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WP3 natural handicap payments grid development

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Structure of presentation

1. Present situation of grid development
2. How do we see the grids and did we understand the grid development right?
3. On baselines and reference levels
4. Case Finland
5. Conclusions and development needs



Where we are and what we have in terms of the natural handicap payments grid development

- Relevant cost/revenue categories were selected from the proposed list and the list was updated with new categories
- The sub-mask was created to provide information on how cost/revenue elements are calculated
- Information on payment differentiation was filled in and payment differentiation categories and elements were updated
- 2nd draft version on the development of natural handicap payments grids was completed on 17 Feb 2008. It includes **CZ, DE-NRW, FI, GR, IT-UMB, LT** and **SCO**.

Experiences on natural handicap grid development Are we on the right track?

Cost-revenues sheet

- Income losses is an entry (i.e. a variable) in DE-NRW natural handicap calculations. It measures the per hectare value of the feed energy losses between the non-less favoured area and the less favoured area in question.
- Since the entry measures income losses in the less favoured area, we have classified the entry under Costs in the Cost-revenues sheet. Is this correct? Or should this entry be under Income in the Cost-revenues sheet? Or should it be only in the Sub-mask sheet?
- Is there a general rule which would determine when an entry can be classified as a Balance sheet entry?

Experiences on natural handicap grid development Are we on the right track?

Sub-mask

- We understood that sub-mask should include the detailed description about the payment calculation process.
- We managed to depict the whole payment calculation process of CZ and DE-NRW on the Sub-mask sheet, but this might not be possible with the all other countries and regions.
- How detailed we should be? Have we been too detailed?

Payment differentiation

- In IT-UMB, natural handicap payments are differentiated according to land use (i.e. annual specialized crops, perennial specialized crops, other land uses).
- Originally we thought that the right way to report the payment differentiation is to report “land use” as the only differentiation element.
- Later we figured out that the idea is probably to list all land use forms (i.e. annual specialized crops, perennial specialized crops, other land uses) as differentiation elements. Is this correct?

Payment differentiation and eligibility criteria

- We noticed that we have also included eligibility criteria into payment differentiation sheets.
- For example, in CZ, the farmer must farm at least 1 hectare of grassland in the less favoured area. This is in an eligibility criterion, but should we consider it as a differentiation element in grid development?
- All in all, in our opinion it is important to somehow ensure that the grid will also include the eligibility criteria and payment limitations. Has this been considered in the grid development?

On baselines and reference levels

- For example in Finland, natural handicap payments are subject to cross-compliance. However, those baseline requirements such as SMR and GAEC do not have any effect on natural handicap payments or payment calculation process.
- Hence, the payment calculation is not based on the baseline, but typically farms in a less favoured area are compared to farms in a non-less favoured area (i.e. an area where there are no permanent natural handicaps).
- In Finland, the natural handicap classification applies to the entire agricultural area. Therefore, we have to evaluate the natural handicap in some other way than the GFI comparisons.

Case Finland

- Finland does not easily fit into the natural handicap payment grid
- When “homogenous” support areas were formed, the so-called Nikula index was utilised. However we do not know in terms of the Nikula index for example how much “better” the Support area A is compared to the Support area B1.
- In addition, the so-called bundle approach (integration of LFA payments with other subsidies) was used during the Finnish EU-membership negotiations

Conclusions and development needs

- Next step is to incorporate ES and PL into the analysis and revise existing national grids.
- A harmonised measure-specific methodological grid for natural handicap payments might be difficult to achieve.
- Based on our experiences so far, we think that we have to accept that natural handicap payment grids are always in some sense country-specific. This is because natural handicap has many dimensions and those dimensions have been weighted and measured differently among countries and regions.
- By now we have developed natural handicap grids together, but perhaps we have to develop two separate grids (one for 211 and the other for 212) in order to really have more measure-specific grids.