livestock	60%	73%	79%	100%	96%	82%
72 - Mixed livestock, mainly granivores	25%	72%	96%	83%	92%	78%
81 - Field crops-grazing livestock combined	80%	93%	92%	93%	97%	90%
82 - Various crops and livestock combined	45%	92%	86%	87%	98%	75%
<b>All farms</b>	<b>38%</b>	<b>60%</b>	<b>69%</b>	<b>74%</b>	<b>70%</b>	<b>57%</b>

French FADN 2006 / INRA Nantes

**Annex 5-8.** Impact of the modulation per French farms (euros)  
according to the typology “winners and losers” and types of farming (without the redistribution of funds)

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
13 - Specialist cereals, oilseed and protein crops	ns	ns	-1 420	-1 420	-2 400	-1 700	-1 840	-1 830
14 - General field cropping	0	ns	-640	-570	-2 370	-1 670	-1 770	-1 460
28 - Market Gardening	0	ns	ns	ns	ns	-530	-850	-50
29 - Specialist horticulture	0	ns	ns	ns	ns	ns	ns	0
37 - Specialist vineyards (AOC)	0	0	ns	-20	ns	-550	-570	-40
38 - Other vineyards	0	0	ns	-50	ns	-270	-290	-70
39 - Fruits and permanent crops	0	0	ns	-40	ns	-370	-400	-60
41 - Specialist dairying	ns	0	-370	-350	-1 000	-910	-930	-700
42 - Specialist cattle-rearing and fattening	ns	ns	-990	-980	-1 640	-1 100	-1 460	-1 180
43 - Cattle-dairying, rearing and fattening	ns	ns	-880	-880	-1 620	-1 530	-1 560	-1 380
44 - Sheep, goats and other grazing livestock	ns	0	-450	-400	-1 290	-590	-1 010	-480
50 - Specialist granivores	0	ns	ns	-280	ns	-500	-560	-270
60 - Mixed cropping	0	ns	-490	-260	-1 580	-750	-920	-690
71 - Mixed livestock, mainly grazing livestock	ns	ns	-560	-560	-1 140	-1 180	-1 160	-1 050
72 - Mixed livestock, mainly granivores	ns	ns	-580	-520	-1 020	-890	-930	-840
81 - Field crops-grazing livestock combined	ns	ns	-1 120	-1 120	-1 990	-1 640	-1 770	-1 710
82 - Various crops and livestock combined	ns	ns	ns	-230	-960	-740	-800	-650
<b>All farms</b>	<b>0</b>	<b>0</b>	<b>-660</b>	<b>-580</b>	<b>-1 680</b>	<b>-1 320</b>	<b>-1 430</b>	<b>-960</b>

FADN France 2006 / INRA Nantes

**Annex 5-9.** Impact of the modulation for French farms (% of the GFI)  
according to the typology “winners and losers” and types of farming (without the redistribution of funds)

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
13 - Specialist cereals, oilseed and protein crops	ns	ns	-7,3%	-7,3%	-6,0%	-6,3%	-6,2%	-6,2%
14 - General field cropping	0,0%	ns	-6,2%	-5,6%	-3,5%	-3,4%	-3,4%	-3,1%
28 - Market Gardening	0,0%	ns	ns	ns	ns	-1,3%	-2,7%	-0,1%
29 - Specialist horticulture	0,0%	ns	ns	ns	ns	ns	ns	0,0%
37 - Specialist vineyards (AOC)	0,0%	0,0%	ns	-0,1%	ns	-0,7%	-0,8%	-0,1%
38 - Other vineyards	0,0%	0,0%	ns	-0,4%	ns	-0,4%	-0,5%	-0,3%
39 - Fruits and permanent crops	0,0%	0,0%	ns	-0,1%	ns	-1,0%	-1,3%	-0,2%
41 - Specialist dairying	ns	0,0%	-1,4%	-1,4%	-2,9%	-3,1%	-3,1%	-2,5%
42 - Specialist cattle-rearing and fattening	ns	ns	-3,9%	-3,9%	-4,7%	-4,4%	-4,6%	-4,2%
43 - Cattle-dairying, rearing and fattening	ns	ns	-3,1%	-3,1%	-4,4%	-4,3%	-4,3%	-4,1%
44 - Sheep, goats and other grazing livestock	ns	0,0%	-2,2%	-2,0%	-4,4%	-2,7%	-3,8%	-2,3%
50 - Specialist granivores	0,0%	ns	ns	-0,6%	ns	-0,8%	-0,8%	-0,6%
60 - Mixed cropping	0,0%	ns	-2,3%	-1,3%	-4,1%	-2,7%	-3,0%	-2,6%
71 - Mixed livestock, mainly grazing livestock	ns	ns	-1,8%	-1,8%	-3,4%	-3,1%	-3,2%	-3,0%
72 - Mixed livestock, mainly granivores	ns	ns	-2,4%	-1,9%	-2,0%	-2,1%	-2,1%	-2,0%
81 - Field crops-grazing livestock combined	ns	ns	-5,0%	-5,0%	-5,3%	-4,9%	-5,1%	-5,0%
82 - Various crops and livestock combined	ns	ns	ns	-1,1%	-2,4%	-2,3%	-2,4%	-2,1%
<b>All farms</b>	<b>0,0%</b>	<b>0,0%</b>	<b>-2,7%</b>	<b>-2,4%</b>	<b>-4,4%</b>	<b>-3,9%</b>	<b>-4,1%</b>	<b>-2,9%</b>

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**Annex 5-10.** Impact of the modulation per French farms (euros)  
according to the typology “winners and losers” and types of farming (with the redistribution of funds)

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
13 - Specialist cereals, oilseed and protein crops	ns	ns	730	730	-1 630	-1 700	-1 680	-1 630
14 - General field cropping	0	ns	570	660	-1 750	-1 670	-1 680	-1 290
28 - Market Gardening	0	ns	ns	ns	ns	-530	-570	-20
29 - Specialist horticulture	0	ns	ns	ns	ns	ns	ns	10
37 - Specialist vineyards (AOC)	0	640	ns	620	ns	-550	-520	10
38 - Other vineyards	0	1 060	ns	1 010	ns	-270	-270	100
39 - Fruits and permanent crops	0	930	ns	860	ns	-370	-380	80
41 - Specialist dairying	ns	1 520	1 380	1 390	-590	-910	-830	30
42 - Specialist cattle-rearing and fattening	ns	ns	900	900	-740	-1 100	-860	160
43 - Cattle-dairying, rearing and fattening	ns	ns	1 300	1 300	-990	-1 530	-1 350	-640
44 - Sheep, goats and other grazing livestock	ns	1 050	1 650	1 590	-650	-590	-620	1 180
50 - Specialist granivores	0	ns	ns	860	ns	-500	-510	-190
60 - Mixed cropping	0	ns	480	650	-990	-750	-800	-480
71 - Mixed livestock, mainly grazing livestock	ns	ns	810	810	-660	-1 180	-920	-610
72 - Mixed livestock, mainly granivores	ns	ns	870	950	-660	-890	-810	-420
81 - Field crops-grazing livestock combined	ns	ns	760	760	-1 240	-1 640	-1 480	-1 270
82 - Various crops and livestock combined	ns	ns	ns	570	-580	-740	-700	-400
<b>All farms</b>	<b>0</b>	<b>1 010</b>	<b>1 170</b>	<b>1 150</b>	<b>-1 020</b>	<b>-1 320</b>	<b>-1 230</b>	<b>-430</b>

FADN France 2006 / INRA Nantes

**Annex 5-11.** Impact of the modulation for French farms (% of the GFI)  
according to the typology “winners and losers” and types of farming (with the redistribution of funds)

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
13 - Specialist cereals, oilseed and protein crops	ns	ns	3,7%	3,7%	-4,0%	-6,3%	-5,7%	-5,6%
14 - General field cropping	0,0%	ns	5,5%	6,5%	-2,6%	-3,4%	-3,3%	-2,8%
28 - Market Gardening	0,0%	ns	ns	ns	ns	-1,3%	-1,8%	-0,1%
29 - Specialist horticulture	0,0%	ns	ns	ns	ns	ns	ns	0,0%
37 - Specialist vineyards (AOC)	0,0%	1,6%	ns	1,7%	ns	-0,7%	-0,8%	0,0%
38 - Other vineyards	0,0%	10,9%	ns	9,5%	ns	-0,4%	-0,4%	0,5%
39 - Fruits and permanent crops	0,0%	1,9%	ns	1,8%	ns	-1,0%	-1,2%	0,2%
41 - Specialist dairying	ns	8,8%	5,3%	5,5%	-1,7%	-3,1%	-2,7%	0,1%
42 - Specialist cattle-rearing and fattening	ns	ns	3,5%	3,5%	-2,1%	-4,4%	-2,7%	0,6%
43 - Cattle-dairying, rearing and fattening	ns	ns	4,6%	4,6%	-2,7%	-4,3%	-3,7%	-1,9%
44 - Sheep, goats and other grazing livestock	ns	6,0%	8,2%	8,0%	-2,2%	-2,7%	-2,4%	5,7%
50 - Specialist granivores	0,0%	ns	ns	1,8%	ns	-0,8%	-0,7%	-0,4%
60 - Mixed cropping	0,0%	ns	2,3%	3,2%	-2,6%	-2,7%	-2,6%	-1,8%
71 - Mixed livestock, mainly grazing livestock	ns	ns	2,5%	2,5%	-2,0%	-3,1%	-2,6%	-1,7%
72 - Mixed livestock, mainly granivores	ns	ns	3,6%	3,4%	-1,3%	-2,1%	-1,8%	-1,0%
81 - Field crops-grazing livestock combined	ns	ns	3,4%	3,4%	-3,3%	-4,9%	-4,2%	-3,8%
82 - Various crops and livestock combined	ns	ns	ns	2,8%	-1,4%	-2,3%	-2,1%	-1,3%
<b>All farms</b>	<b>0,0%</b>	<b>4,2%</b>	<b>4,8%</b>	<b>4,7%</b>	<b>-2,6%</b>	<b>-3,9%</b>	<b>-3,5%</b>	<b>-1,3%</b>

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**Annex 5-12.** Number of French farms according to the typology “winners and losers” and types of farming

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
Alsace	2 200	100	300	400	600	3 100	3 700	6 300
Aquitaine	8 200	500	3 800	4 300	4 700	10 300	15 000	27 500
Auvergne	300	500	13 500	14 000	1 700	1 500	3 200	17 500
Basse-Normandie	400	300	2 700	3 000	2 800	8 800	11 600	14 900
Bourgogne	3 000	100	4 200	4 300	4 800	3 500	8 200	15 500
Bretagne	3 800	400	700	1 100	9 100	15 800	24 900	29 700
Centre	2 200	0	900	900	3 200	12 200	15 400	18 500
Ch. Ardennes	5 500	300	300	600	3 900	6 200	10 100	16 100
Corse	500	300	800	1 100	100	0	100	1 700
Franche-Comté	300	400	3 600	4 000	1 000	1 300	2 400	6 700
Haute-Normandie	100	0	200	200	800	6 100	6 800	7 100
Ile de France	600	0	0	0	1 100	2 500	3 500	4 200
L. Roussillon	11 800	2 300	2 900	5 300	200	1 700	1 900	18 900
Limousin	200	300	6 400	6 700	3 100	300	3 500	10 300
Lorraine	100	0	1 400	1 400	2 800	4 000	6 800	8 300
Midi-Pyrénées	2 800	400	13 400	13 800	6 200	8 800	15 000	31 600
Nord Pas de Calais	800	0	100	100	500	9 700	10 200	11 100
PACA	3 700	400	2 700	3 100	4 500	17 600	22 100	29 000
Pays de la Loire	400	0	100	100	1 500	8 600	10 200	10 600
Picardie	2 200	200	1 700	1 900	3 900	10 500	14 400	18 500
Poitou-Charentes	8 900	700	2 200	2 900	100	1 300	1 400	13 200
Rhône-Alpes	6 000	2 700	10 300	13 000	1 300	5 300	6 700	25 600
<b>France</b>	<b>63 800</b>	<b>9 900</b>	<b>72 100</b>	<b>82 000</b>	<b>58 100</b>	<b>138 800</b>	<b>197 000</b>	<b>342 800</b>

FADN France 2006 / INRA Nantes

**Annex 5-13.** Distribution of French farms according to the typology “winners and losers” and types of farming

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
Alsace	34%	2%	5%	7%	10%	49%	59%	100%
Aquitaine	30%	2%	14%	16%	17%	37%	54%	100%
Auvergne	2%	3%	77%	80%	10%	9%	19%	100%
Basse-Normandie	2%	2%	18%	20%	19%	59%	78%	100%
Bourgogne	19%	1%	27%	28%	31%	22%	53%	100%
Bretagne	13%	1%	3%	4%	31%	53%	84%	100%
Centre	12%	0%	5%	5%	17%	66%	83%	100%
Ch. Ardennes	34%	2%	2%	4%	24%	38%	62%	100%
Corse	29%	17%	47%	64%	5%	2%	7%	100%
Franche-Comté	4%	7%	54%	61%	16%	20%	36%	100%
Haute-Normandie	2%	0%	2%	2%	11%	86%	97%	100%
Ile de France	14%	0%	0%	0%	26%	59%	85%	100%
L. Roussillon	62%	12%	15%	27%	1%	9%	10%	100%
Limousin	2%	3%	62%	65%	30%	3%	33%	100%
Lorraine	1%	0%	17%	17%	34%	48%	82%	100%
Midi-Pyrénées	9%	1%	42%	43%	20%	28%	48%	100%
Nord Pas de Calais	7%	0%	1%	1%	5%	87%	92%	100%
PACA	13%	1%	9%	10%	16%	61%	77%	100%
Pays de la Loire	3%	0%	1%	1%	15%	81%	96%	100%
Picardie	12%	1%	9%	10%	21%	57%	78%	100%
Poitou-Charentes	67%	5%	17%	22%	1%	10%	11%	100%
Rhône-Alpes	23%	11%	40%	51%	5%	21%	26%	100%
<b>France</b>	<b>19%</b>	<b>3%</b>	<b>21%</b>	<b>24%</b>	<b>17%</b>	<b>40%</b>	<b>57%</b>	<b>100%</b>

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**Annex 5-14.** Farms “winners” with the modulation (in % of all farms)  
according to regions and Standard Gross Margin

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	16%	0%	2%	0%	3%	7%
Aquitaine	26%	20%	11%	5%	3%	15%
Auvergne	90%	71%	60%	60%	40%	80%
Basse-Normandie	32%	24%	12%	14%	6%	20%
Bourgogne	56%	44%	20%	8%	6%	28%
Bretagne	10%	2%	2%	1%	2%	4%
Centre	13%	16%	1%	2%	0%	5%
Ch. Ardennes	6%	5%	4%	3%	3%	4%
Corse	72%	50%	51%	27%	25%	64%
Franche-Comté	77%	76%	54%	27%	25%	60%
Haute-Normandie	0%	5%	0%	4%	1%	2%
Ile de France	0%	0%	0%	0%	0%	0%
L. Roussillon	35%	25%	18%	20%	13%	28%
Limousin	75%	57%	41%	22%	41%	65%
Lorraine	16%	28%	23%	21%	9%	17%
Midi-Pyrénées	51%	47%	32%	32%	15%	44%
Nord Pas de Calais	0%	0%	0%	0%	3%	1%
PACA	13%	8%	15%	10%	8%	11%
Pays de la Loire	0%	0%	6%	0%	0%	1%
Picardie	21%	14%	2%	2%	7%	10%
Poitou-Charentes	31%	21%	10%	12%	11%	22%
Rhône-Alpes	62%	49%	26%	40%	28%	51%
<b>France</b>	<b>42%</b>	<b>27%</b>	<b>15%</b>	<b>11%</b>	<b>6%</b>	<b>24%</b>

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**Annex 5-15.** Farms “losers” with the modulation (in % of all farms)  
according to regions and Standard Gross Margin

	Standard Gross Margin (SGM)					All
	40 ESU <	40 - 60 ESU	60 - 80 ESU	80-100 ESU	> 100 ESU	
Alsace	54%	68%	78%	70%	47%	59%
Aquitaine	59%	65%	62%	60%	38%	55%
Auvergne	8%	29%	40%	40%	60%	18%
Basse-Normandie	66%	73%	86%	84%	91%	78%
Bourgogne	36%	49%	70%	69%	55%	53%
Bretagne	64%	91%	91%	89%	88%	84%
Centre	71%	72%	91%	88%	88%	83%
Ch. Ardennes	45%	70%	68%	76%	58%	63%
Corse	7%	5%	0%	0%	15%	7%
Franche-Comté	18%	22%	43%	69%	67%	35%
Haute-Normandie	100%	88%	100%	94%	98%	96%
Ile de France	0%	88%	86%	83%	95%	85%
L. Roussillon	5%	11%	23%	11%	20%	10%
Limousin	23%	43%	55%	76%	59%	33%
Lorraine	84%	67%	76%	79%	91%	82%
Midi-Pyrénées	41%	48%	58%	54%	66%	47%
Nord Pas de Calais	84%	98%	94%	93%	92%	92%
PACA	67%	87%	72%	85%	76%	76%
Pays de la Loire	100%	100%	90%	91%	97%	96%
Picardie	58%	76%	91%	89%	84%	78%
Poitou-Charentes	9%	8%	11%	10%	16%	10%
Rhône-Alpes	22%	29%	35%	31%	30%	26%
<b>France</b>	<b>38%</b>	<b>60%</b>	<b>69%</b>	<b>74%</b>	<b>70%</b>	<b>57%</b>

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**Annex 5-16.** Impact of the modulation per French farms (euros)  
according to the typology “winners and losers” and regions (without the redistribution of funds)

	Unaffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
Alsace	0	ns	ns	ns	-1 310	-1 120	-1 150	-690
Aquitaine	0	ns	-330	-290	-1 330	-830	-990	-580
Auvergne	ns	ns	-710	-680	-1 880	-1 450	-1 680	-850
Basse-Normandie	0	ns	-670	-600	-1 440	-990	-1 100	-970
Bourgogne	0	ns	-1 220	-1 190	-2 310	-1 870	-2 130	-1 460
Bretagne	0	ns	ns	ns	-860	-840	-850	-720
Centre	0	ns	-1 110	-1 080	-1 960	-1 920	-1 930	-1 660
Ch. Ardennes	0	ns	ns	-590	-2 580	-2 060	-2 260	-1 430
Corse	0	0	-550	-400	ns	ns	ns	-390
Franche-Comté	0	ns	-390	-340	-1 660	-1 480	-1 560	-760
Haute-Normandie	ns	ns	ns	ns	-2 130	-1 630	-1 690	-1 650
Ile de France	0	ns	ns	ns	-2 800	-2 490	-2 580	-2 200
L. Roussillon	0	0	-770	-430	ns	-730	-980	-220
Limousin	ns	ns	-740	-710	-1 400	ns	-1 380	-930
Lorraine	ns	ns	-890	-890	-2 350	-1 820	-2 040	-1 820
Midi-Pyrénées	0	ns	-640	-620	-1 410	-960	-1 150	-820
Nord Pas de Calais	0	ns	ns	ns	-1 870	-1 080	-1 120	-1 040
PACA	0	ns	-980	-860	-1 540	-1 130	-1 210	-1 020
Pays de la Loire	ns	ns	ns	ns	-2 660	-2 140	-2 220	-2 130
Picardie	0	ns	-650	-590	-1 800	-1 300	-1 430	-1 180
Poitou-Charentes	0	0	-580	-440	ns	-970	-1 080	-210
Rhône-Alpes	0	0	-380	-300	-1 560	-990	-1 100	-440
<b>France</b>	<b>0</b>	<b>0</b>	<b>-660</b>	<b>-580</b>	<b>-1 680</b>	<b>-1 320</b>	<b>-1 430</b>	<b>-960</b>

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**Annex 5-17.** Impact of the modulation for French farms (% of the GFI)  
according to the typology “winners and losers” and regions (without the redistribution of funds)

	Unaffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
Alsace	0,0%	ns	ns	ns	-4,0%	-3,6%	-3,7%	-2,1%
Aquitaine	0,0%	ns	-2,2%	-1,9%	-4,6%	-3,5%	-3,9%	-2,8%
Auvergne	ns	ns	-3,3%	-3,2%	-5,9%	-5,2%	-5,6%	-3,8%
Basse-Normandie	0,0%	ns	-2,4%	-2,4%	-4,0%	-3,6%	-3,7%	-3,4%
Bourgogne	0,0%	ns	-4,4%	-4,3%	-6,5%	-7,9%	-7,0%	-4,2%
Bretagne	0,0%	ns	ns	ns	-2,3%	-2,3%	-2,3%	-2,0%
Centre	0,0%	ns	-4,9%	-3,8%	-5,1%	-5,0%	-5,0%	-4,4%
Ch. Ardennes	0,0%	ns	ns	-0,6%	-4,4%	-3,9%	-4,1%	-1,7%
Corse	0,0%	0,0%	-2,7%	-2,0%	ns	ns	ns	-1,8%
Franche-Comté	0,0%	ns	-1,3%	-1,1%	-5,0%	-5,2%	-5,1%	-2,4%
Haute-Normandie	ns	ns	ns	ns	-4,3%	-4,0%	-4,0%	-4,0%
Ile de France	0,0%	ns	ns	ns	-3,8%	-5,8%	-4,9%	-4,8%
L. Roussillon	0,0%	0,0%	-4,5%	-3,7%	ns	-13,2%	-11,1%	-2,6%
Limousin	ns	ns	-2,9%	-2,7%	-4,8%	ns	-4,8%	-3,5%
Lorraine	ns	ns	-2,3%	-2,3%	-4,6%	-5,0%	-4,8%	-4,4%
Midi-Pyrénées	0,0%	ns	-2,9%	-2,8%	-5,4%	-5,5%	-5,5%	-3,8%
Nord Pas de Calais	0,0%	ns	ns	ns	-4,3%	-3,2%	-3,3%	-3,0%
PACA	0,0%	ns	-2,1%	-2,1%	-3,3%	-3,3%	-3,3%	-2,7%
Pays de la Loire	ns	ns	ns	ns	-5,5%	-5,3%	-5,3%	-4,8%
Picardie	0,0%	ns	-2,7%	-2,1%	-4,7%	-3,0%	-3,4%	-2,8%
Poitou-Charentes	0,0%	0,0%	-2,8%	-1,7%	ns	-19,3%	-17,9%	-0,8%
Rhône-Alpes	0,0%	0,0%	-1,7%	-1,3%	-4,7%	-3,8%	-4,0%	-1,6%
<b>France</b>	<b>0,0%</b>	<b>0,0%</b>	<b>-2,7%</b>	<b>-2,4%</b>	<b>-4,4%</b>	<b>-3,9%</b>	<b>-4,1%</b>	<b>-2,9%</b>

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**Annex 5-18.** Impact of the modulation per French farms (euros)  
according to the typology “winners and losers” and regions (with the redistribution of funds)

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
Alsace	0	ns	ns	ns	-730	-1 120	-1 050	-560
Aquitaine	0	ns	980	970	-800	-830	-820	-300
Auvergne	ns	ns	1 350	1 340	-760	-1 450	-1 090	870
Basse-Normandie	0	ns	580	570	-630	-990	-900	-590
Bourgogne	0	ns	620	610	-1 280	-1 870	-1 530	-640
Bretagne	0	ns	ns	ns	-680	-840	-780	-630
Centre	0	ns	600	590	-1 330	-1 920	-1 800	-1 470
Ch. Ardennes	0	ns	ns	290	-1 790	-2 060	-1 950	-1 210
Corse	0	1 510	1 120	1 220	ns	ns	ns	700
Franche-Comté	0	ns	1 530	1 550	-1 070	-1 480	-1 300	480
Haute-Normandie	ns	ns	ns	ns	-1 680	-1 630	-1 630	-1 540
Ile de France	0	ns	ns	ns	-1 860	-2 490	-2 300	-1 950
L. Roussillon	0	940	1 820	1 430	ns	-730	-800	320
Limousin	ns	ns	900	890	-600	ns	-660	350
Lorraine	ns	ns	1 260	1 260	-1 460	-1 820	-1 670	-1 160
Midi-Pyrénées	0	ns	970	960	-740	-960	-870	10
Nord Pas de Calais	0	ns	ns	ns	-1 030	-1 080	-1 080	-980
PACA	0	ns	980	960	-900	-1 130	-1 080	-720
Pays de la Loire	ns	ns	ns	ns	-2 000	-2 140	-2 120	-2 020
Picardie	0	ns	460	570	-1 110	-1 300	-1 250	-910
Poitou-Charentes	0	1 450	2 690	2 390	ns	-970	-960	430
Rhône-Alpes	0	1 140	1 440	1 380	-560	-990	-900	460
<b>France</b>	<b>0</b>	<b>1 010</b>	<b>1 170</b>	<b>1 150</b>	<b>-1 020</b>	<b>-1 320</b>	<b>-1 230</b>	<b>-430</b>

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**Annex 5-19.** Impact of the modulation for French farms (% of the GFI)  
according to the typology “winners and losers” and regions (with the redistribution of funds)

	Una- ffected	Winners			Losers			Total
		Type 1	Type 2	Total	Type 1	Type 2	Total	
Alsace	0,0%	ns	ns	ns	-2,2%	-3,6%	-3,3%	-1,7%
Aquitaine	0,0%	ns	6,5%	6,3%	-2,7%	-3,5%	-3,3%	-1,4%
Auvergne	ns	ns	6,3%	6,3%	-2,4%	-5,2%	-3,6%	3,8%
Basse-Normandie	0,0%	ns	2,1%	2,2%	-1,8%	-3,6%	-3,0%	-2,0%
Bourgogne	0,0%	ns	2,2%	2,2%	-3,6%	-7,9%	-5,0%	-1,9%
Bretagne	0,0%	ns	ns	ns	-1,8%	-2,3%	-2,1%	-1,8%
Centre	0,0%	ns	2,7%	2,0%	-3,5%	-5,0%	-4,7%	-3,9%
Ch. Ardennes	0,0%	ns	ns	0,3%	-3,0%	-3,9%	-3,5%	-1,4%
Corse	0,0%	7,2%	5,6%	6,0%	ns	ns	ns	3,3%
Franche-Comté	0,0%	ns	5,0%	5,0%	-3,2%	-5,2%	-4,3%	1,5%
Haute-Normandie	ns	ns	ns	ns	-3,4%	-4,0%	-3,9%	-3,7%
Ile de France	0,0%	ns	ns	ns	-2,5%	-5,8%	-4,4%	-4,2%
L. Roussillon	0,0%	21,7%	10,5%	12,3%	ns	-13,2%	-9,1%	3,8%
Limousin	ns	ns	3,5%	3,4%	-2,1%	ns	-2,3%	1,3%
Lorraine	ns	ns	3,3%	3,3%	-2,8%	-5,0%	-3,9%	-2,8%
Midi-Pyrénées	0,0%	ns	4,3%	4,4%	-2,9%	-5,5%	-4,2%	0,0%
Nord Pas de Calais	0,0%	ns	ns	ns	-2,4%	-3,2%	-3,2%	-2,8%
PACA	0,0%	ns	2,1%	2,3%	-1,9%	-3,3%	-2,9%	-1,9%
Pays de la Loire	ns	ns	ns	ns	-4,1%	-5,3%	-5,1%	-4,6%
Picardie	0,0%	ns	1,9%	2,0%	-2,9%	-3,0%	-3,0%	-2,2%
Poitou-Charentes	0,0%	3,3%	13,1%	9,1%	ns	-19,3%	-16,1%	1,7%
Rhône-Alpes	0,0%	4,6%	6,3%	5,9%	-1,7%	-3,8%	-3,3%	1,7%
<b>France</b>	<b>0,0%</b>	<b>4,2%</b>	<b>4,8%</b>	<b>4,7%</b>	<b>-2,6%</b>	<b>-3,9%</b>	<b>-3,5%</b>	<b>-1,3%</b>

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**Annex 6. Simulations to prepare the next CAP (EC proposals 20 may 2008):  
full decoupling and modulation**

**Annex 6-1.** Single Farm Payment to French farms with a partial (H1) or a full (H2) decoupling:  
according to types of farming

	SFP per farm (euros)		SFP per hectare (euros)		SFP / Total subsidies	
	H1: Partial	H2: Full	H1: Partial	H2: Full	H1: Partial	H2: Full
13 - Specialist cereals, oilseed and protein	31 500	41 800	275	365	71%	94%
14 - General field cropping	27 100	34 400	331	421	73%	93%
28 - Market Gardening	900	1 300	225	355	18%	29%
29 - Specialist horticulture	100	200	240	321	7%	10%
37 - Specialist vineyards (AOC)	1 000	1 400	240	351	26%	38%
38 - Other vineyards	2 300	3 100	267	359	30%	40%
39 - Fruits and permanent crops	1 800	2 500	216	297	16%	21%
41 - Specialist dairying	17 100	20 500	256	308	65%	78%
42 - Specialist cattle-rearing and fattening	11 600	28 700	139	344	28%	70%
43 - Cattle-dairying, rearing and fattening	24 000	34 300	249	354	58%	83%
44 - Sheep, goats and other grazing livestock	7 800	14 600	111	209	27%	50%
50 - Specialist granivores	5 700	8 300	253	367	56%	81%
60 - Mixed cropping	13 300	18 500	267	372	60%	84%
71 - Mixed livestock, mainly grazing livestock	17 900	27 200	254	386	53%	81%
72 - Mixed livestock, mainly granivores	15 300	22 900	263	393	56%	83%
81 - Field crops-grazing livestock combined	29 100	40 800	263	367	64%	90%
82 - Various crops and livestock combined	12 800	18 100	250	356	59%	84%
<b>All farms</b>	<b>16 600</b>	<b>23 800</b>	<b>242</b>	<b>348</b>	<b>56%</b>	<b>81%</b>

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**Annex 6-2.** Single Farm Payment (SFP) to French farms with a partial (H1) or a full (H2) decoupling:  
according to regions

	SFP per farm (euros)		SFP per hectare (euros)		SFP / Total subsidies	
	H1: Partial	H2: Full	H1: Partial	H2: Full	H1: Partial	H2: Full
Alsace	13 900	17 600	346	439	72%	92%
Aquitaine	9 100	14 900	253	413	45%	74%
Auvergne	13 600	22 700	170	284	38%	63%
Basse-Normandie	18 700	24 900	254	338	66%	88%
Bourgogne	21 400	34 000	210	334	52%	82%
Bretagne	15 200	19 800	304	396	71%	92%
Centre	27 200	38 100	248	347	66%	93%
Ch. Ardennes	26 200	32 700	292	364	75%	93%
Corse	2 100	10 100	76	371	10%	51%
Franche-Comté	16 900	21 300	183	230	57%	72%
Haute-Normandie	30 200	39 300	304	395	74%	96%
Ile de France	37 400	48 500	298	387	74%	95%
L. Roussillon	3 700	6 100	144	234	25%	41%
Limousin	11 100	24 200	139	303	31%	68%
Lorraine	31 900	43 200	235	319	64%	87%
Midi-Pyrénées	12 900	21 300	206	341	43%	71%
Nord Pas de Calais	19 900	26 200	337	445	71%	94%
PACA	17 500	26 200	256	383	58%	87%
Pays de la Loire	37 600	48 300	335	430	74%	95%
Picardie	20 000	28 800	249	359	61%	88%
Poitou-Charentes	3 700	5 700	188	289	28%	43%
Rhône-Alpes	9 300	12 900	181	253	45%	62%
<b>France</b>	<b>16 600</b>	<b>23 800</b>	<b>242</b>	<b>348</b>	<b>56%</b>	<b>81%</b>

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**Annex 6-3.** Impact of the implementation of a flat-rate model for the SFP (at the national level) according to types of farming

	Euros		% GFI		% Total direct subsidies	
	H1: Partial	H2: Full	H1: Partial	H2: Full	H1: Partial	H2: Full
13 - Specialist cereals, oilseed and protein	-3 700	-1 900	-13%	-6%	-8%	-4%
14 - General field cropping	-7 200	-5 900	-15%	-13%	-19%	-16%
28 - Market Gardening	100	0	0%	0%	2%	0%
29 - Specialist horticulture	0	0	0%	0%	0%	0%
37 - Specialist vineyards (AOC)	0	0	0%	0%	0%	0%
38 - Other vineyards	-200	-100	-1%	0%	-3%	-1%
39 - Fruits and permanent crops	200	400	1%	1%	2%	3%
41 - Specialist dairying	-900	2 700	-3%	10%	-3%	10%
42 - Specialist cattle-rearing and fattening	8 600	300	31%	1%	21%	1%
43 - Cattle-dairying, rearing and fattening	-600	-600	-2%	-2%	-1%	-1%
44 - Sheep, goats and other grazing livestock	9 200	9 800	44%	47%	32%	34%
50 - Specialist granivores	-200	-400	0%	-1%	-2%	-4%
60 - Mixed cropping	-1 200	-1 200	-5%	-5%	-5%	-5%
71 - Mixed livestock, mainly grazing livestock	-800	-2 700	-2%	-8%	-2%	-8%
72 - Mixed livestock, mainly granivores	-1 200	-2 600	-3%	-6%	-4%	-9%
81 - Field crops-grazing livestock combined	-2 200	-2 100	-6%	-6%	-5%	-5%
82 - Various crops and livestock combined	-400	-400	-1%	-1%	-2%	-2%
<b>All farms</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

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**Annex 6-4.** Impact of the implementation of a flat-rate model for the SFP (at the national level) according to regions

	Euros		% GFI		% Total direct subsidies	
	H1: Partial	H2: Full	H1: Partial	H2: Full	H1: Partial	H2: Full
Alsace	-4 200	-3 700	-13%	-11%	-22%	-19%
Aquitaine	-400	-2 400	-2%	-11%	-2%	-12%
Auvergne	5 800	5 100	26%	22%	16%	14%
Basse-Normandie	-900	800	-3%	3%	-3%	3%
Bourgogne	3 300	1 500	10%	4%	8%	4%
Bretagne	-3 100	-2 400	-9%	-7%	-14%	-11%
Centre	-600	200	-2%	1%	-1%	0%
Ch. Ardennes	-4 500	-1 400	-5%	-2%	-13%	-4%
Corse	4 500	-600	21%	-3%	23%	-3%
Franche-Comté	5 500	10 900	18%	35%	19%	37%
Haute-Normandie	-6 100	-4 600	-15%	-11%	-15%	-11%
Ile de France	-7 000	-4 900	-15%	-11%	-14%	-10%
L. Roussillon	2 500	2 900	30%	35%	17%	20%
Limousin	8 300	3 600	31%	14%	23%	10%
Lorraine	1 000	4 000	2%	10%	2%	8%
Midi-Pyrénées	2 300	400	11%	2%	8%	1%
Nord Pas de Calais	-5 600	-5 700	-16%	-16%	-20%	-20%
PACA	-900	-2 300	-2%	-6%	-3%	-8%
Pays de la Loire	-10 400	-9 200	-24%	-21%	-21%	-18%
Picardie	-500	-900	-1%	-2%	-2%	-3%
Poitou-Charentes	1 100	1 200	4%	5%	8%	9%
Rhône-Alpes	3 100	4 900	12%	18%	15%	24%
<b>France</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

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**Annex 6-5.** Impact of the new device of modulation<sup>(\*)</sup> per French farms (euros and %) according to types of farming (with the redistribution of funds - three hypothesis)

	H1 (AEM+ICHN)		H2 (AEM)		H3 (Ha of grasslands)	
	Euros per farm	% of the GFI	Euros per farm	% of the GFI	Euros per farm	% of the GFI
13 - Specialist cereals, oilseed and protein	-2 400	-8,1%	-2 000	-6,7%	-2 500	-8,6%
14 - General field cropping	-1 900	-4,0%	-1 500	-3,2%	-2 000	-4,4%
28 - Market Gardening	0	0,0%	0	0,1%	0	0,0%
29 - Specialist horticulture	0	0,1%	0	0,0%	0	0,1%
37 - Specialist vineyards (AOC)	100	0,1%	200	0,3%	0	0,0%
38 - Other vineyards	400	1,8%	800	3,7%	-100	-0,4%
39 - Fruits and permanent crops	300	0,8%	500	1,3%	0	0,1%
41 - Specialist dairying	1 000	3,6%	800	2,8%	1 300	4,7%
42 - Specialist cattle-rearing and fattening	2 000	7,3%	2 000	7,1%	2 100	7,5%
43 - Cattle-dairying, rearing and fattening	0	-0,1%	-200	-0,6%	1 200	3,6%
44 - Sheep, goats and other grazing livestock	4 100	19,7%	2 500	12,1%	2 100	10,2%
50 - Specialist granivores	-200	-0,4%	-300	-0,6%	-200	-0,4%
60 - Mixed cropping	-500	-1,9%	-400	-1,6%	-600	-2,3%
71 - Mixed livestock, mainly grazing livestock	-400	-1,1%	-600	-1,6%	400	1,3%
72 - Mixed livestock, mainly granivores	-100	-0,3%	-100	-0,3%	300	0,7%
81 - Field crops-grazing livestock combined	-1 500	-4,4%	-1 200	-3,5%	-300	-0,8%
82 - Various crops and livestock combined	-300	-1,0%	-200	-0,8%	-500	-1,5%
<b>All farms</b>	<b>0</b>	<b>0,0%</b>	<b>0</b>	<b>0,0%</b>	<b>0</b>	<b>0,0%</b>

French FADN 2006 / INRA Nantes

(\*) See proposals of the European Commission on 20 May 2008. Compared to the situation of 2008 and by 2013, the modulation rate increases by 8% for amounts below 100 000 euros; 11% for amounts between 100 000 and 200 000 euros; 14% for amounts between 200 000 and 300 000 euros; 17% for amounts exceeding 300 000 euros.

In France, the funds collected with this modulation device are estimated at 528 million euros. In the simulation, we consider that 100% of this amount would be allocated to French farms the year n +1. Three hypothesis are considered to distribute these funds:

**H1** : Funds are used to increase (+49%) the direct subsidies allocated to agro-environmental measures (AEM) and to less favourable area (ICHN).

**H2** : Funds are used to increase (+96%) the direct subsidies allocated to agro-environmental measures (AEM).

**H3** : Funds are used to allocate a special premiums to all grasslands (53 euros per hectare).

**Annex 6-6.** Impact of the new device of modulation<sup>(\*)</sup> per French farms (euros and %) according to regions (with the redistribution of funds - three hypothesis)

	H1 (AEM+ICHN)		H2 (AEM)		H3 (Ha of grasslands)	
	Euros per farm	% of the GFI	Euros per farm	% of the GFI	Euros per farm	% of the GFI
Alsace	-700	-2,2%	-600	-1,7%	-600	-1,8%
Aquitaine	-100	-0,5%	-300	-1,5%	-100	-0,5%
Auvergne	3 700	16,2%	2 300	10,3%	2 200	9,7%
Basse-Normandie	-400	-1,5%	300	1,0%	800	2,8%
Bourgogne	0	0,1%	900	2,6%	400	1,2%
Bretagne	-900	-2,5%	-700	-1,9%	0	-0,1%
Centre	-2 100	-5,6%	-2 000	-5,2%	-1 600	-4,2%
Ch. Ardennes	-1 700	-2,0%	-1 100	-1,3%	-1 300	-1,6%
Corse	2 600	12,1%	300	1,4%	800	3,8%
Franche-Comté	2 400	7,7%	2 600	8,3%	2 400	7,8%
Haute-Normandie	-2 300	-5,7%	-2 000	-4,9%	-1 200	-3,0%
Ile de France	-2 800	-6,1%	-2 100	-4,7%	-3 400	-7,5%
L. Roussillon	1 200	14,5%	1 200	14,5%	0	0,5%
Limousin	2 300	8,5%	1 800	6,9%	2 400	9,1%
Lorraine	-1 000	-2,4%	0	0,0%	500	1,2%
Midi-Pyrénées	1 100	5,1%	300	1,2%	300	1,4%
Nord Pas de Calais	-1 500	-4,3%	-1 300	-3,7%	-900	-2,6%
PACA	-800	-2,1%	-100	-0,4%	200	0,5%
Pays de la Loire	-3 100	-7,1%	-2 800	-6,4%	-2 700	-6,2%
Picardie	-1 100	-2,7%	-1 000	-2,3%	-600	-1,5%
Poitou-Charentes	1 500	5,9%	1 100	4,1%	0	0,1%
Rhône-Alpes	1 900	7,2%	1 400	5,1%	1 100	4,0%
<b>France</b>	<b>0</b>	<b>0,0%</b>	<b>0</b>	<b>0,0%</b>	<b>0</b>	<b>0,0%</b>

French FADN 2006 / INRA Nantes

(\*) See proposals of the European Commission on 20 May 2008. Compared to the situation of 2008 and by 2013, the modulation rate increases by 8% for amounts below 100 000 euros; 11% for amounts between 100 000 and 200 000 euros; 14% for amounts between 200 000 and 300 000 euros; 17% for amounts exceeding 300 000 euros.

In France, the funds collected with this modulation device are estimated at 528 million euros. In the simulation, we consider that 100% of this amount would be allocated to French farms the year n +1. Three hypothesis are considered to distribute these funds:

**H1** : Funds are used to increase (+49%) the direct subsidies allocated to agro-environmental measures (AEM) and to less favourable area (ICHN).

**H2** : Funds are used to increase (+96%) the direct subsidies allocated to agro-environmental measures (AEM).

**H3** : Funds are used to allocate a special premiums to all grasslands (53 euros per hectare).

## Annex 7. The optional modulation in France in 2000-2001 (Article 4 of Regulation No. 1259/1999)

### 1- The device of the optional modulation

The CAP reform of 1999 gave the opportunity to Member States (optional) to implement, under some conditions, a modulation of direct subsidies. The French government and its Minister of agriculture (Mr Jean Glavany) has decided to use the modulation device as shown below (Decree No. 2000-280 of 24 March 2000).

This system was implemented in 2000 and 2001 in compliance with Article 4 of Regulation No. 1259/1999<sup>19</sup>. The funds of the modulation should be allocated to rural development. This system was abandoned in 2002 (Decree No. 2002-1246, October 7) by the new minister of agriculture (Mr Hervé Gaymard).

The Minister of Agriculture wanted that the device of modulation concerns largest farms, mainly those with a low number of agricultural jobs. The device was decided after several months of discussions and negotiations with the Agricultural Organisations (box 1). It included the main indicators mentioned in the EU regulation: the amount of direct subsidies per farm ; the Standard Gross Margin (SGM) ; agricultural employment.

#### Box 1. How to calculate the rate of modulation per farm ?

$$T = \frac{0,03 * (A - 30\ 000) + (0,25 * (B - 50\ 000) / 100\ 000) * (A - 30\ 000 - C)}{A}$$

with :

T= Rate of modulation (this rate may not exceed 20%).

A = The amount of CAP<sup>20</sup> direct subsidies per farm (euros).  
(for GAEC<sup>21</sup>, the amount of CAP direct subsidies per farm is divided by the number of associate).

B = Standard Gross Margin (SGM) per farm (euros).  
(for GAEC, the SGM is divided by the number of associate).

C = Cost of labour (wages and social contributions for employees) (euros)

In this device, the modulation is not apply to farms with less than 30000 euros of CAP direct subsidies or less than 50000 euros of SGM. In the case of GAEC, the thresholds are higher (they are multiplied by the number of associates).

For the farms affected by the modulation, the rate of modulation is determined by combining a linear deduction and a gradual deduction depending on the SGM.

<sup>19</sup> Member States may decide to reduce the amounts of payments which would be granted to farmers in respect of a given calendar year in cases where: 1) the labour force used on their holdings during that calendar year, expressed in annual work units, falls short of limits to be determined by the Member States, and/or ; 2) the overall prosperity of their holdings during that calendar year, expressed in the form of standard gross margin corresponding to the average situation of either a given region or a smaller geographic entity, rises above limits to be decided by Member States, and/or ; 3) the total amounts of payments granted under support schemes in respect of a calendar year exceed limits to be decided by Member States. The reduction of support to a farmer, in respect of a given calendar year, shall not exceed 20% of the total amount of payments which would be granted to the farmer in respect of the calendar year concerned.

<sup>20</sup> CAP direct subsidies: in this document, it means direct subsidies granted to farms by the first pillar of the Common Agricultural Policy. In other words, subsidies affected by the modulation.

<sup>21</sup> GAEC is an association of farmers (one farm for two to ten persons). This legal form is specific to France. It is widespread in the dairy farms, where the work is important. There 42 900 GAEC 42900 in France (2005), or 12% of agricultural holdings.

- The linear deduction. A deduction (3%) is applied on the amount of the CAP direct subsidies, net of a reduction of 30000 euros. For GAEC, the amount of direct subsidies is divided by the number of associates.
- The gradual deduction. It varies according to economical dimension (SGM): 0% for farms with SGM less than or equal to 50000 euros to 25% for farms with SGM equal to or greater than 150000 euros. The rate is limited at 25% where the SGM exceeds the threshold of 150000 euros. For GAEC, SGM is divided by the number of associates. This rate is applied to the amount of CAP direct subsidies, net of a reduction of 30000 euros (for GAEC, the amount of direct subsidies is divided by the number of associates). Two other deductions are applied (see “C” in box 1): one corresponding to the wage costs (wages + social contributions for employees) in the limit of 22500 euros per salaried employment; a second of 7500 euros per family associate partner (Articles L321-5 and L1106-1 of the Rural Code).

To better understand the mechanism adopted by the French government, several examples are given (box 2).

**Box 2.** Rate of modulation calculated for several farms (examples)

Example No. 1: An individual farm with 29990 euros of CAP direct subsidies. This farm is not affected by the modulation. The amount of direct subsidies is less than 30000 euros.

Example No. 2: An individual farm with 35000 euros of CAP direct subsidies and 49000 euros of SGM. This farm is not affected by the modulation. Its SGM is less than 50000 euros.

Example No. 3: A GAEC (three associates) with 150000 euros of CAP direct subsidies, 300000 euros of SGM and one employee (annual cost for wages and social contributions: 20000 euros). The modulation rate is 0.4% (600 euros).

Example No. 4: An individual farm with 60000 euros of CAP direct subsidies, 100000 euros of SGM and one employee (annual cost for wages and social contributions: 20000 euros). The modulation rate is 3.6% (-2 150 euros).

Example No. 5: A GAEC (two associates) with 160000 euros of CAP direct subsidies and 280000 euros of SGM. The modulation rate is 7.9% (- 12750 euros).

Example No. 6: An individual farm with 130000 euros of CAP direct subsidies and 150000 euros of SGM. The modulation rate is 20% (-26 000 euros). The maximum permissible limit is reached.

## 2- The funds derived from the optional modulation

In France, the funds derived from the modulation of CAP direct payments were of 114 million euros in 2000 and 99 million euros in 2001 (213 million euros in total).

**Table 1.** The modulation impact and the budgetary support to agriculture in France (million euros)

	2000	2001
Global impact global of the modulation (millions euros)	114	99
- In % of all budgetary support to French agriculture	0,91%	0,78%
- In % of all budgetary support to first pillar of the CAP	1,07%	0,92%
- In % of all budgetary support to second pillar of the CAP	5,92%	5,15%

French Ministry of Agriculture

These amounts represent a very small proportion of total budgetary support (EU and France) allocated to French agriculture: respectively 0.78% and 0.91%. They represent about 1% of budgetary support of the first pillar of the CAP, or just over 5% of the second pillar (Table 1).

### 3- Impact of the optional modulation for farms (without redistribution of funds)

According to a simulation carried out from FADN, the modulation impact was equivalent to 2.1% of all CAP direct subsidies allocated to French farms. This impact is very much less than the 20% threshold allowed in Regulation No 1259/1999.

Only 15% of French agricultural holdings are concerned by the modulation (approximately 60000 farms). Nearly two-thirds of them were in the types of farming n°13 “Specialist cereals, oilseed and protein crops” and n°14 “General field cropping”. Farms with herbivorous productions were little affected, with the exception of units combining several agricultural production. For farms which are concerned by the modulation, the impact was in average of 2660 euros per farm (-4.9% of their CAP direct subsidies).

**Table 2.** Impact of the optional modulation for French farms : according to regions

	Farms concerned by the modulation		Impact of the modulation / CAP direct subsidies (%)
	Number of farms	% all farms	
Alsace	620	10,3	-1,6
Aquitaine	2 320	6,3	-2,2
Auvergne	1 540	7,3	-1,2
Basse-Normandie	1 750	10,0	-0,9
Bourgogne	6 030	36,5	-3,1
Bretagne	950	2,4	-0,2
Centre	10 460	47,3	-4,1
Champagne-Ardenne	5 640	33,1	-3,5
Franche-Comté	660	8,8	-1,3
Haute-Normandie	2 330	30,8	-2,5
Ile-de-France	3 090	69,0	-5,7
L-Roussillon	570	2,6	-2,0
Limousin	920	7,8	-0,2
Lorraine	3 080	35,5	-2,4
Midi-Pyrénées	3 380	9,5	-1,5
Nord-Pas-de-Calais	1 110	8,6	-0,9
PACA	420	2,4	-1,1
Pays de la Loire	3 590	10,0	-0,8
Picardie	5 260	45,1	-3,6
Poitou-Charentes	4 790	22,5	-1,9
Rhône-Alpes	800	2,6	-0,3
France	59 300	14,7	-2,1

FADN France / INRA Nantes

The impact of the modulation varied from one region to another, depending mainly on the specialization and the size of farms. Six regions concentrated 60% of the modulation funds: Centre, Bourgogne, Champagne-Ardenne, Picardie, Poitou-Charentes and Pays de la Loire. A large proportion of farms are concerned by the modulation in regions where cereals and oilseeds are developed (69% in Ile-de-France, 47% in Centre, 45% in Picardie, 37% in Bourgogne, 35% in Lorraine, 33 % in Champagne-Ardenne). In the South of France (vineyards), the West (activities dairy, pork and poultry) and Auvergne (beef production on the basis of extensive systems), the share of farms affected was less than 10% (Table 2).

The decrease of CAP direct subsidies varied from less than 1% in six regions (Nord-Pas-de-Calais, Basse-Normandie, Pays de la Loire, Rhône-Alpes, Limousin, Bretagne) to 5,7% in Ile-de-France (this region with a large proportion of big farms specialized in cereals). So, the device of modulation does not involve an homogeneous budgetary effort. It was, in fact, concentrated on the larger farms.

The farms which are concerned by the modulation have been divided according to deciles based on the impact of modulation par farm (Table 3). The farms of the decile 1 lost, on average, 0.2% of their CAP direct subsidies. At the other extreme, the farms of decile 10 lost, on average, 13.3% of their direct subsidies (-12 720 euros). These last ones are most affected by the modulation: they participated for nearly half to the funds collected. Compared to the units of the first deciles, farms of decile 10 had a much higher amount of direct subsidies per farm and a better Gross Farm Income (GFI) per family Agricultural Work Unit (AWU).

**Table 3.** Impact of the optional modulation for French farms: according to deciles of impact per farm

Deciles	Impact of the modulation		Amount after modulation	
	Per farm (euros)	In % of CAP direct subsidies	CAP direct subsidies per farm (euros)	Gross Farm Income per Family AWU (euros)
1	-60	-0,2	34 900	39 400
2	-180	-0,5	37 900	44 500
3	-360	-0,9	40 700	44 200
4	-560	-1,2	46 000	47 400
5	-850	-1,8	47 900	48 400
6	-1 310	-2,6	49 800	53 100
7	-2 040	-3,5	55 400	53 900
8	-3 270	-5,4	57 500	59 500
9	-5 300	-7,7	63 700	64 000
10	-12 720	-13,3	83 200	81 300
all	-2 660	-4,9	51 700	53 100

(Calculation are based only on the farms concerned by modulation).

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The farms which are concerned by the modulation have been divided according to deciles based on the impact of modulation per farm (Table 3). The farms of the decile 1 lost, on average, 0.2% of their CAP direct subsidies. At the other extreme, the farms of decile 10 lost, on average, 13.3% of their direct subsidies (-12 720 euros). These last ones are most affected by the modulation: they participated for nearly half to the funds collected. Compared to the units of the first deciles, farms of decile 10 had a much higher amount of direct subsidies per farm and a better Gross Farm Income (GFI) per family Agricultural Work Unit (AWU).

#### 4- The funds from the optional modulation were used to finance PHAE

In 2000 and 2001, funds from the modulation were temporarily blocked in the European Agricultural Guidance and Guarantee Fund (EAGGF). From 2003, these funds were entirely refunded to the French farmers, as stipulated in Article 5 of Regulation (EC) No. 1259/1999. The modulation has indeed not induced a budget decrease for the French farmers but a reallocation of funds from the first pillar to the second pillar.

To understand better how the modulation funds were used, it is necessary to recall how the Rural Development Regulation (RDR) has been applied in France for the period 2000-2006 (Regulation No. 1257/1999).

The French government has chosen to implement the RDR, for the most part, by a national plan with seventeen measures: the Rural Development National Plan (RDNP). This choice of a centralized system was justified by the government's willingness to implement a new measure: the "CTE (Territorial Farming Contract)". Among the 22 measures that were proposed to the Member States under the RDR, only the measure "f" (support for the agro-environment) was mandatory. The RDNP aims at promoting sustainable agriculture and multifunctional; enhance forest resources; develop added value and quality of agricultural and forest products; reduce economic inequality by promoting employment; protect the ecological heritage; accompany the training of actors.

Starting in 2003 and until 2006, the funds of the modulation (213 million euros) have been focused on the measure "f" (agro-environment) of the RDNP. They were assigned to measures 19-03 (maintenance of open spaces with extensive management), 20-01 and 20-02 (extensive grassland). Specifically, the funds were used to finance a new premium for grassland: the "PHAE".

The funds from the modulation were distributed in the following way: 54.4 million in 2003, 51.6 million in 2004, 70.9 million in 2005 and 36.6 million euros in 2006. The funds came from the rural development budget. The rate of support was identical for all contracts. The PHAE was co-financed by the European Union, at 50% in 2003 and 2004, then up to 60% in 2005 and 2006 (for the period 2007-2013, the rate of co-financing of agro-environmental measures is reduced to 55%).



Over the period 2003 to 2006, the aggregate amount of the PHAE is 814 million euros. It means 35% of the agro-environmental French measures (Table 4). Thus, the funds from the modulation (213 million euros) represent, on average for 2003-2006, 27% of the PHAE. This is equivalent to 9.5% of total agro-environment expenditure.

**Table 4.** Budgetary support for agro-environmental measures in France (millions euros)

	1999	2000	2001	2002	2003	2004	2005	2006
* PHAE	0	0	0	0	196	211	196	211
* PMSEE	90	97	184	159	8	0	0	0
* CTE (agro-environmental measures)	0	3	81	257	350	290	281	230
* CAD (agro-environmental measures)	0	0	0	0	0	0	36	99
* Diversification of crops rotation	0	6	0	4	11	20	27	26
* Others agro-environmental measures	185	185	61	37	37	21	12	11
Agro-environmental measures (all)	275	290	327	457	602	541	552	576

French Ministry of Agriculture, 2007

The PHAE was created in 2003 to replace the PMSEE (premium for extensive livestock systems). The PMSEE had been implemented in 1993 following the establishment of agro-environmental measures (Regulation No. 2078/92). Its purpose was to maintain extensive livestock systems and to limit the intensification of the fodder surfaces. The PMSEE was paid to farms that had a contract over five years, under two main conditions: they must have a stock density below 1.4 Livestock Unit (LU) per hectare ; the grassland surface must represents more than 75% of the UAA. The amount of PMSEE was 30 euros per hectare in 1993, 38 euros in 1994 and 46 euros in 1995 (within the limits of 100 hectares per farm). The number of recipients has declined by 40% between 1993 and 2002 (Table 5).

**Table 5.** PMSEE (1993-2002) and PHAE (2003-2006) in France

	Number of farms concerned by PMSEE and PHAE	Surfaces (millions hectares)	Average amount of the subsidies per farm (euros)	Global cost (France) of PMSEE and PHAE (millions euros)
1993	117 000	5,8	1 300	152
1994	118 000	5,9	1 600	189
1995	104 000	5,0	2 000	208
1996	101 000	5,6	2 000	202
1997	96 000	5,3	2 100	202
1998	84 000	5,0	2 300	193
1999	79 000	4,9	2 300	182
2000	76 000	4,8	2 350	179
2001	73 000	4,7	2 350	172
2002	69 000	4,4	2 350	162
2003	57 000	3,1	3 450	196
2004	57 000	3,2	3 750	211
2005	56 000	3,2	3 500	196
2006	55 000	3,2	3 800	211

French ministry of Agriculture 2007

In 2003, expenditures for the PHAE were 20% higher than those of PMSEE (in 2002). Following the amendment of the conditions for granting, the number of recipients has decreased (from 69000 in 2002 to 57000 in 2003). Similarly, the areas concerned are more limited (4.4 million hectares in 2002 to 3.1 million hectares in 2003). The decrease in the number of beneficiaries is partly due to the fact that some farmers decided to implement a CTE. The average amount of aid per hectare has, however, increased from 46 euros in 2002 to 67 euros in 2003 and 76 euros in 2006.

In 2005, PHAE concerned 56000 farms and 3.2 million hectares, or 25% of the forage area. Among these areas, 0.2 million hectares correspond to mountain pasture. The PHAE is limited to 100 hectares per farm. The farms which are concerned by the PHAE are oriented towards herbivorous productions. Mountain regions (the Alps, the Pyrenees, the Massif Central, Vosges and Jura) received 70% of the total amount of the PHAE. The regions around Paris (production of cereals) and Alsace, are slightly concerned by this aid. Similarly, West of France, which is an intensive region, includes few PHAE surfaces. Thus, five regions concentrates two-third of the PHAE: Auvergne, Bourgogne, Limousin, Midi-Pyrénées and Rhône-Alpes. For these regions, the amount of PHAE represents a significant part of total direct support and, also, the family farm income.

In 2005, the average surface of PHAE per farm was 55 hectares. This surface was highest in the Mediterranean area (areas with low productivity). By contrast, it was lower than the national average in the Northwest, due to the predominance of intensive livestock.

## 5- What redistributive effects of the optional modulation ?

To discuss the distributional effects of the modulation, an analysis is conducted on the French FADN (2005). According to this statistical tool (which regroup only the professional farms), the number of farms receiving the PHAE is 47000 in 2005 (slightly less than in the statistics presented above).

Approximately 92% of the farms which receive PHAE were not affected by the modulation device. These farms have less than 30000 euros of CAP direct subsidies or less than 50000 euros of SGM. For these farms, the implementation of the modulation has been beneficial. Considering that the funds from the modulation have financed 32% of the value of PHAE, the return is estimated at an average of 1300 euros per farm (PHAE amount of farm multiplied by 0.32). For the 3700 farms which received PHAE, but which were concerned by the modulation, the impact was neutral: the revaluation of PHAE was offset by the negative impact of the modulation. For 57500 farms which received PHAE, but which were affected by the modulation (primarily farms with cereal crops), the impact has been negative (with an average decline of 5% of CAP direct subsidies).

The farms which received the PHAE and which are not concerned by the modulation have, on average, a lower labour productivity than the other three groups of farms identified (Table 6). With 45000 euros of agricultural output per AWU, their FFI is 15700 euros per family AWU (one third less than the one obtained by the farms which were affected by the modulation).

**Table 6.** Structural and economic characteristics of French farms : according to their position face to the modulation and the PHAE

	Farms which are affected by modulation		Farms which are affected by the modulation	
	Without PHAE	With PHAE	Without PHAE	With PHAE
Number of farms	57 500	3 700	43 300	238 000
Agricultural Work unit (AWU)	1,76	1,71	1,47	2,14
SGM (ESU)	115	72	40	77
UAA (ha)	145	155	81	56
UAA per AWU (ha)	82	91	55	26
Agricultural output / AWU (euros)	83 200	63 600	45 000	62 100
Direct subsidies (euros)	54 400	59 500	31 000	19 700
Direct subsidies / FFI (%)	169%	168%	142%	71%
PHAE (euros)	0	6 600	4 100	0
PHAE / Direct subsidies (%)	0%	11%	13%	0%
PHAE / FFI (%)	0%	19%	19%	0%
FFI / Family AWU (euros)	23 200	24 900	15 700	19 000

Among the 47000 farms which receive the PHAE, 32% are from the Type of Farming “dairying” (TF No. 41 and 43), 40% from the TF “Specialist cattle-rearing and fattening” (TF No. 42), 19% from the TF “Sheep and Goats ”(OTEX No. 44) and 9% from other types. For each of these four types, a distinction is made between farms according their position face to PHAE (with or without). This comparison underlines the important economic role of PHAE in the family farm income (Table 7).

**Table 7.** Structural and economic characteristics of French farms :  
according to the type of farming and their position face to the PHAE

	41-Specialist dairying		42-Cattle-rearing-fattening		44-Sheep, Goat		Others		All farms	
	With PHAE	Without PHAE	With PHAE	Without PHAE	With PHAE	Without PHAE	With PHAE	Without PHAE	With PHAE	Without PHAE
Number of farms	51 600	14 900	21 400	18 700	10 800	9 200	211800	4 200	295500	47 000
AWU	1,76	1,62	1,33	1,32	1,66	1,53	2,24	1,71	2,07	1,49
SGM (ESU)	38	29	29	27	26	26	42	38	41	29
UAA (ha)	73	76	80	96	76	84	73	93	74	87
UAA per AWU (ha)	41	47	60	72	45	55	33	55	36	58
Output / AWU (euros)	68 700	54 300	49 500	42 400	46 900	34 900	66 600	58 200	65 500	46 600
Direct subsidies (euros)	25 300	24 900	35 600	40 900	25 800	30 300	25 900	34 900	26 500	33 200
Direct subsidies / FFI (%)	82%	103%	151%	164%	140%	183%	88%	150%	92%	145%
PHAE (euros)	0	3 900	0	5 100	0	4 000	0	3 300	0	4 300
PHAE / Direct subsidies	0%	16%	0%	12%	0%	13%	0%	9%	0%	13%
PHAE / FFI (%)	0%	16%	0%	20%	0%	24%	0%	14%	0%	19%
FFI / Family AWU	18 600	15 500	18 700	20 200	12 500	11 600	20 600	16 000	19 800	16 400

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The modulation device had a redistributive effect on farms incomes, mainly because the number of farms which received the funds (PHAE) was low. Moreover, those farms were not affected by the modulation and had lower incomes than the average. On a territorial and environmental level, the utilisation (PHAE) of the funds from the modulation was going in the right direction, especially as mountain areas were particularly favoured by financial returns. The modulation, however, had a limited impact for two main reasons: the amount of the collected funds represent less than 1% of all support to agriculture; the modulation was applied only on two years (2000 and 2001).