Agricultural and Rural Development policy in the EU and Germany: Recent developments and perspectives

Ruta Landgrebe
Ecologic Institute
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- **Common Agricultural Policy of the EU**
  - Challenges that the CAP faces today
  - Historical development of the CAP
  - Policy Framework and Financing
  - Environmental issues
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  - Characteristics of rural areas in EU
  - Structure, EU Policy Framework and Financing
  - Implementation examples in Germany

- **Agriculture sector in Germany**
  - Agriculture in figures
  - Agricultural structure
Common Agricultural Policy of the European Union
Challenges that the CAP faces today

- **Increased globalisation**: integration of national economies into the international economy
- **Increasing environmental pressures**: climate change, water availability and quality, and need to halt biodiversity loss
- **Increased price volatility**: global emergence of biofuel sector and impact of climate change
- **Food security issues**: growing world population and changed consumption patterns
Historical Development of the CAP (1)

Historical Development of the CAP (2)

- The CAP has its roots in 1950s western Europe, whose societies had been damaged by years of war, and where agriculture had been crippled and food supplies could not be guaranteed.
  
  - emphasis of the early CAP was on encouraging agricultural productivity via subsidies and guaranteed prices/ incentives to produce more.

- 1980’s: huge overproduction -> CAP was becoming expensive and wasteful.
Historical Development of the CAP (3)

- 1992: the MacSharry reform:
  - limit rising production, 'de-coupling' of income support from production support has begun.
  - adjusting to the trend toward a more free agricultural market.

- 2000: 'Agenda 2000' reform:
  - divided the CAP into two 'Pillars': production support and rural development.
  - Agri-environment schemes became compulsory for every Member State.
Historical Development of the CAP (4)

- 2003: Mid-term-Review:
  - "decoupling" subsidies from particular crops.
  - The new "single farm payments" are subject to "cross-compliance".

- 2008: the CAP Health Check:
  - Further decoupling of direct payments.
  - Encouraging effective competition on agricultural markets, e.g. milk quota.
  - Strengthening contribution towards new environmental challenges: climate change, bio-energy, water management and biodiversity.
Historical Development of the CAP (5)

- Post 2013-CAP
  - The next CAP reform will coincide with a new EU budget.
  - Main issues include:
    - reductions in the size of the future CAP budget,
    - the phase-out or reform of the Single Farm Payment (for direct income support to farmers) and
    - the strengthening of targeted payments for public goods (rewarding farmers e.g. for environmental stewardship services).
Current CAP - Policy Framework

Common Agricultural Policy

Pillar I
- European Agricultural Guidance and Guarantee Fund (EAGGF)
- Market and income support measures
- Cross-compliance:
  - Statutory Management Requirements (SMR)
  - Good Agricultural and Environmental Condition (GAEC)

Pillar II
- European Agricultural Fund for Rural Development (EAFRD)
  - Axis 1: Improving the competitiveness of the agricultural and forestry sector
  - Axis 2: Improving the environment and the countryside
    - Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD)
    - Agri-environment payments
  - Axis 3: The quality of life in rural areas and diversification of the rural economy
    - Investments associated with maintenance, restoration and upgrading of the natural heritage and with the development of high natural value sites
  - Axis 4: LEADER

31 March 2011
Agricultural and Rural Development policy, Berlin – Ruta Landgrebe
Current CAP - sustainable agriculture and rural areas

**I Pillar:**
- Income support - direct payments („decoupled“)
- Market policy - market measures (sugar, wine, etc.)
- Cross-compliance standards (incl. environmental)

**II Pillar:**
- Rural Development Policy
- Public goods and services

**Food production**
**Environmental function**
**Rural function**

Multifunctional agriculture

Modulation
Financing of the CAP

- Approximately **413.1 billion Euro (42% of the total EU budget, 2007-2013)** have been designated to the CAP and CFP (fisheries policy).

- When measured as a share of **total public expenditures in the EU**, the **share of the CAP is about 1%**.

- Biggest share of the CAP, **330.1 billion Euro (80% of the total budget)** - market related expenditures and direct payments (**first pillar**).

- First CAP pillar is entirely financed by the EU budget, the second CAP pillar is co-financed.

- 2003 CAP Reform introduced “decoupled” direct payments that are subject to "cross-compliance".
CAP expenditure and reform path (2007 constant prices)

Average payments per beneficiary and per hectare

Current direct payment distribution, showing both the average payment per area (hectare of potentially eligible area) and per farm (beneficiary). Countries with large average holding sizes have higher payments.

Cross-compliance

  - Article 5 and Annex II: **Statutory management requirements**
    - Strengthens implementation of Community legislation in the areas of public, animal and plant health; environment; and animal welfare on Member States level.
  - Article 6 and Annex III: **Good agricultural and environmental condition (GAEC)**
    - Member States shall define, at national or regional level, **minimum requirements for GAEC** on the basis of the framework established (in Annex III), taking into account the **specific characteristics** of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices, and farm structures.
Statutory management requirements, Annex II

- Environment:
  - Groundwater Directive (80/68/EEC)
  - Sewage Sludge Directive (86/278/EEC)
  - Nitrates Directive (91/676/EEC)
  - Habitats Directive (92/43/EEC)
## Implementation of the Nitrate Directive in Germany (1)

<table>
<thead>
<tr>
<th>Nitrate Directive</th>
<th>Implementation in Germany (Fertilisation Ordinance and Länder legislation): provisions relevant for cross compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annex II A:</strong> codes of good agricultural practice should contain provisions on:</td>
<td></td>
</tr>
<tr>
<td>Periods when land application of fertiliser is inappropriate</td>
<td>Crop land may not be fertilised from 1 November till 15 January; grassland may not be fertilised from 15 November until 15 January.</td>
</tr>
<tr>
<td>Application of fertiliser to steeply sloping ground</td>
<td>The amendment of the Ordinance establishes regulations concerning agricultural crop land that has a steep slope angle with respect to a water body. On these areas, fertiliser may only be applied subject to certain conditions, e.g. it has to be injected or worked into the soil immediately.</td>
</tr>
<tr>
<td>Land application of fertiliser to water-saturated, flooded, frozen or snow-covered ground</td>
<td>Fertilisers may only be applied if the soil is able to absorb it, i.e. the application is not permitted on soil that is flooded, water saturated, snow covered or frozen.</td>
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<tr>
<td>Land application of fertiliser near water courses</td>
<td>Direct discharge of fertilisers into surface waters has to be prevented. Länder laws specify the distance from waters up to which application of fertilisers is permitted, (e.g. 7 m in Mecklenburg-Western Pomerania).</td>
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</table>
## Implementation of the Nitrate Directive in Germany (2)

<table>
<thead>
<tr>
<th>Nitrate Directive</th>
<th>Implementation in Germany (Fertilisation Ordinance and Länder legislation): provisions relevant for cross compliance</th>
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<tbody>
<tr>
<td><strong>Annex III</strong></td>
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</table>
| Limitation of application of fertilisers to be based on a balance between nitrogen requirements of the crops and nitrogen supply to the crops | • If more than 50 kg N per hectare and year are applied, the farmer has to determine the nitrogen requirement of the crops and the amount of nitrogen present in the soil.  
• Prior to the application of organic or organic-mineral fertilisers (including manure) the total nitrogen content has to be determined, in the case of liquid manure also the content of ammonium-N.  
• Farmers have to keep documentation of the nutrient amounts in the soil and in the fertilisers, and of all application activities. A nutrient balance has to be provided by 31 March for the previous year. |
## Good Agricultural and Environmental Condition, Annex III

<table>
<thead>
<tr>
<th>Issue</th>
<th>Compulsory standards</th>
<th>Optional standards</th>
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</thead>
<tbody>
<tr>
<td>Soil erosion: Protect soil through appropriate measures</td>
<td>— Minimum soil cover</td>
<td>— Retain terraces</td>
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<tr>
<td>Soil organic matter: Maintain soil organic matter levels through appropriate practices</td>
<td>— Arable stubble management</td>
<td>— Standards for crop rotations</td>
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<tr>
<td>Soil structure: Maintain soil structure through appropriate measures</td>
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<td>— Appropriate machinery use</td>
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<td>Minimum level of maintenance: Ensure a minimum level of maintenance and avoid the deterioration of habitats</td>
<td>— Retention of landscape features, including, where appropriate, hedges, ponds, ditches, trees in line, in group or isolated and field margins</td>
<td>— Minimum livestock stocking rates or/and appropriate regimes</td>
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<td>— Avoiding the encroachment of unwanted vegetation on agricultural land</td>
<td>— Establishment and/or retention of habitats</td>
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<td>— Protection of permanent pasture</td>
<td>— Prohibition of the grubbing up of olive trees</td>
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<tr>
<td>Protection and management of water: Protect water against pollution and run-off, and manage the use of water</td>
<td>— Establishment of buffer strips along water courses (!)</td>
<td>— Maintenance of olive groves and vines in good vegetative condition</td>
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<td></td>
<td>— Where use of water for irrigation is subject to authorisation, compliance with authorisation procedures</td>
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## Implementation of GAEC in Germany: soil organic matter and soil

<table>
<thead>
<tr>
<th>Annex IV standard (Council Regulation 1782/2003)</th>
<th>German national standards (DirektZahlVerpflV)</th>
<th>German GFP standards</th>
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<tbody>
<tr>
<td>Arable stubble management</td>
<td>Stubble burning is prohibited. For phytosanitary reasons, the responsible authority of the Länder can approve exceptions to the ban on stubble burning.</td>
<td>Soil compaction shall be avoided as far as possible, especially by taking the relevant soil type and soil humidity into account, and by controlling the pressure exerted on the soil by equipment used for agricultural soil use (BBodSchG)</td>
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<td>Appropriate machinery use</td>
<td>none$^{62}$</td>
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### Implementation of GAEC in Germany, Länder

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<td>Minimum land management reflecting site-specific conditions</td>
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<td>Soil organic matter</td>
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<td>Maintenance of olive groves in good vegetative conditions</td>
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**Main concerns are soil erosion and protection of environment and nature.**

**GAECs standards are based on current national practices.**

**Germany focuses on all issues but soil structure.**
Rural Development Policy
(programming period 2007-2013)
Rural areas in the EU:

- live 56% EU population: 19% predominantly rural regions, 37% significantly rural regions
- cover 92% of the EU territory
- generate 45% of the EU's value added
- provide 53% of employment
- income per inhabitant 1/3 less than the European average
- service sector is less developed
- Challenges faced by rural areas: growth, jobs and sustainability


- Axis 1: Competitiveness
- Axis 2: Environment + Land Management
- Axis 3: Economic diversification Quality of Life
- Axis 4: ‘LEADER approach’

EAFRD Regulation = „tool kit“

Common Monitoring and Evaluation Framework (CMEF) on the EU level
EU policy framework for rural development: strategic levels

- European level: Community strategic guidelines for rural development (Council Decision, 2006)
  - identify the Community's strategic priorities, with indicative key actions for each one (for the three thematic Axes)

- National / Member State level: National strategy plans on rural development
  - transfer the EU strategic priorities on the national situation
  - ensure consistency in programming and complementarity with other Community policies, in particular cohesion and environment ("horizontal priorities")
EU policy framework for rural development: strategic levels

- Programme level: national or regional rural development programmes
  - Implementation on the basis of subsidiarity differences in the complementary national policies

- Detailed implementation by thematic axis and measure

- A common monitoring and evaluation system for the rural development programmes: meeting of objectives, efficiency and effectiveness of policy delivery and the part of EU budget spent on rural development.
Measures under Axis 1 – competitiveness

Improving the competitiveness of agricultural and forestry sector

- **Human resources:** Vocational training and information actions, Young farmers, Early retirement, Use of farm advisory services, Setting up of farm management, relief and advisory and forestry advisory services

- **Physical capital:** Farm/forestry investments, Processing/marketing/co-operation for innovation, Agricultural/forestry infrastructure, Restoring agricultural production potential

- **Quality of agricultural production and products:** Meeting standards temporary support, Food quality incentive scheme, Food quality promotion

- **Transitional measures** (for the new Member States until 2013): Semi-subsistence, Setting up producer groups
Measures under Axis 2 – land management

Improving the environment and the countryside

- **Sustainable use of agricultural land**: Mountain LFA, Other areas with handicaps, Natura 2000 agricultural areas, Agri-environment/animal welfare (compulsory), Support for non-productive investments

- **Sustainable use of forestry land**: Afforestation (agricultural/non-agricultural land), Agroforestry, Natura 2000 forest areas, Forest environment, Restoring forestry production potential, Support for non-productive investments

- **Baseline (agriculture)**: cross-compliance
Measures under Axis 3 – wider rural development

Quality of life in rural areas and diversification of the rural economy

- **Quality of life**: Basic services for the rural economy and population (setting up and infrastructure), Renovation and development of villages, Protection and conservation of the rural heritage

- **Economic diversification**: Diversification to non-agricultural activities, Support for micro-enterprises, Encouragement of tourism activities

- **Training skills acquisition and animation**: Training and information, Skills acquisition, animation and implementation
Measures under Axis 4 – LEADER axis

Each programme will contain a Leader axis to finance:

- the implementation of the local development strategies of Local Action Groups (LAGs) according to the LEADER approach (bottom-up) built on one or more of the three thematic axes
- the (transnational and interterritorial) cooperation projects between them
- the operating costs of LAGs, the capacity building necessary for the preparation of local development strategies and the animation of the territory
Relative importance of the three thematic RD axes

Member States' rural development priorities by depicting the share of their rural development spending dedicated to the different axes

Comparison of financial contribution per axes and measure 511 of the 2007-2013 programming period in Germany

Note: Measure 511: Technical assistance
Relative importance of axes within the EAFRD contribution for the 2007-2013 programming period in Germany

Note: Measure 511: Technical assistance
Main rural development measures of the 2007-2013 programming period in Germany
Agriculture in the EU and Germany – some figures (1)

EU (2007)
- About 7 mio holdings (number decreasing)
- Average utilised area/holding: 22 hectares
- Percentage of farms consuming more than 50% of their production: about 50% (highest in SK, HU, RO, LV, BG)
- About 4% farmed organically

Germany (2007)
- About 340 000 holdings (number decreasing)
- Average utilised area/holding: 33 hectares (West), 185 hectares (East)
- 2.1% of working population employed in agriculture (about 50% of them self-employed, many part-time)
- Farmed organically: 5% of total agriculturally used area, 3.9% of all agricultural holdings
Agriculture in the EU and Germany – some figures (2)

EU (2007)

Germany (2007)

- The largest producer of milk, pork and rapeseed (of all EU Member States)
- The second largest producer of cereals and potatoes, sugar beet and beef (of all EU Member States)
Agricultural structure in Germany (1)

Agricultural area in the German Länder (agricultural area as % of total area)

Agricultural areas are located mainly in:
- Bavaria and
- Lower Saxony,

but also to a large extent in:
- North Rhine-Westphalia,
- Baden-Württemberg,
- Mecklenburg-Western Pomerania and
- Brandenburg.

Agricultural structure in Germany (2)

Structure of the agricultural sector in the German Länder:
(a) Size of farms in Germany (agricultural area per farm in hectares)
(b) Number of farms per district (Landkreis)

<table>
<thead>
<tr>
<th>Agricultural area, ha, size categories</th>
<th>Number of farms, in 1000</th>
<th>Agricultural area, in 1000 ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5</td>
<td>27.3</td>
<td>53.9</td>
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<tr>
<td>5 – 10</td>
<td>47.7</td>
<td>345.9</td>
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<td>10 – 20</td>
<td>63.4</td>
<td>951.4</td>
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<td>20 – 50</td>
<td>76.7</td>
<td>2563.9</td>
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<td>50 – 100</td>
<td>51.9</td>
<td>3650.3</td>
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<td>100 – 200</td>
<td>23.0</td>
<td>3084.0</td>
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<td>200 – 500</td>
<td>7.2</td>
<td>2108.4</td>
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<td>500 – 1000</td>
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<td>1460.8</td>
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<tr>
<td>&gt; 1000</td>
<td>1.5</td>
<td>2553.6</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>300.7</strong></td>
<td><strong>16772.3</strong></td>
</tr>
</tbody>
</table>


Agricultural structure in Germany (3)

Cereal production and livestock husbandry in the dairy and beef sectors in the German Länder:
(a) Cereal production as percentage of total arable farmland
(b) Number of beef and dairy cattle per 100 hectares of agricultural area

Thank you for listening.

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