

# Synthesis and assessment of the public debate on the reform of the CAP after 2013

## Germany

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# **Synthesis and assessment of the public debate on the reform of the CAP after 2013**

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## LIST OF ABBREVIATIONS

AbL:	Arbeitsgemeinschaft bäuerliche Landwirtschaft
AMK:	Agrarministerkonferenz
BDSI:	Bundesverband der deutschen Süßwarenindustrie
BfN:	Federal Agency for Nature Conservation
BÖLW:	Bund Ökologische Lebensmittelwirtschaft
CAP:	Common Agricultural Policy
CDU:	Christlich Demokratische Union Deutschlands
COPA:	Committee of Professional Agricultural Organisations
CSU:	Christlich-Soziale Union in Bayern
DBV:	Deutscher Bauernverband
DRV:	Deutscher Raiffeisenverband
EAFRD:	European Agricultural Fund for Rural Development
EAGF:	European Agricultural Guarantee Fund
ERDF:	European Regional Development Fund
ESF:	European Social Fund
EU:	European Union
FDP:	Freie Demokratische Partei
FFH:	Flora Fauna Habitat
FIAN:	FoodFirst Informations- und Aktionsnetzwerk
GAK:	Joint Task Improvement of the Agricultural Structures and Coastal Protection
GDR:	German Democratic Republic
IFOAM:	International Federation of Organic Agriculture Movements
ILO:	International Labour Organisation
IVA:	Industrieverband Agrar
IZZ:	InfoZentrum Zuckerverwender
KLU:	Agriculture Commission at the Federal Environmental Agency
LEADER:	Liaison Entre Actions de Développement de l'Économie Rurale
NABU :	Naturschutzbund Deutschland
NGO:	Non-governmental organisation
RNE :	Council for Sustainable Development
SPD:	Sozialdemokratische Partei Deutschlands
UBA:	Federal Environmental Agency
WTO:	World Trade Organisation
WVZ:	Wirtschaftliche Vereinigung Zucker

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## 1 Introduction

In the introduction some background Information on German agriculture and agricultural policy is given to make it easier for the reader to put the issues discussed in the public debate on the reform of the European Common Agricultural Policy into context. Also, the background of the analysis and the materials used are described shortly.

### 1.1 Background Information on German Agriculture

#### 1.1.1 Basic Facts on Agricultural Production and Structure

Currently there are about 300,700 farms operating in Germany. In the last decades there has been a continuous structural change in the German agricultural sector characterized by a decreasing number of farms and increasing farm sizes (for several years the average annual rate of decrease in the number of farms was about 3%). Although the number of farms with less than 100 ha utilised agricultural area has decreased especially fast, still 72% of all farms have less than 50 ha utilised agricultural area. The average farm size in Germany is 56 ha utilised agricultural area, but there are big regional differences. Large farms dominate in the eastern parts of Germany, the former German Democratic Republic, where farming was organised in agricultural production cooperatives. They are run as cooperatives, incorporated companies or private farms. In the western parts of Germany farms tend to be larger in the north compared to the south (BMELV 2011). These differences are mainly the result of differences in inheritance customs between regions.

Approximately 33% of Germany's total area is covered in wood, approx. 32% is used as cropland and 22% is grassland. Again, there are regional differences. For example some regions with fertile soils, e.g. around Hanover, have a higher share of cultivated cropland whereas mountainous regions like the Alps are rich in woodland (European Commission 2011).

In the EU Germany is an important producer of cereals, sugar beet, rape seed, milk, beef, pork and poultry. A centre of livestock production with a high livestock density is the North-west of Germany (ibid.).

#### 1.1.2 Economic Importance of Agriculture

On the first glance agriculture is of minor importance to the German economy: In 2009 the agricultural sector contributed only 0.8% to the total gross value added of the German economy and in 2010 approx. only 1.1 million people were full- or part-time employed in agriculture (BMELV 2011). However, if upstream and downstream sectors are included the picture is different: the agriculture and food sector in the broader sense contributed 6.5% to the gross value added of Germany and approximately 5 million people, or every eighth German employee, worked in the sector, most of them in food retail followed by gastronomy and the manufacturing industry (ibid.). Significant branches of the food producing industry are slaughtering and meat processing, milk processing, production of bakery products and confectionery fruit, vegetable and potato processing as well as breweries (BMELV 2009).

The German agricultural and food industry earns every fourth Euro abroad, but overall Germany has an agricultural trade deficit. Most important trading partners are other EU member states (BMELV 2009).

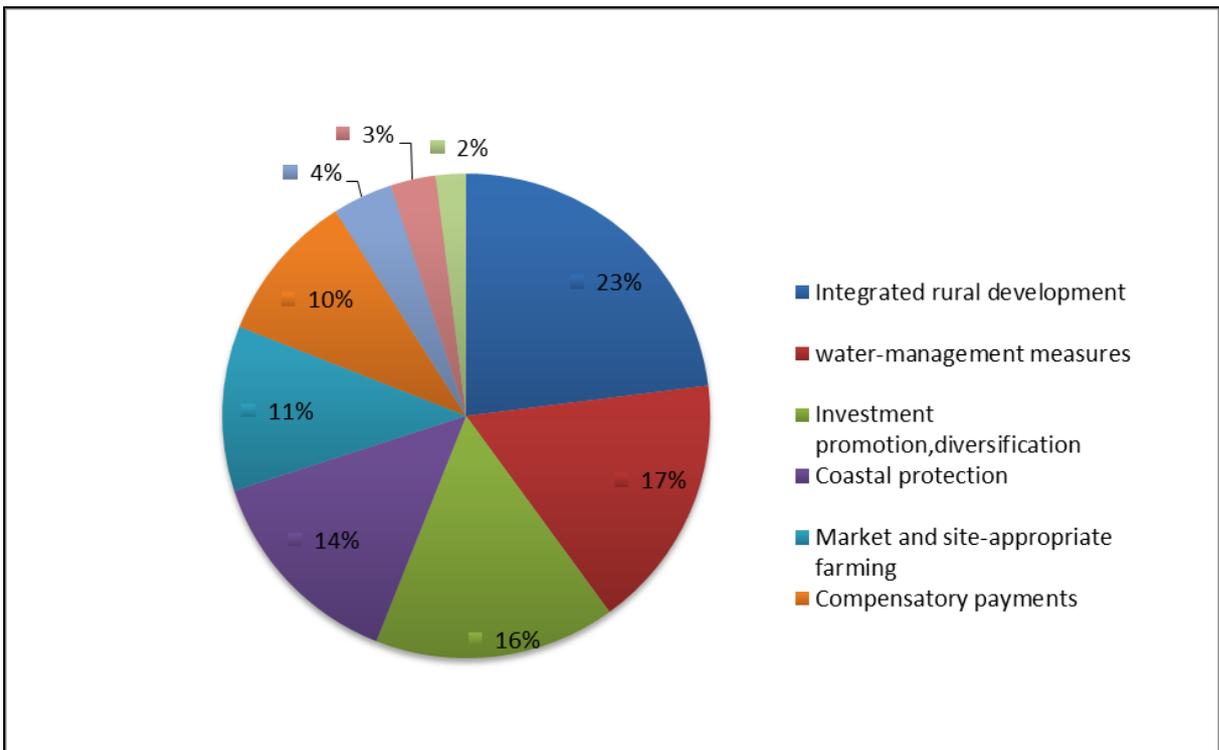
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### 1.1.3 Agricultural Policy

On the basis of the regulatory framework of the 2003 CAP reform and the Health Check a dynamic hybrid model of direct payment provision was applied in Germany. With minor exceptions direct payments were decoupled. The amount per farm corresponded to that of a reference period (historical model) until the end of 2009. From 2010 onward this amount is being gradually replaced by a flat rate per eligible hectare. The transition period will end in 2012. From 2013 onward completely decoupled flat rates per eligible hectare will be paid the amount of which slightly varies between the federal states (regional model) (BMELV 2006). The system change implies a redistribution of payments between farmers: farms with intensive cattle production, e.g. fattening of bulls or dairy cows based on maize silage, are likely to be among the losers, while farms with a high share of grassland without animal premiums in the reference period or farms keeping suckler cows based on extensive grassland management will profit. On average, direct payments make up 52% of farming incomes. Overall, Germany is a major net payer with regard to the European Agricultural Guarantee Fund (EAGF): in 2010 Germany contributed 19.56% of all funds to the EAGF, but received only 13.03% (BMELV 2011).

The most important national instrument for the coordination of agricultural structural policy and for implementing and nationally co-financing the EU rural development policy via the European Agricultural Fund for Rural Development (EAFRD) is the Joint Task Improvement of the Agricultural Structures and Coastal Protection (GAK). The coordination of the GAK lies in the responsibility of the Federal Government. Planning is the joint responsibility of the Federal Government and the federal states, whereas implementation resides with the federal states. The programme is financed by the Federal Government, the federal states and the EAFRD. Important policy instruments are investment support, support of income diversification, integrated rural development programmes, compensatory payments and agro environmental programmes. Around a quarter of all agricultural utilised area is currently participating in agro environmental programmes, mainly in grassland and low yielding areas (BMELV 2011). Figure 1 on the following page shows the allocation of funds in the GAK to different policy areas in 2010.

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**Figure 1: Allocation of Funds in the GAK 2010**

Source: BMELV (2011), p.38

In order to implement the EAFRD regulation a national strategy has been drawn up. This national strategy is used to coordinate the programmes, which are planned and implemented by the federal states. In their programmes the federal states put different weights on the different elements of the EAFRD regulation: in the North of Germany the focus lies on competitiveness of agriculture, in the South the focus lies on the protection of the environment and cultural landscapes, whereas in East Germany the focus lies on the quality of life and income diversification in rural areas (BMELV 2011).

List of references:

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011): Die EU-Agrarreform-Umsetzung in Deutschland. [http://www.bmelv.de/SharedDocs/Downloads/Broschueren/EU-Agrarreform2006.pdf?\\_\\_blob=publicationFile](http://www.bmelv.de/SharedDocs/Downloads/Broschueren/EU-Agrarreform2006.pdf?__blob=publicationFile) (accessed 23.11.2011), 124 pp.

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011): German Agriculture Facts and Figures. Edition 2010. [http://www.bmelv.de/SharedDocs/Downloads/EN/Publications/GermanAgriculture.pdf?\\_\\_blob=publicationFile](http://www.bmelv.de/SharedDocs/Downloads/EN/Publications/GermanAgriculture.pdf?__blob=publicationFile) (accessed 22.11.2011), 40 pp.

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011): Agrarpolitischer Bericht der Bundesregierung. [http://www.bmelv.de/SharedDocs/Downloads/Broschueren/Agrarbericht2011.pdf?\\_\\_blob=publicationFile](http://www.bmelv.de/SharedDocs/Downloads/Broschueren/Agrarbericht2011.pdf?__blob=publicationFile) (accessed 22.11.2011), 119 pp.

European Commission (2010): Agriculture and Fishery Statistics - Main results 2009-10. [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-FK-11-001/EN/KS-FK-11-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-FK-11-001/EN/KS-FK-11-001-EN.PDF) (accessed 22.11.2011), 158 pp.

## 1.2 Basis of the Analysis

The publication of a Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled “The CAP towards 2020: Meeting the food, natural resources and territorial changes of the future” (COM 2010 672 final) on November 18<sup>th</sup> 2010 was followed by an intensive public debate throughout the European member states. In this Communication the Commission describes the previous reform path of the CAP, defines future challenges for the CAP (food security, environment and climate change, territorial balance) sets out objectives of the future CAP (viable food production, sustainable management of natural resources and climate action, balanced territorial development) and specifies future instruments (including the capping and greening of direct payments) as well as three broad policy options. Option 1 describes a continuation of the current policy with some adjustments regarding the distribution of direct payments between member states. Option 2, which is clearly favoured by the Commission, aims at creating a more sustainable and better targeted CAP that contributes more to the EU 2020 strategy of smart, sustainable and inclusive growth. Option 3 describes a fundamental reform with a strong focus on environmental protection and climate action moving away from income support and market measures. The following analysis of the public debate in Germany is mainly based on position papers, press releases and media reports (using the Agra-Europe press service) that were published in reaction to that Communication. As far as possible the reactions of relevant stakeholders to the far more detailed legal proposals of the Commission published on October 12<sup>th</sup> 2011 have been included in the analysis.

## 1.3 Stakeholders Included in the Analysis

The aim of this analysis was to provide an unbiased summary and a comparison of the positions on the future CAP taken by relevant stakeholders of the public debate on agricultural policy in Germany. The selection of statements presented is meant to provide a picture of the nature of issues discussed, the arguments used and the reasoning behind them. For that purpose the statements of institutions, associations and individuals representing different groups of stakeholders from the fields of

- politics (Federal Government, Federal States and state agencies),
- farmers' associations (DBV and DRV),
- non-governmental and civil-society organisations (German Platform, campaign “Meine Landwirtschaft”, NGO Forum on Environment and Development),
- science (Scientific Advisory Boards on Agricultural Policy and Biodiversity/Genetic Resources, individual academics, Council for Sustainable Development) and
- industry (IVA, BDSI, IZZ, WVZ)

have been analysed.

With the aim to give a balanced picture of the public debate some available statements have not been explicitly or separately included in the analysis, e.g. in the case of non-governmental and civil society organisations the authors chose to focus on joint statements of environmental, organic farming and development cooperation organisations instead of presenting all statements given by the individual organisations. On the other hand there are organisations, namely in the field of agriculture related industry, that were considered important stakeholders of agricultural policy by the authors, but that published only few statements that could be included in the analysis. More detailed information on the

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stakeholders included in the analysis can be found in the respective chapters and sub-chapters.

## 2 Summaries of Selected Statements

In this chapter the summaries of selected statements from different stakeholders in the German public debate on the future CAP are summarised.

### 2.1 Politics, Administration and State Agencies

In the following section the statements of the Federal Government, a Federal Government and Federal States expert working group and the Federal States are presented. The statements of individual politicians and party bodies are not presented in a separate section as the positions of the major political parties are largely reflected by their representatives in the Federal Government or the Federal States.

#### 2.1.1 Federal Government

In February 2011 the Federal Government published a statement in response to the Commission's communication (AgE 2011a).

##### Challenges and Targets

The Federal Government shares the view of the Commission regarding the challenges and targets of the CAP, namely climate change, biodiversity, water management, viable food production, sustainable management of natural resources and sustainable rural development. The Government states that the CAP must be coherent with the other policy fields of the EU and the Millennium Development Goals. In order to meet the challenges mentioned above and in order to contribute to the Europe 2020 strategy a sustainable, productive and competitive agricultural sector is needed. In principal, the Government welcomes the Commission's market oriented approach and the attempt to face the environmental challenges also within the CAP (ibid.).

Regarding the **orientation** of the reform the Government supports the continuation of the structure of the CAP in two complementary, but distinct pillars.

From the Government's perspective, a **redistribution** of funds between member states should only take place in a limited way and should be carried out step by step in order to prevent disruptions. In this context the government stresses that new policy elements suggested by the Commission, like the greening of direct payments or additional payments for less-favoured areas within the first pillar, must not serve as a justification for a redistribution of funds between member states (ibid.).

##### Direct Payments

In the Government's view, direct payments serve as income support, as a compensation for high production standards as well as remuneration for socially desirable services. The principle of a lump-sum remuneration of public goods has proved its worth and should be further developed. The Government demands that the previous efforts of Germany to implement the reform of 2003 should be recognized and stresses that it is necessary to fully decouple direct payments in the whole of Europe (ibid.).

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The Government doubts whether the proposed **greening** of direct payments would in fact efficiently benefit the environment and fears an increase of bureaucracy. The Government believes that environmental goals can be better reached in an effective, WTO-conform way within the second pillar, because of its subsidiary and long-term approach (ibid.). However, the head of the department of nature conservation and sustainable use of nature in the Federal Ministry for the Environment Nature Conservation and Nuclear Safety (Gertrud Sahler) stated, in contrast to the Government's statement, that a certain greening of the first pillar would be vital in order to improve nature conservation to the necessary extent (AgE 2011b). In a reaction to the publication of the Commission's legal proposals the Minister of Agriculture (Ilse Aigner, CSU) stated that the proposed greening measures created a conflict of objectives as on the one hand agriculture is supposed to increase production of food and renewable resources and on the other hand the introduction of obligatory ecological focus areas limits its production potential. She would like to see all areas with agro environmental measures to be counted as greening. The Minister does not generally oppose regulations on crop rotation, but sees the need for further clarification, especially with regard to grassland farms (AgE 2011c).

Additional payments to farmers in **less-favoured areas** within the first pillar are dismissed by the Government as this would blur the division between the first and the second pillar without being more effective (AgE 2011a).

The Government also opposes the Commission's proposal of **capping** of direct payments as public goods can be provided irrespectively of farm size (AgE 2011a). The State Secretary in the Ministry of Agriculture (Dr. Gerd Müller, CSU) argues that a capping or degression of direct payments depending on the amount of the payment (and not depending on any criteria related to the business proprietor) is not an appropriate instrument to meet the criticism that large amounts of public money in the form of direct payments are currently paid to non-agricultural recipients (AgE 2011c). The Government also dismisses the idea to couple the provision of direct payments with **employment** as this contradicts the idea of competitiveness and the WTO specifications (AgE 2011a). Additionally, the Federal Minister of Agriculture (Ilse Aigner, CSU) argues that such a coupling would introduce a whole new sort of support, the support of employment in agriculture, which is not wanted by the Federal Government (BMELV 2011). According to the Minister the coupling with employment will also increase bureaucracy without reaching the hoped for objective as only a very small number (approx. 25 farms in Germany) will be affected by the capping policy (AgE 2011d).

Concerning the proposal to consequently limit the provision of direct payments to „**active farmers**“ the Government sees the need to further analyse whether it is necessary and adequate to adapt the current legal framework. If the regulations are adapted the Government stresses that the new regulations must be appropriate, non-discriminatory, feasible and conform to WTO rules (BMELV 2011). The Agricultural Minister also fears that part time farmers will be negatively affected by such a policy (AgE 2011d),

The Government is critical towards specific support for **small farmers**. In the government's opinion such a policy should be optional for member states and must not impede the necessary structural change. The government dismisses any form of competition distortion in favour of certain groups of producers or resulting transfers of funds between member states. The Government also fears that such a policy might weaken food safety, environmental or animal welfare standards within the EU common market (BMELV 2011).

### Market Measures

Regarding market measures the Government argues in favour of a market oriented and competitive EU agricultural sector. Market measures should only complement the safety pro-

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vided by direct payments in extreme market situations. The **safety net** instruments currently available are sufficient in the Government's view. Longer intervention periods or private storage is seen as unnecessary. On the condition of an agreement in the WTO negotiations the Government calls for an abolishment of all forms of distortive **export subsidies** (ibid.). However, the Minister for Economic Cooperation and Development (Dirk Niebel, FDP) demanded, in contrast to the Government's statement, the abolishment of EU export subsidies until 2013 irrespectively of an agreement in the WTO Doha round (BMZ 2011).

In view of increasing market orientation of international competition measures to increase **quality, labelling and the strengthening of producers** in the food supply chain are of great importance to the Government. Measures of that kind, however, must not be distortive, but conform to the rules of the WTO and the EU common market (AgE 2011a).

### Rural Development

Concerning rural development the Government sees the need to strengthen innovation and competitiveness of the agricultural sector and to reward the contributions of farming to environmental challenges. The principle of **co-financing** in the second pillar strengthens the responsibility of member states and regions and has proven adequate and efficient.

The Government asks the Commission to analyse how simple and targeted instruments can create stronger incentives for the participation in **agro environmental measures**.

The Government supports the **harmonisation** of regulations between EAFRD and other EU funds (ERDF, ESF) as long as they remain distinct and allow for flexibility of implementation in the member states (AgE 2011a and AgE 2011b).

### Simplification of Administrative Procedures

Evaluation systems, including concrete **quantifiable targets**, should take the administrative feasibility into account. They need to be simplified and put down well in advance of the beginning of the measure to provide a sound basis for programming of member states and regions.

The Government stresses the need to simplify administrative procedures, e.g. with regard to cross compliance (AgE 2011a).

List of references:

AgE (Agra-Europe) (2011a): Sonderbeilage: Stellungnahme der Bundesregierung zur GAP-Mitteilung der EU-Kommission. Agra-Europe 8/11, 21.02.2011

AgE (Agra-Europe) (2011b): Bund für Verzahnung der ländlichen Entwicklungspolitik. Agra-Europe 22/11, 30.05.2011, pp.19/20

AgE (Agra-Europe) (2011c): Bundesregierung bekräftigt Nein zur Kappung. Agra-Europe 40/11, 04.10.2011, p.5

AgE (Agra-Europe) (2011d): Geteiltes Echo in Deutschland auf EU-Vorschläge zur Agrarpolitik nach 2013, Agra-Europe 42/11, 17.10.2011, pp.44-48

BMELV (Bundeministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011): Pressemitteilung Nr. 211 (12.10.2011), <http://www.bmelv.de/SharedDocs/Pressemitteilungen/2011/211-AI-GAP.html> (accessed 13.10.2011)

BMZ (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung) (2011): Niebel fordert Ende der Agrarexportsubventionen unabhängig vom Abschluss der Doha-Runde bis 2013. Press release (17.04.2011).

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[http://www.bmz.de/de/presse/aktuelleMeldungen/2011/april/20110417\\_pm\\_58\\_doha/index.html](http://www.bmz.de/de/presse/aktuelleMeldungen/2011/april/20110417_pm_58_doha/index.html) (accessed 12.10.2011)

### 2.1.2 Federal Government and Federal States Expert Working Group

A working group of experts from the agricultural ministries at federal state and federal level has made proposals on how to reduce bureaucracy in the implementation of the CAP after 2013 (AgE 2011).

According to media reports the expert working group favours an implementation of the proposed **greening** of the CAP in the first pillar as this would be easier to administer. Also regarding the implementation of necessary sanctions and the visibility of the effects of such a greening, as the condition for social acceptance, the integration of the greening into the first pillar would be favourable (AgE 2011). However, the Federal Ministry of Agriculture later on denied the media reports that gave the impression that the ministry would favour the integration of the proposed greening into the first pillar and said that the working group was simply analysing in what way some greening measures could possibly be implemented in the first pillar (Agrarheute 2011).

According to the experts linking the provision of payments to additional environmental services almost inevitably leads to more bureaucracy. To keep this additional bureaucracy at a minimum the new measures demanded should be limited to simple, annual measures that can be controlled simultaneously with already existing controls. Control rates should be kept low and additional sanction systems should be avoided. The experts propose a number of measures that would be obligatory for all farmers, such as a prohibition of ploughing up of permanent grassland, an ecological set aside on crop land, as well as specifications on crop rotation. Those measures are seen as effectively improving the environment with a minimum of additional bureaucracy for farmers and administration. The expert group opposes the introduction of regulations regarding ground cover in the winter, because this would be difficult to control. An additional bonus for areas in FFH sites would be easy to implement, but such a bonus would, according to the experts, not lead to additional environmental services. The experts also oppose regulations on livestock density per hectare of permanent grassland and the integration of organic farming into a greening of the first pillar.

Concerning the proposal of the Commission to limit the provision of direct payments to „**active farmers**“ the experts note that this might be feasible if the proof of “activity” is limited to the area managed by the business proprietor. However, already now there is the option to exclude businesses from the provision of direct payments that do not primarily engage in farming.

The expert working group opposes a **capping** of direct payments or the coupling with **employment**. Such a policy might not be in line with the rules of the WTO and contradicts the principles of decoupling and the area based remuneration of socially desirable services. If the coupling with employment was to be introduced the experts favour the coupling with actual workers or total wages from an administrative point of view, although such an approach would punish efficiently organised farms. This problem would be less grave if the coupling was based on imputed labour demand.

List of references:

AgE (Agra-Europe) (2011): Bund und Länder gegen ein Greening in der Zweiten Säule. Agra-Europe 11711, 14.03.2011, p.22

Agrarheute (2011): Greening: Ministerium dementiert Presseberichte. 16.03.2011, <http://www.agrarheute.com/greening-widerspruch> (accessed 06.10.2011)

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### 2.1.3 Federal States

In the following section the statements of the Federal Council of Germany and the conference of agricultural ministers of the federal states are presented. Other statements by agricultural ministers are added if they differ from those statements or provide additional information.

#### **Bundesrat**

The Bundesrat is the Federal Council of Germany in which each federal state is represented by members of its government (Bundesrat 2011). In its sitting on December 17<sup>th</sup> 2010 the Federal Council passed a resolution on the Commission's communication concerning the GAP after 2013 (Bundesrat 2010).

#### Challenges and Targets

The Federal Council states in its resolution that the further development of the CAP must ensure its future capabilities and its social acceptance in a way that creates provable advantages for consumers, farmers, rural areas and the environment. Concerning the challenges of the CAP the Council detects an area of conflict between competitive production of high quality food and renewable resources on the one hand and society's demands regarding environment, climate, water management, biodiversity and the preservation of vivid rural areas on the other hand. It agrees with the Commission that sustainably securing food security, environmental protection and climate change as well as a balanced spatial development constitute important challenges and that a competitive and dynamic agricultural sector is needed to meet them. In addition demographic change in rural areas needs special attention according to the Council. In order to meet the future challenges, especially competitiveness, globalisation, volatile markets, biodiversity, water management and climate change, the CAP must be further adapted. This must be done taking into account that some of the challenges require strategies that are adjusted to regional differences. The Council further agrees with the Commission that the reform of the CAP needs to be seen in context with the Europe 2020 strategy and green growth in the agricultural sector.

The main targets of the CAP as stated by the Commission (viable food production, sustainable management of natural resources and climate measures as well as a balanced spatial development) are supported by the Council which in addition calls for an improved framework to strengthen the competitiveness of the European agricultural sector.

According to the Council it is impossible to fulfil all the social goals of the European agricultural model without income support for farmers, the stabilisation of farm enterprises and the remuneration of public goods provided by agriculture. Therefore, the Council opposes the stepwise or complete abolishment of market and income support as described in one of the policy options.

Concerning the **orientation** of the reform the Council supports the continuation of the CAP in two complementary pillars. The division between decoupled and cross-compliance bound direct payments in the first pillar and payments for additional services in the second pillar is seen as coherent with the principle of public money for public goods.

The Council is critical of a more **equitable distribution** of the EU funds between member states because of the cuts for German farmers that would to be expected as well as in regard to Germany as a net payer. According to the Council a redistribution of funds must take the differences in economic and natural conditions between the member states into account and therefore can only take place to a limited extent and only over a longer period of time. In the

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Council's view the priority should be to harmonise the direct payment systems within the EU aiming at completely decoupled regional single area payments.

Regarding the financing of CAP measures the Council states that direct payments should also in the future be completely financed by EU funds, while second pillar measures should be co-financed also in the future. Measures in the field of the new challenges should still be financed with a higher share of EU funds.

### Direct Payments

The Council holds the opinion that direct payments play an important role in stabilising farmers' incomes and have proven of value as a lump-sum remuneration of the public goods and services of agriculture. The Council supports the aim to better integrate environmental protection into the CAP, but fears that the policies as described by the Commission in option 2 will lead to a massive increase in bureaucracy without essentially improving the social value of the payments. The Council is not convinced by the outlined proposals concerning the obligatory **greening** of direct payments and demands further specifications. Concerning the proposal to split the direct payments into a basis component and obligatory as well as voluntary additional components the Council has strong reservations as it fears that such a policy would eliminate the so far clear division between the two pillars and would lead to more bureaucracy. Also the Council argues that EU-wide obligatory greening measures would not fulfil their purpose as the different on-site conditions between the regions are not taken into account. Additionally, the introduction of costly restrictions would diminish the income support function of decoupled direct payments.

Concerning the proposed **capping** of direct payments the Council asks the Commission to analyse whether an EU-wide regulation is necessary or whether the member states could introduce their own regulation, also in regard to the distribution of funds within the respective state. It states that public goods are provided by all farms regardless of their legal form or the agricultural structures. Linking the provision of direct payments to the size of an agricultural holding or to **employment** contradicts the system of single area payments and is therefore dismissed by the Council. The introduction of a capping policy must not lead to a redistribution of funds between member states in the Council's view.

The Council opposes the introduction of additional direct payments to farmers in **less-favoured areas** in the first pillar or the abolishment of the compensatory allowance in the second pillar as it does not see any advantages in such a change.

The Council argues that the member states already have the possibility to limit the provision of direct payments to „**active farmers**“ and that additional regulations are unnecessary. Changes in the legal framework must not lead to uncertainty or more bureaucracy.

The Council dismisses the proposal of specific support for **small farmers** as it is assessed to be totally unclear.

### Market Measures

The Council is supportive of a market oriented CAP, but agrees with the proposal of the Commission to keep up market measures as a **safety net** to mitigate the effects of unusual market crisis without permanently intervening in the functioning of the market. This is seen as also lying in the interest of consumers. The Council also supports the proposal of the Commission to strengthen the role of producers within the food supply chain. With regard to increasing price volatility on agricultural markets more transparency and market power to producers in some sectors is seen as desirable.

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Concerning the **sugar market organisation** the Council argues that, also in regard to the preference erosion for developing countries, the existing market measures should be maintained also after 2015. Until 2020 it should be analysed what these measures can continue to contribute to the fulfilment of the goals of the CAP.

The Council holds the opinion that **risk management tools** should remain optional for member states and must not lead to a redistribution of funds between member states. The introduction of a risk insurance scheme within the second pillar in the form of income insurance is dismissed by the Council as this would lead to a distortion of competition between member states.

### Rural Development

With regard to rural development the Council wishes to maintain the current structure and the range of assistance of the second pillar and an orientation towards integrated regional development. According to the Council the second pillar should aim at competitiveness of the agricultural and forestry sector (especially through the support of innovation and diversification, including renewable resources, as well as the strengthening of human resources in agriculture), the preservation and development of cultural landscapes, environmental, water and resource protection and animal welfare as well as at the expansion of the economic potential and infrastructure through spatially differentiating development strategies. The Council stresses that attention should be paid to demographic change, employment creation, maintaining the quality of life in rural areas and the contribution of forestry to the fight against climate change and to the preservation of biodiversity.

The Council argues in favour of a close **coordination** between the structural fund and EAFRD, e.g. concerning the acceptance of private funds as means of co-financing, and of a **common strategic framework**. Also the Council calls for greater flexibility for the member states and regions concerning the implementation of rural development measures and a simplification of the monitoring and evaluation system.

To strengthen the acceptance of **agro environmental measures** the Council recommends the re-introduction of an incentive component.

The Council doubts that it is possible to link measures for rural areas to **objective criteria** as the initial situation differs between the regions. This is especially the case, because additionally to the comparison with other European regions it is the difference to the neighbouring metropolitan region that needs to be assessed. In the Council's view the introduction of **quantifiable targets** must not lead to monitoring demands that are difficult to implement or to sanctioning mechanisms.

### Simplification of Administrative Procedures

In its resolution the Council stresses the necessity to simplify administrative procedures, especially regarding the number of cross-compliance test items and on-site controls.

List of references:

Bundesrat (2011): Organe und Mitglieder des Bundesrats. [http://www.bundesrat.de/cln\\_110/nn\\_6906/DE/organe-mitglieder/organe-mitglieder-node.html?\\_\\_nnn=true](http://www.bundesrat.de/cln_110/nn_6906/DE/organe-mitglieder/organe-mitglieder-node.html?__nnn=true) (accessed 10.10.2011)

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Bundesrat (2010): Beschluss des Bundesrats: Mitteilung der Kommission an das Europäische Parlament, den Rat, den Europäischen Wirtschafts- und Sozialausschuss und den Ausschuss der Regionen: Die GAP bis 2020: Nahrungsmittel, natürliche Ressourcen und ländliche Gebiete - die künftigen Herausforderungen, KOM(2010) 672 endg. Drucksache 771/10.

[http://www.bundesrat.de/clin\\_110/nn\\_6906/SharedDocs/Downloads/DE/uebersetzungen/0771-10b-de,templateId=raw,property=publicationFile.pdf/0771-10b-de.pdf](http://www.bundesrat.de/clin_110/nn_6906/SharedDocs/Downloads/DE/uebersetzungen/0771-10b-de,templateId=raw,property=publicationFile.pdf/0771-10b-de.pdf) (accessed 10.10.2011)

### **Agrarministerkonferenz (AMK)**

The AMK is the conference of the Agricultural Ministers of the federal states and the Agricultural Minister of the Federal Government (AMK 2011a). In April 2011 the AMK passed a resolution on the future of the CAP also referring to the Commission's proposal (AMK 2011b). Another statement was published in October 2011 following the publication of the Commission's legal proposals (AgE 2011b).

#### Challenges and Targets

The AMK holds the opinion that a substantial simplification of the CAP should be a major aim of the reform. The conference here refers to the proposals made by a working group of experts from the agricultural ministries on federal state and federal level described above. Payments should be made according to the principle of public money for public goods and should be geared stronger and more precisely towards the provision of desired services.

Regarding the **orientation** of the future CAP the AMK supports the continuation of the structure of the CAP in two complementary, but distinctive, pillars.

Like the Federal Council, the AMK stresses that a **redistribution** of EU funds between the member states should only take place in a limited way, step by step and over a longer period of time in order to avoid disruptions (ibid.).

#### Direct Payments

The AMK as a whole states in its resolution that direct payments should be provided irrespective of agrarian structures to be in line with the principle of remunerating public goods per unit of area. However, this general rejection of **capping** or degression is questioned by a separate statement to the protocol of the federal states of Bavaria, North Rhine-Westphalia, Rhineland-Palatinate, Saarland and Hamburg. Those federal states note that the further development of direct payments in order to remunerate the provision of public goods should establish a relationship to actual achievements and accommodate for the different farm structures and types in a suitable way (AMK 2011b and AgE 2011a).

Also in the AMK meeting after the publication of the Commission's legal proposals the resolution passed by the AMK as a whole, which states that if the principle of public money for public goods is implemented correctly there is no need for a capping or degression of direct payments, is supplemented by statements to the protocol. In one separate statement the Agricultural Ministers of the East German Federal States (described later in this section) make clear that they oppose a capping or degression of direct payments under any conditions. In another statement the Agricultural Ministers of Baden-Württemberg, North Rhine-Westphalia and Rhineland-Palatinate of the Green Party (also described separately later in this section) note that direct payments should be distributed in a socially just manner via

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capping and a link with employment, if the provision of payments is not subject to social or ecological requirements (AgE 2011b).

Concerning the proposed **greening** of the CAP the AMK urges the federal government to work towards a legal framework at the EU level that ensures a simple administrative implementation and that offers a choice of effective and practicable measures that take regional needs and different farm types into account. In the view of the AMK a greening should be financed in a way that does not interfere with the financial power of the federal states or the federal government (AMK 2011b).

Whereas the AMK as a whole is of the opinion that Germany should try to actively engage in the discussion on the greening of the CAP, and not simply oppose it, there is some disagreement between the federal states on how such greening should be realised. Whereas a number of federal states note that the greening should be part of the second pillar, North Rhine-Westphalia supports a greening of the first pillar and suggests the introduction of 10% ecological focus area per agricultural holding as well as a compulsory “climate check” for large and middle sized farms (AMK 2011b and AgE 2011a). This proposal was taken up again in the joint statement of the agricultural ministers of North-Rhine-Westphalia, Baden-Württemberg and Rhineland-Palatinate, which is described later in this section.

In their meeting after the publication of the Commission’s legal proposals the agricultural ministers struggled to find a compromise between the Federal states ruled by the Christian Democratic Union (CDU) on the one or by the Social Democratic (SPD) or the Green Party (Bündnis90/Die Grünen) on the other hand. The former opposed the concept of ecological focus areas for the fear that this would lead to compulsory set aside and the latter suggested a fix share of 10% per farm. In the end the AMK’s resolution states that farms should reserve an appropriate share, oriented towards the Commission’s proposals, for ecological focus areas. The AMK’s resolution also contains a catalogue of measures that should be taken into account as ecological focus areas (cultivation of legumes and renewable raw materials, areas that are part of agro environmental measures, landscape elements, riparian strips and all other areas subject to special protection requirements). Additionally, farmers must preserve permanent grassland and stick to a crop rotation system with three elements as part of the greening obligations. Farms with a share of permanent grassland higher than 50% and less than 15 ha should be exempted from the greening obligations (AgE 2011b).

The AMK opposes the definition of “**active farmers**” proposed by the Commission. A definition of “active farmers” should be based on a definition of farming activities (ibid.).

### Rural Development

Concerning rural development the AMK supports the continuation and further development of **EAFRD**, but calls for a greater financial support by the EU and more flexibility for the member states concerning the operational implementation. In the view of the AMK measures of integrated rural development constitute an essential part of the second pillar of the CAP and EAFRD measures should also in the future contribute to mitigate the effects of demographic change in rural areas. The AMK, like the Federal Council, also argues in favour of an incentive component for second pillar measures (AMK 2011b).

### Simplification of Administrative Procedures

Concerning a simplification of the CAP and a reduction of bureaucracy the AMK welcomes ideas of the Commission to reduce control rates. It demands ex-ante legal certainty for the

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member states and asks the Commission to ensure that the member states have sufficient time to implement new interpretations of laws (ibid.).

The Commission's legal proposals are criticised by the AMK as insufficient with regard to a simplification of administrative procedures (AgE 2011b).

List of references:

AgE (Agra-Europe) (2011a): Länder akzeptieren weiter Ökologisierung der GAP. Agra-Europe 14/11, 04.04.2011, pp. 10-11

AgE (2011b): Länder einigen sich in letzter Minute auf Stellungnahme zu EU-Vorschlägen. Agra-Europe 44711, 31.10.2011, pp.10-12

AMK (Agrarministerkonferenz) (2011a): Agrarministerkonferenz. <http://www.agrarministerkonferenz.de/> (accessed 06.10.2011)

AMK (Agrarministerkonferenz) (2011b): Ergebnisprotokoll der Agrarministerkonferenz am 1. April 2011 in Jena. <http://www.agrarministerkonferenz.de/documents/Komplett.pdf> (accessed 06.10.2011), 58 p.

### **Agricultural Ministers of Baden-Württemberg, North Rhine-Westphalia and Rhineland-Palatinate**

Following the elections in North Rhine-Westphalia in May 2010 and in Baden-Württemberg and Rhineland-Palatinate in March 2011 the Agricultural Ministers of these federal states are all members of the green party (Bündnis90/Die Grünen). In September 2011 these ministers (Johannes Rimmel, Alexander Bonde, Ulrike Höfken) published a joint statement concerning the CAP after 2013 (AgE 2011a). Their positions differ in several points from the statement of the Federal Council from December 2010 and from the statement of the conference of agricultural ministers (AMK) from April 2011 as described above.

#### Challenges and Targets

The green ministers stress that the role of farming should not be to produce cheap raw materials in an industrialised manner, but to provide healthy and sustainably produced food, to contribute to the necessary energy transition and to preserve natural resources, the production base and employment opportunities for future generations. Farming should also contribute to the preservation and development of attractive rural areas with a versatile structure of small and medium-sized enterprises. The future CAP has to consequently face the new challenges of climate change, energy transition, biodiversity, environmental and resource preservation and the provision of high quality food as well as to contribute to the EU 2020 strategy. According to the green Ministers the current system does not provide incentives to farm in an environment-, climate- and resource-friendly way. Also the Ministers state that the distribution of funds between the farm enterprises is socially imbalanced as a small share of large agricultural units receives the major share of payments. In the future the CAP should follow the principle of public money for public goods in order to be more efficient and to gain social acceptance (AgE 2011a).

#### Direct Payments

In order to be able to continuously contribute to the stabilisation of farming incomes direct payments must, in the eyes of the green ministers, be legitimised by the provision of public

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goods. The green ministers therefore support the proposal of the Commission to link direct payments to the provision of environmental services (**greening**). The ministers propose that only those farms should be granted direct payments that fulfil the following ecological requirements:

- Cultivation of at least three main crops, none of which may be cultivated on more than 50% of all crop land and each of which must be cultivated on at least 10% of all crop land
- Provision of ecological focus areas on at least 10% of crop land (except for farms with a share of permanent grass land higher than 50% and farms smaller than 15 ha). The lower limit of 15 ha is seen as adequate for Germany. In other member states with very small agricultural units other limits might be suitable (AgE 2011b). Ecological focus areas, according to regional priorities, could be areas that are part of agro environmental programmes, including contractual nature conservation and organic farm land, landscape elements like hedges, riparian strips and other areas with special protection requirements according to the water framework directive or Natura 2000. Alternatively to those requirements farms can fulfil the conditions by cultivating legumes on at least 20% of their crop land.
- Energy management for medium-sized and large farms.
- Prohibition of ploughing up of permanent grass land.

The green ministers also support a **degression** of direct payments and the Commission's proposal to couple the provision of direct payments with **employment** (AgE 2011a).

In a reaction to the publication of the Commission's legal proposals the Ministers state that the plans for greening and capping go into the right direction and should be further developed (AgE 2011c).

### Market Measures

Concerning market measures the green ministers state that the proposals of the Commission to strengthen the **role of agricultural producers** in the food supply chain do not go far enough, especially in the milk sector, but also do not come forward with concrete proposals.

Similarly to the Federal Council the green ministers see the necessity to maintain the option to temporarily influence the markets in the case of extreme price fluctuations.

However, the green ministers call for a permanent abolishment of **export subsidies** and similar instruments within the current WTO negotiations (ibid.).

### Rural Development

Concerning rural development the green ministers stress the importance of a financially strong second pillar. They argue for a raise of EU funds for the second pillar in general and an increase of the EU **co-financing** rate to 90% for measures in the fields of the new challenges (climate protection, water management, renewable energy and biodiversity).

Similarly to the Federal Council and the AMK the green ministers note that the second pillar should also pay attention to the challenge of demographic change. In the ministers' view par-

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ticipative and multisectoral approaches on the regional level are the right way forward to strengthen civic involvement in rural areas (ibid.).

List of references:

AgE (Agra-Europe) (2011a): Sonderbeilage: Programm der grünen Agrarminister zur Gemeinsamen Agrarpolitik nach 2013. Agra-Europe 37/11, 12.09.2011

AgE (Agra-Europe) (2011b): Grüne Landwirtschaftsminister für starkes Greening bei gleichem Geld. Agra-Europe 37/11, 12.09.2011, pp.20-21

AgE (Agra-Europe) (2011c): Geteilt Echo in Deutschland auf EU-Vorschläge zur Agrarpolitik nach 2013, Agra-Europe 42/11, 17.10.2011, pp.44-48

### **East German Federal States (former GDR)**

In the federal states of Thuringia, Brandenburg, Saxony, Saxony-Anhalt and Mecklenburg West-Pomerania the agricultural structure is dominated by large agricultural units that resulted from the organisation of farming in agricultural production cooperatives in the former German Democratic Republic.

The agricultural ministers of the East German federal states therefore strongly oppose any form of degression, **capping** or coupling with **employment** of direct payments (AgE 2010). The minister of Mecklenburg West-Pomerania (Dr. Till Backhaus, SPD), for example, argues that capping puts large farms at an unjustified disadvantage as it should not matter whether a public good is provided by a small or a large farm. Also, this one-sided disadvantage contradicts the Commission's statement that the variety of farm structures and production systems in the EU has increased and should be preserved (LU 2010). Similarly to the DRV (section 2.2.2), which represents agricultural cooperatives, the agricultural minister of Brandenburg (Jörg Vogelsänger, SPD) adds that the proposed capping would hit agricultural cooperatives that provide employment for several families each. Coupling of direct payments with employment, however, is seen as infeasible by the minister (MIL 2010).

List of references:

AgE (Agra-Europe) (2010): Viel Kritik und manches Lob für das Reformpapier der EU-Kommission. Agra-Europe 47710, 22.11.2010, pp.52-57

LU (Ministerium für Landwirtschaft, Umwelt und Verbraucherschutz Mecklenburg-Vorpommern) (2010): Minister Backhaus begrüßt Vorschläge zur Neuausrichtung der Agrarpolitik in Europa. Press release (18.11.2010), [http://www.regierung-mv.de/cms2/Regierungsportal\\_prod/Regierungsportal/de/lm/\\_Service/Presse/Archiv\\_Pressemitteilungen/index.jsp?&pid=24170](http://www.regierung-mv.de/cms2/Regierungsportal_prod/Regierungsportal/de/lm/_Service/Presse/Archiv_Pressemitteilungen/index.jsp?&pid=24170) (accessed 11.10.2010)

MIL (Ministerium für Infrastruktur und Landwirtschaft Brandenburg) (2010): Vogelsänger zur Weiterentwicklung der europäischen Agrarpolitik nach 2013. Press release (19.11.2010), <http://www.mil.brandenburg.de/cms/detail.php/bb1.c.231646.de> (accessed 11.10.2011)

### **Other Federal States: Bavaria and Schleswig Holstein**

In the following paragraphs the statements of two more federal states are summarized to illustrate the correlation of agricultural structure and the position on the CAP (in the case of Bavaria) or because the statement stands out with regard to content and depth (in the case of Schleswig-Holstein).

## Bavaria

Unlike the agricultural ministers of the East German federal states a coupling of **direct payments** to normative **labour requirements** is acceptable from the Bavarian point of view as this is seen as fair to livestock producers and the producers of special crops (STMELF 2011). The proposal to limit direct payments to “**active farmers**” is assessed ambiguously by the Agricultural Minister of Bavaria (Helmut Brunner, CSU). In his view it is right to exclude golf clubs or airlines from the provision of direct payments, but the proposed criterion of a minimum income from agriculture will harm small farms (AgE 2011d). Those farms that generate their income from various sources like agro tourism and direct marketing are seen as essential to preserve agriculture and vital rural areas by the Minister (AgE 2011e).

Concerning **rural development** Bavaria’s Agricultural Minister (Helmut Brunner, CSU) opposes a redefinition of **less-favoured areas** on the basis of the criteria proposed by the Commission as this would lead to unfair shifts of support for farmers. 65% of all Bavarian farms operate in areas currently classified as less-favoured (AgE 2011a).

Bavaria has repeatedly stressed the necessity **to reduce bureaucracy** in the administrative procedures of the CAP. In March 2011 the Bavarian Minister of Agriculture presented a paper called “Bavaria’s 44 proposals to reduce bureaucracy in the CAP”. Amongst other things, Bavaria proposes to reduce the control quotas of cross-compliance and the integrated administration and control system by half and the reduction of cross-compliance relevant standards (AgE 2011b). To keep the additional administrative burden of an obligatory **greening** at a minimum the agricultural minister of Bavaria suggests that organic farms, small farms under 5 ha and farms with a high share of grassland or forage crops should be exempted from greening obligations (AgE 2011c). The Minister criticises the proposed ecological focus areas as in his view such a measure would endanger “green growth” and thousands of jobs in agriculture (AgE 2011e). Additionally he fears that the positive impact of such a measure will be undone by the consequently more intensive use of the remaining areas (AgE 2011d).

### List of references:

AgE (Agra-Europe) (2011a): Brunner: Ausgleichszulage ungeschmälert erhalten. Agra-Europe 16/11, 18.04.2011, pp.29-30

AgE (Agra-Europe 2011b): Sonderbeilage: Vorschläge aus Bayern zum Bürokratieabbau in der GAP. Agra-Europe 12/11, 21.03.2011

AgE (Agra-Europe 2011c): Bayern will Ausnahmen beim „Greening“. Agra-Europe 36/11, 05.09.2011, p.7-8

AgE (Agra-Europe) (2011d): Geteiltes Echo in Deutschland auf EU-Vorschläge zur Agrarpolitik nach 2013, Agra-Europe 42/11, 17.10.2011, pp.44-48

AgE (Agra-Europe 2011e): EU-Agrarreform: Bayern fordert Umsetzern in Brüssel. Agra-Europe 41/11, 10.10.2011, p.4

STMELF (Bayrisches Staatsministerium für Ernährung, Landwirtschaft und Forsten) (2011): Staatsminister Helmut Brunner informiert: EU-Agrarpolitik nach 2013. Juni 2011, [http://www.stmelf.bayern.de/mam/cms01/agrarpolitik/dateien/stmelf\\_\\_euagrarpolitik\\_nach\\_2013.pdf](http://www.stmelf.bayern.de/mam/cms01/agrarpolitik/dateien/stmelf__euagrarpolitik_nach_2013.pdf) (accessed 11.10.2011), 4 pp.

## Schleswig-Holstein

The Agricultural Minister of Schleswig-Holstein (Dr. Juliane Rumpf, CDU) has commented on the Commission's proposals and come forward with suggestions on how to implement a greening of direct payments (AgE 2011a, AgE 2011b).

According to the agricultural minister the proposed **greening** of direct payments should not longer be called into question as also agriculture must and can contribute to the aims of the Europe 2020 strategy (AgE 2011a). Already in January 2010 the minister proposed to split the first pillar in a basis premium and an additional ecological component. The minister suggests that farmers should have to choose three greening modules out off a catalogue of nine. Those modules could be ecological focus areas (including landscape elements), agro biodiversity, ground water or grassland protection (e.g. protection of meadow birds), organic farming, counselling with regard to environmental and climate protection or the use of innovative environmentally friendly technology like precision farming. Natura 2000 areas should also be a greening module as having such areas limits the cultivation possibilities for farmers. The possibility to make a choice between different modules is supposed to take regional and farm-specific differences into account (AgE 2011b). In a reaction to the Commission's legal proposals the Agricultural Minister consequently criticises that the same three greening measures should be obligatory for all farmers (AgE 2011c).

The Agricultural Minister, liker her colleagues from East Germany, dismisses the proposed **capping** of direct payments as environmental services are provided irrespectively of farm size. The purpose of direct payments should be to provide compensation and should not be mixed up with agro social components (AgE 2011b). However, a moderate degression based on farm size might be acceptable in the minister's view. A coupling with **employment** is seen to create wrong incentives and lead to additional administrative effort (AgE 2011a).

The minister calls for a financing share of the EU of up to 90% for measures of **rural development** as those measures are of great importance for solving interregional and partly global problems (AgE 2011b).

List of references:

AgE (Agra-Europe) (2011a): Rumpf befürwortet die sich abzeichnenden Konturen der GAP ab 2014. Agra-Europe 28/11, 11.07.2011, p.6

AgE (Agra-Europe) (2011b): Schleswig-Holstein macht konkrete Vorschläge für das Greening. Agra-Europe 34/11, 22.08.2011, pp-9-10

AgE (Agra-Europe) (2011c): Geteiltes Echo in Deutschland auf EU-Vorschläge zur Agrarpolitik nach 2013, Agra-Europe 42/11, 17.10.2011, pp.44-48

### 2.1.4 State agencies: Federal Environmental Agency/Federal Agency for Nature Conservation

In the following section the statements of two state agencies concerned with environmental protection and nature conservation, the Federal Environmental Agency and the Federal Agency for Nature Conservation, are presented.

#### Federal Environmental Agency (UBA)

The Federal Environmental Agency (UBA) is Germany's central authority on environmental matters. It provides scientific support to the Federal Government, implements environmental laws (e.g. on plant protection agents) and provides information to the public on environmen-

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tal protection (UBA 2011b). The Agriculture Commission at the Federal Environmental Agency (KLU) is a nine-member group of experts advising the UBA on agricultural topics (UBA 2011a). Its chairman is Lutz Ribbe, Director of the Conservation Policy Division of the association Euronatur, which also coordinates the NGO platform described in section 2.3.1. In July 2011 the KLU published a statement on the CAP reform in which it gives suggestions on how ecological aspects could be better integrated into the CAP, given its current two pillar structure (Ribbe et al. 2011).

Regarding the **challenges and targets** of the CAP the KLU states that despite of some improvements agriculture does not live up to its responsibilities with regard to the protection of soils, water, air biodiversity and ecosystems. European agriculture has to ensure Europe's food security, to produce food and energy with less negative impacts on the environment while facing volatile prices, global competition as well as the consequences of climate change and the loss of biodiversity. To fulfil its multifunctional role agriculture can expect public support, but the KLU sees the need for the CAP to gain public acceptance. Therefore public money for agriculture should in the future be completely linked to the provision of public goods and services (Ribbe et al. 2011). In a reaction to the publication of the Commission's legal proposals the KLU criticises that the proposal only basically reflects the principle of public money for public goods, but that the proposed measures are insufficient. Many important issues like the regional concentration of livestock farming or climate and water protection are not at all or insufficiently taken into account (AgE 2011c).

Regarding the **orientation** of the CAP the KLU is of the opinion that only option 2 (greening of the first pillar) as described in the Commission's proposal is realistic under the current political conditions. Therefore it makes suggestions on how the greening of the first pillar could be implemented, the efficiency of the second pillar could be improved and the effects of the reform could be measured (Ribbe et al. 2011).

With regard to the **greening** of direct payments the KLU, similarly to the Scientific Advisory Board on Biodiversity and Genetic Resources (section 2.4.2) emphasizes that all direct payments (and not just a component) should be subject to the following five obligatory requirements (UBA 2011b and AgE 2011b):

- Containment of nitrogen inputs (nitrogen balance of max. 50kg N/ha)
- Imposing limits on livestock density (2 dung units/ha)
- Sustaining permanent grassland areas (with a reference date equal to the publication of the measure)
- Restricting the maximum share of a single crop on arable land to 45%
- Ecological focus areas of 10% per farm

According to the president of the UBA (Jochen Flasbarth) such requirements would have a far reaching positive impact on the environment and would be easy to administer as the required data is already being documented on farms. The introduction of such obligatory greening measures might even **reduce bureaucracy** if the number of cross-compliance obligations was reduced accordingly (AgE 2011a).

In its reaction to the Commission's legal proposals the KLU expresses the view that the proposed regulations on crop rotation and the preservation of grassland might in fact be harmful if they were to be implemented in that way, e.g. by allowing the ploughing up of grassland in regions where it is now strictly forbidden. The proposed ecological focus areas, however, might have a positive effect on biodiversity if appropriately implemented (AgE 2011c).

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With regard to **rural development** measures the KLU proposes the strengthening of all measures that contribute to sustainability, environmental and climate protection (key areas as described by the indicators below). The KLU demands more funds for the second pillar and suggests some modifications. Agro environmental measures that require the active involvement of land users to protect biodiversity should also be allowed on ecological focus areas under pillar one. The KLU argues in favour of reintroducing an incentive component and of establishing a possibility of success oriented remuneration. It calls for a possibility to support investments in the provision of public goods like the renaturation of moors (including costs of planning and preparation). The KLU further states that currently also measures with negative environmental impacts, like irrigation or road building measures, can be supported with second pillar funds. Similarly to the NGO Platform (section 2.3.1) the KLU demands that, for example with regard to farm investments, only measures that contribute to environmental and climate protection or animal welfare should be supported. In order to make the second pillar measures more attractive the KLU calls for a simplification of planning, monitoring and control regulations (Ribbe et al. 2011). The Commission's legal proposals on rural development are seen as a step backwards with regard to environmental protection by the KLU as the EU's co-financing share might decrease (AgE 2011c).

The KLU opposes **risk management tools** like insurances as this might favour environmentally harmful cultivation practices. For example, agriculture in flood-prone areas or maize monocultures might become more attractive to farmers if the respective risks were covered by supported insurances.

In order to evaluate the effects of the current reform in 2020 the KLU suggests six key areas to be evaluated by **indicators** for EU agriculture:

- Resource efficiency: e.g. reduction of energy and mineral fertilizer inputs by 10 to 30%
- Avoiding eutrophication: e.g. reaching the targets of the NEC (national emission ceilings) and water framework directive.
- Reduction of green house gas emissions: e.g. reduction by 30% compared to 1990.
- Preserving and increasing the diversity of regions, production methods and in-farm structures in order to mitigate the risks of climate change, to preserve cultural landscapes and employment opportunities in rural areas: e.g. losses related to weather extremes should not increase.
- Boosting biodiversity: indicators as determined by national biodiversity strategies.
- Preservation and improving soil fertility: erosion control, soil compaction provision and agro ecological principles of humus management must be implemented in all sensitive areas.

If the analysis of those indicators will show that the greening was not effective, option 3 as described by the Commission (reduction of first pillar funds, transfer of funds to the second pillar) should be taken into consideration for further reforms (ibid.).

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## List of references:

AgE (Agra-Europe) (2011a): Greening und Bürokratieabbau nicht unvereinbar. Agra-Europe 25/11, 20.06.2011, p.1

AgE (Agra-Europe) (2011b): UBA-Kommission mit konkreten Vorschlägen zur Ökologisierung der Ersten Säule. Agra-Europe 32/11, 08.08.2011, p.12/13

AgE (Agra-Europe) (2011c): Geteiltes Echo in Deutschland auf EU-Vorschläge zur Agrarpolitik nach 2013, Agra-Europe 42/11, 17.10.2011, pp.44-48

Ribbe, Lutz; Freibauer, Annette; Güthler, Wolfram; Heißenhuber, Alois; Hülsbergen, Kurt-Jürgen; Krug, Andreas; Makeschin, Franz; von Meyer, Heino; Peterwitz, Ulrich (2011): „Für eine ökologisierte erste und eine effiziente zweite Säule“: Stellungnahme der Kommission Landwirtschaft am Umweltbundesamt (KLU) zur Reform der gemeinsamen Agrarpolitik. Juli 2011, <http://www.umweltbundesamt.de/publikationen/fpdf-l/3981.pdf> (accessed 24.10.2011)

UBA (Umweltbundesamt) (2011a): EU agrarian reform: Agriculture experts demand integration of ecological aspects in agricultural policy. Press release No. 38/2011, 01.08.2011, <http://www.umweltbundesamt.de/uba-info-e/index.htm> (accessed 24.10.2011)

UBA (Umweltbundesamt) (2011b): Get to know us- The Federal Environmental Agency (Umweltbundesamt) Mandate and Organization. 06.10.2011, <http://www.umweltbundesamt.de/uba-info-e/index.htm> (accessed 24.10.2011)

### Federal Agency for Nature Conservation (BfN)

The Federal Agency for Nature Conservation is a central scientific authority with regard to nature and landscape conservation. It advises the Federal Government at national and international levels, promotes large-scale as well as pilot nature conservation projects, conducts research and raises public awareness on issues relating to nature conservation (UBA 2003).

According to the president of the BfN, Professor Beate Jessel, society sees more in agriculture than just the provider of food and raw materials, but expects agriculture to contribute to the preservation of diverse cultural landscapes, biodiversity as well as clean water and air (AgE 2011a). The **target** of the CAP reform should be to strengthen a truly multifunctional way of farming that provides public goods (in the sense of environmental services). Especially, farming should contribute to achieving the goals set for biodiversity and implementing the FFH and water framework directives (Jessel 2011). The CAP should therefore follow the principle of public money for public goods by securing a basic level of biodiversity and coherently integrating energy-, climate-, nature-, water conservation policies and agricultural policy. Such a coherent policy would create synergies and avoid environmentally harmful subsidies.

The BfN's president supports the proposed **greening** of direct payments. However, she sees the risk that, if badly implemented, the greening might not have positive environmental effects, but increase the bureaucratic burden (Jessel 2011). As greening measures the BfN proposes a minimum share of ecological focus areas (without suggesting a specific percentage) and the preservation of permanent grassland (AgE 2011a). The reference date for permanent grassland to be preserved has to lie in the past in order to prevent farmers from ploughing up grassland as a precautionary measure (AgE 2011b). Also it proposes a crop rotation with at least three elements, none of which may exceed a share of 50% (Jessel 2011).

The BfN president calls for a strengthening of **rural development** with attractive agro environmental programmes. The compensations paid to farmers should be high enough to also be attractive to farmers cultivating high-yielding sites (AgE 2011a).

List of references:

AgE (Agra-Europe) (2011a): BfN-Präsidentin Jessel für Greening der Direktzahlungen. Agra-Europe 24/11, 14.06.2011, p.39

AgE (Agra-Europe) (2011b): Agrarpolitisch geförderter Grünlandschutz wichtig. Agra-Europe 41/11, 10.10.2011, p.5

Jessel, Beate: Erfordernisse für eine naturverträgliche Landwirtschaft. Präsentation beim Workshop „Erhalt der Biodiversität in der Agrarlandschaft“, 12.01.2011, Berlin, [http://www.ecologic-events.eu/Agrarpolitik2013/documents/Jessel\\_Erfordernisse\\_fuer\\_eine\\_naturvertraegliche\\_Landwirtschaft.pdf](http://www.ecologic-events.eu/Agrarpolitik2013/documents/Jessel_Erfordernisse_fuer_eine_naturvertraegliche_Landwirtschaft.pdf) (accessed 24.10.2011)

UBA (Umweltbundesamt) (2003): A Short Guide to Environmental Institutions in Germany. pp.32-34

## 2.2 Farmers' Associations

In the following section the statements of the main German farmers' association, the DBV, are presented. In addition the authors chose to present the statements of the DRV, an association representing agricultural cooperatives, as their position on certain policy proposals, especially the question of capping, is characteristic for the German debate on the CAP. The statements of small and medium sized farms (represented by the AbL) and the associations of organic farming (e.g. Bioland, Naturland or BÖLW) are not presented in a separate section as those associations are also represented in the NGO consortia described in chapter 2.3.

### 2.2.1 Deutscher Bauernverband

The DBV is an umbrella organisation of the farmers' associations in the federal states as well as other associations related to farming and forestry and itself a member of the European farmers' association COPA (DBV 2007). Via its member organisations the DBV represents the majority of German farmers.

#### Challenges and Targets

According to the DBV the current reform should aim primarily at a harmonisation of the implementation of previous reforms in the different member states, especially regarding the implementation of decoupled single area payments (DBV 2010b and AgE 2011d). There should be a greater focus on helping farmers to be competitive in order to contribute to global food security and climate protection through sustainable biomass production (DBV 2010a). Instead of aiming solely at greening the CAP the focus should rather be on green growth of food and renewable energy production (AgE 2011c).

Regarding the general **orientation** of the reform the DBV supports the continuation of the structure of the CAP in two complementary pillars.

#### Direct Payments

The DBV opposes the Commission's proposal to link direct payments to additional obligatory environmental services (**greening**) or to integrate payments to farmers in **less-favoured areas** into pillar 1. If that was done the DBV fears that policies which should be regional and

subsidiary would be governed and financed solely by the EU, which would worsen the position of Germany as a net-payer (DBV 2010a). Also, the DBV's president (Gerd Sonnleitner) argues that only a clear division between the first and the second pillar makes it possible to specifically remunerate farmers for specific environmental services they provide. Individual farmers should have a choice how they want to contribute to the preservation of biodiversity and water protection (AgE 2011e). Also, the DBV argues that especially Germany has made an important step towards a greener agricultural policy by fully implementing decoupled single area payments, equally for grassland as well as cropland. This form of direct payments is seen as answering to the demands of society as well as the market environment (DBV 2010b). The suggestion to introduce an obligatory 7% set aside of all agricultural land is strongly opposed by the DBV. Such a regulation would be contrary to the efforts for an energy transition in Germany and Europe and the rising demand for food and biomass for energy production. Such an obligatory set aside would lead to rising land rental prices due to increased competition for land (DBV 2011a). Similarly the DBV argues in a reaction to the presentation of the Commission's legal proposals that the use of the term greening with its positive associations might lead the CAP on the wrong path of extensification (DBV 2011b).

In the DBV's opinion **different levels of direct payments** between member states are justified because of differences in purchasing power and wage levels (DBV 2010b).

The DBV strongly opposes any suggestions of **capping** or degression of direct payments as this would contradict the principle of single area payments, which serve as a compensation for the public goods provided by farmers, respectively for the higher production standards in the EU compared to the world market (DBV 2010b). The DBV also calls for the abolishment of modulation (ibid.).

According to the DBV the re-definition of the term "**active farmer**" must not unsettle part time farmers (AgE 2010). The Commission's approach to classify „active farmers“ on the basis of turnover rates is criticised as too bureaucratic by the DBV who suggests a criterion based on the management of agricultural land (DBV 2011b).

### Market Measures

Overall the proposals of the Commission regarding market measures are welcomed by the DBV. From the DBV's point of view it is necessary to keep up a **safety net** and provide **risk management mechanisms** to farmers in order to cope with world market risks and the imbalance of power in inland markets resulting from the highly concentrated retail sector (DBV 2011a und DBV 2010b). The reform offers the opportunity to further develop mechanisms for coping with risks arising from natural factors as well as for strengthening the **position of farmers** in the value added chain by supporting cooperatives (ibid.). Regarding the **sugar market organisation** the DBV's secretary general (Dr. Helmut Born) has stated that it should be continued in its current form until at least 2020 in order to keep up sustainable sugar beet and sugar production (AgE 2011a). Also the **wine market organisation** should be maintained until 2020 (DBV 2011b).

### Rural Development

Concerning rural development the DBV argues that second pillar measures should focus more strongly on agriculture. This should be done by fostering competitiveness (farm investments, regional processing and marketing of high quality products), by an improved rewarding of **agro environmental measures** (reestablishment of an incentive component) and by securing the compensatory payments for farmers in less-favoured areas and mountainous

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regions (DBV 2010b). The DBV opposes a redefinition of less-favoured areas on the basis of **biophysical criteria**, but prefers to maintain the current system with the addition of areas with a high proportion of grassland (DBV 2011b).

### Simplification of Administrative Procedures

Repeatedly, the DBV has called for a reduction of bureaucracy, regulation and control including a simplification of cross compliance which should, according to the DBV, be reduced to a few key criteria (AgE 2011b). Accordingly the proposed duty to keep a record of crop rotation on every field would lead to an unacceptable increase in bureaucracy and regulation in the DBV's opinion (DBV 2011).

List of references:

AgE (Agra-Europe) (2010): Viel Kritik und manches Lob für das Reformpapier der EU-Kommission. Agra Europe 47/10, 22.11.2010, pp.52-57

AgE (Agra-Europe) (2011a): DBV bekräftigt Forderung nach Erhalt der EU-Zuckermarktordnung. Agra-Europe 39/11, 26.09.2011, p.4

AgE (Agra-Europe) (2011b): DBV: Brüsseler Auflagen und Kontrollen nicht mehr zu überschauen. Agra-Europe 17/11, 26.04.2011, pp.8-10

AgE (Agra-Europe) (2011c): Sonnleitner: Wir haben Gerechtigkeit und Greening. Agra-Europe 16/11, 18.04.2011, p. 34

AgE (Agra-Europe) (2011d): Sonnleitner kündigt harten Widerstand gegen GAP-Reform an. Agra-Europe 11/11, 14.03. 2011, pp.4-5

AgE (Agra-Europe) (2011e): Gemeinsame Interessen von Öko- und konventionellen Betrieben. Agra-Europe 8/11, 21.02.2011, pp. 47-48

DBV (Deutscher Bauernverband) (2007): Aufbau des DBV. 29.05.2007, <http://www.bauernverband.de/index.php?redid=152876> (accessed 29.09.2011)

DBV (Deutscher Bauernverband) (2010a): Stellungnahme zu den Kommissionsvorstellungen zur GAP nach 2013 (11.10.2010), 2 pp., <http://media.repro-mayr.de/74/135874.pdf> (accessed 29.09.2011)

DBV (Deutscher Bauernverband) (2010b): DBV-Depesche Jahrgang 2010,18.11.2010. 2 pp., <http://media.repro-mayr.de/35/136735.pdf> (accessed 29.09.2011)

DBV (Deutscher Bauernverband) (2011): Born: EU-Agrarreform darf Aufschwung der Landwirtschaft nicht bremsen. Pressemitteilung vom 29.09.2011. <http://www.bauernverband.de/index.php?redid=152813&mid=458041> (accessed 05.10.2011)

DBV (Deutscher Bauernverband) (2011b): Europa muss grünes Wachstum stärken: DBV-Präsident Sonnleitner zu den Reformvorschlägen der EU-Kommission. Press release, 14.10.2011, <http://www.bauernverband.de/?redid=152813&mid=462307> (accessed 19.10.2011)

### **2.2.2 Farmers' Cooperatives: Deutscher Raiffeisenverband**

The DRV represents the interests of more than 2500 farmers', gardeners', wine-growers' and other cooperatives (DRV 2010). An important group within the DRV are the agricultural cooperatives that developed out off the former agricultural production cooperatives in East Germany (DRV 2010 and DRV 2011a).

### Challenges and Targets

The DRV agrees with the Commission on the challenges and objectives of the CAP, namely viable food production, sustainable management of natural resources and climate action as well as balanced territorial development, but contests that the policy measures suggested by the EU- Commission are adequate to deal with those challenges (DRV 2010).

Concerning the **orientation** of the future CAP the DRV supports the continuation of the structure in two complementary pillars, but stresses that the financial focus should remain on the first pillar and that the two pillars should be kept distinct from another. This clear distinction is threatened, according to the DRV, by introducing obligatory **greening** into the first pillar (ibid.).

The differences in costs of rent, land, labour and other inputs across the EU member states justify, according to the DRV, a **different level of direct payments** and should only be smoothed with caution. For the DRV the priority of the reform should be a harmonisation of the implementation of decoupled direct payments across member states (ibid.).

### Direct Payments

The DRV sees direct payments as a justified compensation for the high standards concerning environmental protection and animal welfare within the EU as well as a remuneration for the preservation of cultural landscapes. As the agricultural cooperatives in economically underdeveloped regions in East Germany represented by the DRV would be negatively affected by a **capping** of direct payments the DRV strongly opposes this proposal. Coupling the provision of direct payments with **employment** is seen as not feasible as such a policy would reward ineffective management and lead to an increase in bureaucracy. According to the DRV it is necessary to provide direct payments irrespectively from farm size or legal form in order to enable family farms to form cooperatives as a necessary structural change (DRV 2010, AgE 2011b, AgE 2011c). A capping in the proposed form would also disadvantage the East German agricultural cooperatives compared to similar ways of cooperative farming in different legal forms in other member states, like the French GAEC, for which exemptions from progressive modulation were set up during the Health Check (DRV 2010). According to the DRV president (Manfred Nüssel) it is unrealistic to differentiate between farms solely on the basis of size measured in area or heads of animals. Other important criteria are the proportion of agriculture in a family's total earnings or the degree of cooperation with other farmers (AgE 2011a).

In its reaction to the legal proposals of the Commission the DRV suggests that by holding on to the proposed capping the Commission is giving in to the pressure of a public debate that is not necessarily based on objective arguments (DRV 2011b).

According to the DRV good agricultural practice in the EU already contains a **greening** component as it already provides many public goods. In this context it should also be appreciated that Germany has already implemented the reform of 2003 more rigorously than other member states by introducing uniform payments for grassland and cropland (DRV 2010). An obligatory greening of direct payments would not only make the distinction between the first pillar and agro environmental programmes unclear, but also lead to an extensification of farming which contradicts the aims of a competitive farming sector and a simplification of the CAP as well as the challenge of global food security (ibid.). In this context the DRV especially criticises the proposal of 7% ecological focus areas (DRV 2011b).

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### Market measures

In principle, the DRV, appreciates the Commission's proposal to keep up, improve and simplify the **safety net** mechanisms as part of the market measures. Price stabilisation as well as **export subsidies** are seen as necessary instruments to cope with fluctuating prices. Well functioning commodity futures exchange is also seen as an important instrument in order to secure prices. The DRV therefore welcomes all initiatives that aim at creating more transparency and standardization of derivative and stock exchange dealings, but opposes any measures that would confine the volume traded, e.g. a financial transaction tax, and therefore threaten the functioning of stock markets (ibid.).

The approach of the Commission to strengthen the **role of producers** in the value added chain is also principally welcomed by the DRV. However, the DRV argues that the proposed regulations should be voluntary and leave enough room for national decision making as the current market situation varies from member state to member state. The DRV here gives the example of Germany with an already high degree of market transparency and great density of farmers' cooperatives.

As the liberalisation of the EU agricultural markets has led to greater price volatility farmers are in need of instruments to cope with market **risks** and to improve their competitive position. However, the DRV cautions against hastily introducing new instruments, but favours a strategy to optimise already existing mechanisms and tools like the forming of cooperatives. The development of risk management instruments is, according to the DRV, a responsibility of those affected. The creation of risk management tools within the second pillar, as proposed by the Commission, should therefore be optional for the member states (ibid.).

### Rural Development

The DRV welcomes the statement of the Commission to strengthen competitiveness and innovation through second pillar measures, but claims that the current upper limits that limit the eligibility for innovation assistance in the field of processing and marketing of agricultural products to enterprises with a yearly turn over of less than 50 million Euros or less than 250 employees should be abolished or at least reformed as they do not acknowledge the necessary structural change (ibid.).

List of references:

DRV (Deutscher Raiffeisenverband) (2010): Stellungnahme des Deutschen Raiffeisenverbandes e.V. zur Mitteilung der EU-Kommission „Die GAP bis 2020: Nahrungsmittel, natürliche Ressourcen und ländliche Gebiete - die künftigen Herausforderungen“ (KOM(2010) 672 final). 14.12.2010, <http://www.raiffeisen.de/presse/pdf-aktuelles/2010/Stellungnahme-GAP-16-12-10.pdf> (accessed 04.10.2011)

DRV (Deutscher Raiffeisenverband) (2011a): Agrargenossenschaften. <http://www.raiffeisen.de/> (accessed 04.10.2011).

DRV (Deutscher Raiffeisenverband) (2011b): Presseinformation 34/2011 (12.10.2011)

AgE (Agra-Europe) (2011a): DRV: Statistiken rechtfertigen keine Kappung der Direktzahlungen. Agra-Europe 6/11, 07.02.2011, p.6

AgE (Agra-Europe) (2011b): Nüssel erwartet keine Kappung. Agra-Europe 10/11, 07.03.2011, p.8

AgE (Agra-Europe) (2011c): Zukunftsorientierte Rahmenbedingungen für Genossenschaften gefordert. Agra-Europe 16/11, 18.04.2011, p. 3

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## 2.3 Non-governmental and Civil Society Organisations

In the following section the statements of three consortia of non-governmental and civil society organisations are presented.

### 2.3.1 German Platform

A consortium of 28 major non-governmental organisations and associations published a paper in June 2011 containing a statement in reaction to the Commission's communication from November 2010 as well as own proposals for the CAP reform. Among the signees are an association of small and medium sized farms (Arbeitsgemeinschaft bäuerliche Landwirtschaft), associations of organic farming (e.g. Bioland, Demeter, Naturland), a workers' union (IG BAU), environmental protection groups (e.g. BUND, Stiftung EuroNatur, NABU), organisations concerned with animal welfare (e.g. Deutscher Tierschutzbund), organisations of development cooperation (e.g. Brot für die Welt, Misereor, Germanwatch) as well as other civil society groups (VP 2011a).

#### Challenges and Targets

The main idea of the platform's proposals is to create a coherent CAP that is socially and ecologically acceptable, i.e. that all policy measures of the first and of the second pillar should have a positive impact on the environment and social justice - regionally, nationally as well as internationally. This coherence and not international competitiveness of the EU farming and food industry is to be given priority as the target of the future CAP. The platform stresses that the CAP should be coherent with the Millennium Development Goals and human rights, especially the right to food.

#### Direct Payments

The platform welcomes the proposal of the Commission to link the provision of direct payments to ecological and socio-economic criteria by the proposed **greening** and **capping** of direct payments as it is seen as necessary that the CAP consequently provides incentives for ways of farming that have a positive impact on the environment, biodiversity, climate and animal welfare. In the platform's opinion direct payments that are solely based on area or partly still on historical entitlements unduly distort fair competition in favour of large rationalised farms discriminating against small farms with labour intensive/organic production systems. The platform proposes that the provision of direct payments should be subject to binding requirements that exceed the current legally binding standard, are spatially inclusive and comprehensive, have a clear positive impact on the proposed aims, are easy to administer and can be implemented without drawing upon second pillar funds. Precisely, the platform suggests the following **ecological requirements**:

- In a crop rotation with at least three components one crop must not exceed 50% of a farms crop land per vegetation period
  - Legumes and leguminous mixtures must make up at least 20% of the field crop rotation
  - On at least 10% of the area of an agricultural holding the use must primarily aim at fostering biodiversity. This minimum ratio also applies to fields larger than ten hectares.
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- Permanent grass land must be kept as such
- No cropping of genetically modified plants

Farmers that do not fulfil those requirements would lose their entitlements to direct payments. In order to ensure a broad participation of farmers the height of funds subject to ecological requirements needs to constitute an attractive incentive. Funds that remain unused should be used to finance second pillar measures in the fields of agro environmental, animal welfare or integrated rural development in the same member state. The platform argues that those requirements would be easy to administer as the necessary data is being collected already anyway, that they would have a great positive impact on the preservation of the environment, climate and biodiversity, improve the availability of locally grown protein animal feed and partly replace mineral fertilizers that are produced with a high energy input. Also the ecological improvements resulting from introducing those requirements would be visible in the landscape and therefore strengthen the social acceptance of the CAP (VP 2011a).

In a reaction to the Commission's legal proposals the platform argues that 7% ecological focus areas are a step in the right direction. On the other hand it criticises the other two proposed greening elements. A maximum share of 70% of arable land per crop is seen as too high to stop negative developments such as maize monocultures. The reference date in 2014 for grassland protection bears the danger that farmers will plough up grassland on a great scale in the two years to come (VP 2011b).

Concerning the proposed **capping** the platform suggests that the upper limit should be 100 000 € per farm and year and that affected farms should have the possibility to mitigate the reduction accordingly to their labour costs subject to social security. As labour costs are only taken into account for farms above the upper limit this mechanism would only apply to a relatively small number of farms. Unused funds should be used for second pillar measures in the same region (VP 2011a).

### Market measures

With regard to market measures the platform criticises the planned removal of the **milk quota system**, and possibly the **sugar quota system**, as this is seen as a strategy to keep input prices for the food industry low in order to support the industry's competitiveness on the world market, which will, according to the signees, harm the agricultural producers and food industries in developing countries. In this context the signees also sharply criticise that the EU does not clearly state that **export subsidies** will be abolished and the proposal to extend the intervention period and private storing. The platform demands that export subsidies should be abolished unconditionally and not be replaced by other export supporting measures such as export credits. For product lines that benefit from high direct payments or import tariffs the signees suggest the introduction of export taxes or an export ban of product parts. As the milk market is seen as especially sensitive the introduction of a flexible demand oriented quantity control system involving both producers and consumers is suggested.

The platform, similarly to the agriculture Commission at the Federal Environmental Agency (section 2.1.4) dismisses the introduction of supported **risk insurances** as this might function as a disincentive to adopt precautionary measures such as water-conserving cultivation practices. According to the platform the introduction of such a policy would advantage favourable sites and high degrees of rationalisation as high yields per unit of area that are achieved by a high input of energy and other resources profit more from harvest failure or income insurances than low yields. Such an insurance policy would therefore be just as dis-

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tortive, also from an international perspective, as the previous systems of price support in the EU (ibid.).

### Rural Development

Concerning rural development the platform proposes a structural and financial strengthening of the second pillar. It welcomes the general direction of the Commission's proposals, but criticises the lack of precise policy proposals in the communication. The platform claims that a **binding minimum of EU funds** at member state or regional level in the fields of agro environmental measures and integrated rural development must be maintained and increased for agro environmental measures, especially such that have a positive impact on biodiversity. The agro environmental and animal welfare measures should be more ambitious and an incentive component should be re-introduced to make participation more attractive to farmers. Those **agro environmental measures** that simultaneously contribute to the fulfilment of several goals of environmental policy, such as organic farming, should be strengthened so that a systematic approach like organic farming is more attractive than a combination of several single measures. Keeping animals on pasture is also to be made more attractive. The preservation of natural heritage as defined by article 57 of the **EAFRD**-directive is seen as an important instrument that should be further developed by making it applicable to all forms of land and by also funding all kinds of measures necessary to reach the agreed aims regarding biodiversity and water protection, including investments, planning, management and monitoring.

The platform further proposes to take the experiences made with **LEADER** into account and to accordingly strengthen integrated rural development approaches, for example by increasing the support for single measures if they are part of a regional development strategy or by supporting innovative cooperative projects. Also initiatives on the local and regional levels should be strengthened, for example by regional budgets that can be independently administered and used for an agreed catalogue of policy measures.

Concerning the financial support of **farm investments** the platform argues that this support should no longer aim at simply rationalising production, but at helping farmers to invest in more environmentally, animal and climate friendly ways of production. In the platform's opinion only investments that improve animal welfare, ensure land based animal husbandry, reduce environmental impacts or create jobs should be subsidized.

Regarding compensatory payments for **less-favoured areas** the platform holds the opinion that the payments should be geared to the actually existing disadvantages in cultivation rather than administrative borders.

Overall, the platform sees a need to **simplify the administration process** in the second pillar regarding the time and effort needed for planning, monitoring and evaluation, for example by introducing lump-sum transfers (ibid.).

### Impacts of the CAP on International Markets and Development

An issue of great importance to the platform are the impacts of the CAP on international markets and development. The signees sharply criticise the Commission's strategy to foster competitiveness and productivity of the EU agricultural sector in order to contribute to global food security. According to the platform it does more harm than good to extend exports of food products from the EU as those exports rely heavily on the import of imported resources, especially protein animal feed (mainly soy beans). According to the platform the soy is produced in developing countries in an often socially and ecologically unsustainable manner and

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its production increases the competition for scarce land resources. The meat parts and milk powder surpluses that are produced in the EU with the input of that soy is then exported at low prices into developing countries so that it does not contribute to global food security, but harms the world's poor twice. On the other hand, the cheap imports of animal feed also lead to a concentration of industrial animal production in coastal areas in the EU, where environmental problems augment and intensive production methods that are unacceptable from an animal welfare perspective develop.

In order to deal with those problems the platform suggests the further development of international product and process standards and the implementation of a qualified market access for animal feed that leads to a reduction of the import of products with a bad green house gas balance or a negative impact on areas with a high biodiversity. On the other hand such a scheme would grant products that have been produced respecting the norms of the International Labour Organisation (ILO) or according to acknowledged ecological standards, such as those of the International Federation of Organic Agriculture Movements (IFOAM), preferential access to the EU market (ibid.).

List of references:

VP (Verbände-Plattform) (2011a): EU-Agrarpolitik jetzt konsequent reformieren - Stellungnahme zur Mitteilung der EU-Kommission vom 18.11.2010 „Die GAP bis 2020: Nahrungsmittel, natürliche Ressourcen und ländliche Gebiete - die künftigen Herausforderungen“ und Vorschläge für die für Oktober 2011 erwarteten Legislativvorschläge der EU-Kommission zur Reform der Gemeinsamen Agrarpolitik (GAP) der Europäischen Union. Rheinbach/Hamm Juni 2011, [http://www.die-bessere-agrarpolitik.de/uploads/tx\\_gapdoc/Plattform-Papier-EU-GAP-2013-Juni\\_2011.pdf](http://www.die-bessere-agrarpolitik.de/uploads/tx_gapdoc/Plattform-Papier-EU-GAP-2013-Juni_2011.pdf) (accessed 05.10.2011), 20 pp.

VP (Verbände-Plattform) (2011b): Verbände fordern Bundesregierung auf: EU-Agrarreform nicht länger torpedieren. <http://www.die-bessere-agrarpolitik.de/Pressemitteilungen.1003+M5675e972238.0.html?&cHash=d28c2507655d718ebbddccbe5c8ab15e>, press release, 12.10.2011, (accessed 19.10.2011)

### 2.3.2 Campaign “Meine Landwirtschaft - Unsere Wahl”

“Meine Landwirtschaft-Unsere Wahl“ (My farming- our choice) is a joint campaign of organisations from the fields of farming (e.g. AbL, BDM), nutrition (e.g. Slow Food Germany), environmental protection (e.g. BUND, NABU), animal welfare (e.g. Pro Vieh), consumer protection (e.g. campact), health (e.g. Ökologischer Ärztebund), regional development (e.g. Forum Pro Schwarzwaldbauern) and development cooperation (e.g. FIAN, Misereor) some of which are also part of the NGO Platform described above and/or the Forum on Environment and Development described below. The aim of the campaign is to stimulate the public debate on the CAP reform, to draw conclusions from that debate and to influence the outcome of the reform accordingly (ML 2011a).

The member organisations of the campaign state that the CAP currently has a number of negative impacts, including the production of surpluses, waste and desolate rural areas. Instead of supporting the ecologically optimal production of healthy and diverse food, the CAP supports, in the members' opinion, a small number of corporations and large industrial farms.

In the members' view the main **target** of the CAP should be to provide food to all citizens that is produced using the resources that are available for the world's population in a sustainable manner. The aim would be to produce the EU's food with the land resources available in the EU. The members' therefore call for an end of all **export subsidies** and harmful import of cheap animal feed and agro fuels.

The campaign members want to limit **direct payments** to farmers (as opposed to corporations) and couple the provision of direct payments with **environmental and social services** as well as **employment**. Especially important, in the members' view, are animal welfare, the

production of protein animal feed, preservation of grassland as well as a minimum crop rotation on all farms (ML 2011b). Similarly to the platform the campaign members fear that the **greening** measures named by the Commission in its legal proposals will be ineffective or even counterproductive for the following reasons:

- The maximum of 70% share of arable land per crop are hardly exceeded today.
- A reference date in 2014 for grassland to be protected might lead farmers to plough up grassland in 2012 and 2013 on a great scale.
- A 7% share of ecological focus area is regarded as insufficient (ML 2011c).

Concerning **market measures** the campaign members demand a supply control mechanism by producers and consumers to prevent surpluses, waste and sharp price declines.

In their reaction to the Commission's legal proposals the campaign criticises the failure to abolish export subsidies (ML 2011c).

One element of the campaign was a voting mechanism on the website where people could distribute 100€ worth of EU-subsidies between a set [!] range of measurers. Over 15.000 people made use of that mechanism. The top five priorities people would want to see CAP money spent on were organic farming, small farms, animal welfare, regional diversity and regional marketing as well as healthy and high quality food. The least popular issues were large enterprises, export subsidies as well as growth and competitiveness on global markets (ML 2011d).

List of references:

ML (Meine Landwirtschaft 2011b): Worum geht es? <http://www.meine-landwirtschaft.de/wir.html> (accessed 19.10.2011)

ML (Meine Landwirtschaft) (2011b): Für eine neue Agrarpolitik: Bauernhöfe statt Agrarindustrie. <http://www.meine-landwirtschaft.de/unsere-wahl/abstimmungsergebnis.html> (accessed 19.10.2011)

ML (Meine Landwirtschaft) (2011c): EU-Kommission präsentiert Agrarreform. <http://www.meine-landwirtschaft.de/aktuell.html> (accessed 19.10.2011)

ML (Meine Landwirtschaft) (2011d): Meine Wahl- das aktuelle Ergebnis. Stand 19.10.2011, 12:32, <http://www.meine-landwirtschaft.de/unsere-wahl/abstimmungsergebnis.html> (accessed 19.10.2011)

### 2.3.3 NGO Forum on Environment and Development

The Forum on Environment and Development coordinates the activities of German NGOs in international policy processes on sustainable development (FUE 2011a). Its members are mainly NGOs in the fields of development cooperation, environmental protection and farming, some of which are also represented in the platform and the campaign described above.

In a press release reacting to the presentation of the legal proposals by the Commission the Forum on Environment and Development, like the platform described above, calls for coherence of the CAP with development policy and the right to food (FUE 2011b).

The Forum mainly criticises the failure of the Commission to abolish **export subsidies**. The signees fear that export subsidies will be used in the future to penetrate new markets which could cause additional problems for producers in developing countries. The export and growth oriented strategy of the Commission is generally seen very critical by the signees, especially the focus on the export of processed products (ibid.).

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List of references:

FUE (Forum Umwelt und Entwicklung) (2011a): About us. <http://www.forumue.de/index.php?id=50&L=1> (accessed 13.10.2011)

FUE (Forum Umwelt und Entwicklung) (2011b): Legislativvorschlag zur EU-Agrarreform ignoriert Auswirkungen auf arme Länder. Press release (12.10.2011), <http://www.forumue.de/index.php?id=50&L=1> (accessed 13.10.2011)

## **2.4 Science**

In the following section the statements of two scientific advisory boards at the Federal Ministry of Agriculture, individual academics as well as the German Council for Sustainable Development are presented.

### **2.4.1 Scientific Advisory Board on Agricultural Policy**

The interdisciplinary and independent Scientific Advisory Board on Agricultural Policy supports the Ministry of Agriculture regarding the further development of agricultural policy. It has up to 15 members who are appointed by the Minister of Agriculture (BMELV 2011a). In May 2010 the advisory board presented an expert opinion on the EU agricultural policy after 2013 (BMELV 2010) to which it refers in its brief opinion from January 2011 on the Commission's communication (BMELV 2011b). In a separate statement from April 2011 the scientific advisory board comments on government's role in risk and crisis management in agriculture (BMELV 2011c).

#### Challenges and Targets

The advisory board largely agrees with the challenges and targets of the CAP as stated by the Commission, namely viable food production, sustainable management of natural resources and climate action as well as balanced territorial development. However, the council misses a convincing vision for the CAP appropriate to those challenges and calls for a fundamental reform which should be gradually implemented (BMELV 2011b). In its statement from May 2010 the board members state that such a fundamental reform is necessary, but that it is unrealistic that such a reform could be implemented in 2014 for political reasons. On the other hand the board argues that simply keeping up the current policy for another seven years would be irresponsible (BMELV 2010).

In its reaction to the communication it criticises the Commission's strong focus on income and distribution policy, which should be handled at national and not EU level according to the board. On the other hand the board demands a stronger focus on the international competitiveness of the agro food sector and on the integration of European agriculture into world markets. International competitiveness was also one of the main challenges of the CAP named by the board in its statement from May 2010 alongside with the production of high quality, safe and healthy food as well as resource conservation, the provision of public goods and rural development (BMELV 2010).

As described below the board argues that direct payments are not a suitable policy instruments to tackle the mentioned challenges.

The board also criticises that the Commission presents the major challenges in its communication, but only presents selective policy measures. Especially the area of animal production and its environmental impacts and the issue of animal welfare are seen to be missing. Also the relationship between the increasingly important issues of bio energy and climate policy is seen to be only insufficiently reflected in the communication. The failure of the Commission to develop a stringent concept for the CAP, that is not just a protection and distribution policy

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for the EU agricultural sector, bears the danger of a dwindling social legitimisation and consequently of decreasing funds available to solve the real problems of European agriculture (BMELV 2011b).

Regarding the **orientation** of the CAP the board emphasises the need to pay attention to the subsidiarity principle. In its view it is insufficient to hold on to the two-pillar system without showing whether the proposed instruments can achieve the objectives at the lowest possible or at least acceptable social costs (ibid.).

### Direct Payments

In its reaction to the Commission's communication the board criticises the strong focus of the Commission on further developing the instrument of direct payments, especially as the Commission fails to convincingly demonstrate how direct payments contribute to the achievement of the mentioned objectives. For example, the board questions the argument that direct payments are necessary for the competitiveness of European agriculture as they make up a large share of farms' profits. The conclusion that many farms would therefore have to give up if direct payments were phased out is wrong, according to the board, as it neglects that a large share of direct payments are passed on to landowners in the form of higher rental prices, that the rental prices are further rising due to an increased demand for bio energy and that especially in plant production structural change can lower costs to a great extent. For those regions, where agriculture might really be unfeasible without direct payments, there is a suitable compensation instrument available within the second pillar. In the board's view it is also inappropriate to justify direct payments with the high legal standards in the EU as also all other branches of the European economy face higher legal standards compared to other countries, but are not compensated. If such compensation was necessary in specific cases, more specific instruments rather than area based payments would be far more efficient (BMELV 2010).

Direct payments are consequently seen by the board as a policy measure for a transition period, but, in the form of financial support for all agricultural area in the EU, not as a suitable long-term approach (BMELV 2011b). The board argues in favour of fully decoupling all direct payments, which should be phased out as they can not endlessly be legitimised as compensation for a change in policy. According to the board it is not sensible to search for new justifications for the provision of direct payments if the original justification, compensation, is not longer valid. Instead it is necessary to analyse how and by whom (policy level, policy field) these funds can be employed more efficiently to meet the challenges faced by agriculture. A simple transfer of funds from the first two the second pillar would also not be sufficient for reasons described below (BMELV 2010).

If policy makers do not follow the board's recommendation to phase out direct payments, those payments should be gradually adjusted as the **interregional disparities** with regard to the height of direct payments become increasingly difficult to justify (ibid.).

The proposed **greening** of direct payments is not supported by the board as the greening measures given as examples by the Commission are in principle suitable to contribute to a more sustainable way of farming, but could be more efficiently implemented in a differentiated and region-specific manner within the second pillar. The board also points out that the Communication does not mention the negative effects of a greening of the first pillar on competitiveness of the farming sector (BMELV 2011b).

Policies aiming at a more just distribution of direct payments should, according to the council, be based on income criteria. It points out that the Commission has failed to systematically

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analyse the intra- and intersectoral impact of **capping** or specific support for **small farmers** (ibid.).

Additionally, the board fears that a mixing of the first and the second pillar (e.g. by greening and support for less-favoured areas) will increase the bureaucratic burden and therefore contradict the goal of simplifying the CAP (ibid.).

### Market measures

Concerning market measures the board argues in favour of abolishing all remaining **quota systems** (BMELV 2010).

In the board members' opinion the EU should support competitive and **efficient value added chains** by helping them to meet the diverse consumer preferences within the EU and abroad. This could be done by ensuring data documentation and traceability across all stages of the value added chain, by promoting quality production and by the enhanced promotion of exports, although not through **export subsidies** (BMELV 2010).

In its statement on the government's role in **risk and crisis management** in agriculture the board argues that coping with price and yield risks is primarily the task of the entrepreneur. The government can render support by improving the functioning of markets through the creation of transparency, the provision of infrastructure and information support. The council opposes the long-term subsidisation of multiple-risk insurances, but could imagine a market entry grant in the form of a premium subsidy for drought risks that would diminish over time and eventually expire. Such a policy should be implemented in the second pillar of the CAP and be subject to co-financing. Alternatively the board considers governmental support of private insurers beyond a specific coverage, but opposes purely governmental funds (BMELV 2011c).

### Rural Development

Concerning rural development the board states that, although a balanced territorial development is set as one of the objectives of the CAP, the Commission's communication lacks a stronger focus on non-agricultural measures and regions with problems (BMELV 2011b).

In the current policy design of the second pillar the board sees a number of problems. Firstly, the focus of most second pillar measures lies on agriculture, although the development of rural areas requires a multisectoral approach. Secondly, the board recommends the development of innovation support strategies on a national level that should replace the current **farm investment** regimes, which are programmed by the federal states in Germany (BMELV 2010). Thirdly, some of the challenges ahead, like the preservation of biodiversity or climate change, require international, central strategies. The current decentralised approach of the second pillar might therefore be an unsuitable approach with regard to those problems. Also, the system of **co-financing** is seen as having advantages as well as disadvantages. The current system provides incentives to programme well-known measures that will ensure a stable flow of funds which obstructs innovation. Also the system makes it difficult to develop sustainable development strategies for the regions most in need (BMELV 2011b)

### Agricultural Research

In order to contribute to the aims of greater competitiveness of the agricultural sector and also in order to contribute to global food security the board recommends an increased in-

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volvement of agricultural research in development policy as well as the strengthening of applied agricultural research (BMELV 2010).

List of references:

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2010): Gutachten des Wissenschaftlichen Beirats für Agrarpolitik beim BMELV: EU-Agrarpolitik nach 2013. 10.05.2010, [http://www.bmelv.de/SharedDocs/Downloads/Ministerium/Beiraete/Agrarpolitik/GutachtenGAP.pdf?\\_\\_blob=publicationFile](http://www.bmelv.de/SharedDocs/Downloads/Ministerium/Beiraete/Agrarpolitik/GutachtenGAP.pdf?__blob=publicationFile) (accessed 17.10.2011), 34 pp.

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011a): The Scientific Advisory Board on Agricultural Policy at the BMELV. <http://www.bmelv.de/SharedDocs/Standardartikel/EN/Ministry/ScientificAdvisoryBoards/AgriculturalPolicy.html> (accessed 17.10.2011)

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011b): Scientific Advisory Council on Agricultural Policy at the BMELV: Brief Opinion on the Commission Communication on the Common Agricultural Policy towards 2020. 20.01.2011, <http://www.bmelv.de/SharedDocs/Standardartikel/EN/Ministry/ScientificAdvisoryBoards/AgriculturalPolicy-CAP.html> (accessed 17.10.2011)

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011c): Statement of the Scientific Advisory Council on Agricultural Policy at the BMELV: Risk and Crisis Management in Agriculture - On the Role of Government in handling Yield and Price Risks. 04.06.2011, [http://www.bmelv.de/SharedDocs/Downloads/EN/Ministry/RiskAndCrisisManagementAgriculture.pdf?\\_\\_blob=publicationFile](http://www.bmelv.de/SharedDocs/Downloads/EN/Ministry/RiskAndCrisisManagementAgriculture.pdf?__blob=publicationFile) (accessed 17.10.2011), 31 pp.

#### **2.4.2 Scientific Advisory Board on Biodiversity and Genetic Resources**

The Scientific Advisory Board on Biodiversity and Genetic Resources is an interdisciplinary and independent body which advises the Ministry of Agriculture on matters concerning the conservation and sustainable use of genetic resources (BMELV 2011). In October 2011 the board published a statement on agro biodiversity and agricultural policy in which it comments on the Commission's communication as well as on details of the reform that were discussed in the press in summer 2011 (Feindt et al. 2011).

##### Challenges and Targets

The board welcomes that the preservation of biodiversity seems to be well established as a target of the CAP, but criticises the lack of specific measures to reach that target and connections with the other targets. Some suggestions for specific measures with regard to the greening of direct payments made by the board are described below. In the board's opinion the preservation of agro biodiversity is a prerequisite for reaching the other goals of the CAP proposed by the Commission, namely viable food production, sustainable management of natural resources and climate action as well as a balanced territorial development. For example, viable food production is based on the existence of and the access of farmers and breeders to agro biodiversity in order to have the largest possible gene pool available, especially for future breeding. As the preservation of biodiversity is essential to reach those goals and also an integral part of the EU 2020 strategy it should also be an essential part of the CAP.

The board states that previous reforms of the CAP have been successful in correcting some of the negative effects of the old income and production oriented CAP. In the light of the global challenges ahead, however, it would now be necessary to develop and implement strategies and measures to actively support the preservation of biodiversity.

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Referring to the unofficial proposals of the Commission that were cited in the press in August 2011 the board states that the proposals are insufficient and not ambitious enough with regard to the preservation of biodiversity.

### Direct Payments

The board states that the expected strong financial role of the first pillar is ambivalent with regard to biodiversity. If grass land farms benefit from those payments there are generally positive impacts on biodiversity. On the other hand, many farms benefit from those payments that have little positive or even negative impacts on biodiversity. And even if that is not the case the lump-sum remuneration in the form of direct payments is not well targeted. The board also reminds the reader that direct payments were originally designed as a transition measure. In order to mitigate structural change it is tolerable with regard to biodiversity to maintain single area payments that diminish over time, if they are designed, especially via cross compliance, not to interfere with, but to support the preservation of biodiversity. In the long run, however, payments should be better targeted following the public money for public goods principle. Against this background the proposed obligatory **greening** of the first pillar is seen as chance to implement measures that support biodiversity. With regard to the proposed greening the board suggests specific measures that could be introduced as obligatory components for every of the ten key action areas for biodiversity identified by the board. It also comments on the proposed greening measures as cited in the press in summer 2011. In the board's opinion the approach to link the provision of direct payments with environmental obligations goes into the right direction. However, the board fears that if the greening is implemented in the way proposed by the Commission it will only slow down problematic developments and not provide any incentives to actively preserve or improve biodiversity.

In detail the board

- criticises the proposed crop diversification (3 crops, none accounting for more than 70% and at least 5%) as insufficient. The board suggests a maximum of 50% and a minimum of 10%.
  - principally welcomes the prohibition to plough up permanent grassland, but fears that a reference date lying in the future will be counterproductive as this provides incentives for the farmers to plough up grass land before that date. It suggest June 2011 as a suitable reference date.
  - also principally welcomes the idea of ecological focus areas of 7%. However, the board emphasizes that the effectiveness of such a measure does not only depend on the percentage of land, but also on the question what kind of areas can be taken into account. From the board's point of view it would be important to allow linear and/or permanent landscape elements to be taken into account. It should not be allowed to fulfil the 7% obligation solely by cultivating low input crops such as linseed.
  - emphasises that the greening should be obligatory for all farms and that, like with cross compliance, sanctions should apply to the whole payment, including the total loss of payments in case of severe violations.
  - would like to see the area intensity of livestock keeping to be taken into account.
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As part time and small farmers contribute to a large extent to the preservation of biodiversity the board states that a limitation of the provision of direct payments to “**active farmers**” must not exclude those groups.

The proposed **capping** as such does not have systematic effects on biodiversity. However, the board would welcome it if the funds “saved” under this mechanism were transferred to measures dealing with the new challenges, especially the preservation of biodiversity.

### Market measures

Concerning market measures the board welcomes the proposed strengthening of high **quality** production policies which should be designed in a way that supports the preservation of agro biodiversity.

### Rural Development

In a strategy for the preservation of biodiversity that is based on incentives, the voluntary agro environmental programmes within the second pillar play an important role. Consequently, the board criticises the relation of funds between the first and second pillar. Also the system of co-financing leads to an asymmetric financial security of the first and second pillar. In the view of the board matters of great importance should be completely financed by the EU.

List of references:

BMELV (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) (2011): Advisory Board on Biodiversity and Genetic Resources at the BMELV.  
<http://www.bmelv.de/SharedDocs/Standardartikel/EN/Ministry/ScientificAdvisoryBoards/BioDivOrganisation.html#doc816260bodyText2> (accessed 18.10.2011)

Feindt, Peter H.; Begemann, Frank; Gerowitt, Bärbel; Wissenschaftlicher Beirat für Biodiversität und Genetische Ressourcen beim BMELV (2011): Chancen für die biologische Vielfalt in der Landwirtschaft nutzen - 10 Schlüsselthemen für die Agrobiodiversität in der Agrarpolitik. Stellungnahme des Wissenschaftlichen Beirats für Biodiversität und Genetische Ressourcen beim Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz,  
[http://www.bmelv.de/SharedDocs/Downloads/Ministerium/Beiraete/Biodiversitaet/AgrobiodiversitaetAgrarpolitik10Themen.pdf?\\_\\_blob=publicationFile](http://www.bmelv.de/SharedDocs/Downloads/Ministerium/Beiraete/Biodiversitaet/AgrobiodiversitaetAgrarpolitik10Themen.pdf?__blob=publicationFile) (accessed 18.10.2011), 30 pp.

### **2.4.3 Individual Academics**

Apart from the scientific advisory boards a number of individual scientists have commented on the Commission’s plans. In the following section the statements of Professor Michael Schmitz (agricultural economist at the University of Gießen) and of Professor Stefan Tangermann (agricultural economist at the University of Göttingen, formerly director for trade and agriculture at the OECD) are summarized.

#### **Michael Schmitz**

Professor Michael Schmitz is a member of the Scientific Advisory Board on Agricultural Policy, but his positions are presented here as they seem to be in parts more explicit than the board’s statement.

According to media reports Professor Schmitz criticised the Commission’s communication very sharply, saying that it lacked clear **targets** and structure. In his view it is wrong to overload the CAP with global goals like climate protection or the preservation of biodiversity (AgE 2011a). Instead of a stronger focus on climate, environmental and consumer protection, ani-

mal welfare and rural development Professor Schmitz would put the emphasis on international competitiveness (AgE 2011b).

Regarding the **orientation** of the CAP Professor Schmitz criticises that the proposed more equitable distribution between EU member states is arbitrary and not based on any income related criterion. If payments are not distributed according to the national income levels major structural misdirective incentives are to be expected (AgE 2011b).

In Professor Schmitz' opinion the introduction of the concept of multifunctionality as a justification for **direct payments** was a mistake as it would make no difference at all for the provision of public goods by agriculture if direct payments were doubled or abolished (AgE 2011a).

Professor Schmitz also criticises the proposed **capping** of direct payments as an arbitrary and inappropriate instrument of income policy. He fears that such a policy will provide incentives for evasion. A link with **employment** would run counter to the development of competitiveness and highly capitalised farms (AgE 2011b).

In his view the proposed greening of direct payments will increase bureaucracy and lead to a less intensive agriculture with less productive area (due to the ecological set aside) which would harm the competitiveness of European agriculture.

With regard to **market measures** Professor Schmitz calls for a more rigorous reduction of market instruments and a stronger market orientation (ibid.).

List of references:

AgE (Agra-Europe) (2011a): Ciolos-Pläne gleichen einem „Kauderwelschpapier“. Agra-Europe 6/11, 07.02.2011, p.3

AgE (Agra-Europe) (2011b): Agrarökonom Schmitz bekräftigt Kritik an Kommissionsplänen zur Agrarreform. Agra-Europe 19/11, 09.05.2011, p.3

### **Stefan Tangermann**

Stefan Tangermann, who is not a member of the advisory board, presented his positions at an expert hearing of the Agriculture Committee of the European Parliament in February 2011 (Tangermann 2011 and AgE 2011a).

According to Stefan Tangermann the EU Commission has correctly identified the relevant future **challenges** for agriculture, but drawn wrong conclusions His main point of criticism is that the Commission fails to propose a fundamental reform of the CAP, but plans to permanently establish direct payments as a central policy instrument (AgE 2011b).

In Professor Tangermann's eyes the proposed **greening** of **direct payments** mainly serves the purpose to justify the money spent on agriculture to the taxpayer (AgE 2011a). He agrees that the provision of public goods requires policy support, but doubts that direct payments can contribute efficiently to reaching the goals of food security, climate and environmental protection or a balanced territorial development (Tangermann 2011). With regard to food security he argues that direct payments do not solve the purchasing power problems of developing countries or are necessary to stimulate production. In order to foster competitiveness he suggests the strengthening of research, innovation and education as well as the reduction of bureaucracy and lower land prices (AgE 2011a). As the requirements with regard to climate and environment are location specific second pillar measures are more suitable to fulfil them. Similarly, the needs with regard to **rural development** differ from region to region so that also in that case, second pillar measures are better suited. Sensible measures

would be investments in infrastructure, education and social services (Tangermann 2011). All in all, in his view lump-sum payments per unit of area are the contrary of a targeted and specific policy (AgE 2011b). Environmental services should be remunerated per unit of a public good provided and not per hectare (AgE 2011a). Therefore Professor Tangermann suggests a step by step transfer of funds to the second pillar and contractual arrangements modelled after the agro environmental programmes (AgE 2011b).

Both a **more equal distribution** of funds between member states and the proposed **cap-ping** of direct payments will not lead to more justice as long as those payments are not based on income. In his opinion the relevant criterion should be household income and not the income per unit of labour as what matters is the social situation of individuals and not factor income in a certain sector (AgE 2011b).

Professor Tangermann is critical of the proposal of the Commission to limit direct payments to „**active farmers**“. In his view natural resources can also be managed by other activities than farming. Also as direct payments are usually capitalised in land values, tenants benefit little and the supposed conflict between working farmers and absent landowners becomes obsolete. All in all he sees the discussion about the term “active farmers” to be more a matter of public perception than of the CAP objectives (Tangermann 2011).

Professor Tangermann sees the potential danger that some of the proposals regarding direct payments might be incompatible with **WTO** “Green Box” rules, e.g. if the definition of the term “active farmer” would require production or if the greening obligations (like crop rotation) would undermine the principle of payments decoupled from production (Tangermann 2011).

List of references:

AgE (Agra-Europe) (2011a): Tangermann: Direktzahlungen kein effizientes Mittel für Umweltdienstleistungen. Agra-Europe 7/11, 14. 02.2011, p.7

AgE (Agra-Europe) (2011b): Festhalten an den Direktzahlungen kritisiert. Agra-Europe 39/11, 26.09.2011, p.8

Tangermann, Stefan (2011): Direct Payments in the CAP post 2013. Presentation at the EP Workshop “CAP towards 2020”, Brussels, 7 February 2011, <http://www.europarl.europa.eu/activities/committees/publicationsCom.do?language=DE&body=AGRI> (accessed 20.10.2011)

#### **2.4.4 Council for Sustainable Development**

The Council for Sustainable Development (RNE) was set up by the Federal Government in 2001. Its tasks are to support the implementation of the national sustainability strategy, to elaborate new fields of action and specific projects and to keep sustainability prominent in the public debate (RNE 2011a). It is made up of 15 personalities of public life coming from the fields of politics, the economy, the churches, science and environmental organisations (RNE 2011b). In July 2011 the council published a statement on agricultural policy in which it refers to the Commission’s communication and makes suggestions for the CAP reform (RNE 2011c).

#### Challenges and Targets

As challenges for the German and European agricultural policy the council identifies global food security, food safety, competitiveness, green house gas reduction, adaptation to climate change, preservation of biodiversity and the agro social problems in rural areas. It criticises the failure of the Commission to relate its proposals for the CAP to the indicators of the EU Strategy for Sustainable Development (EU SDS).

In the council's opinion the CAP needs to enter on completely new paths as its financial viability in the national budgets of the member states is seen to be at its limit. Minor changes of the instruments or a transfer from one pillar to the other will not be sufficient.

The council recommends setting up a long term strategy ("Roadmap2050") for the CAP oriented towards the aims of the Rio + 20 world conference. That strategy should further develop the approach now proposed for the CAP after 2013 leading away from an income oriented to an outcome oriented policy.

The council also demands a totally new political framework which establishes organic farming as a model for sustainable farming. The council argues that organic farming perfectly fits the measures suggested to reach the goals of the EU 2020 strategy (innovation, research and life long learning). It calls for an action plan for organic farming that should deal with the protein animal feed deficit (amongst other things by subsidising the cultivation of legumes in the first pillar), public procurement, the flow of funds for research and with the strengthening of demand.

### Direct Payments

Concerning the proposed obligatory **greening** of direct payments the council would like to see this approach to be ambitiously implemented. Any greening measures should be coupled with specific targets and assessed on the basis of their impacts. The measures should be adaptable to local conditions, take effect everywhere, reach the ecological goals as well as possible and be easy to administer. As examples for such measures the council names minimum requirements for crop rotation and legume cultivation, ecological focus areas of 7% per farm, regulations on ground cover in the winter and the introduction of a stricter NPK balance. In order to implement and further develop the proposed ecological and social qualification of the first pillar the council sees the need to establish a monitoring and management system as well as offering advice to farmers.

With regard to the proposed **capping** of direct payments the council welcomes the Commission's intention to distribute the funds in a more equitable way. However, the council considers farm size to be an insufficient criterion as this would disadvantage those large farms that fulfil important roles in rural areas and with regard to the multifunctionality of farming. Also, as a result of the differences in soil quality, precipitation patterns and production systems, the area per farm is not a valid criterion to assess distributive justice. If a capping based on farm size was introduced the council would like to see employment taken into account. As additional criteria the council suggests multifunctionality, family farming, responsibility and local residence.

### Rural Development

The council emphasises that the proposed greening of direct payments must not lead to a reduction of funds for rural development and **agro environmental programmes** as this would be totally counterproductive. The negative impacts of such cuts on the environment and rural development would create costs that are even higher. Unused first pillar funds should remain in the respective region and be used for second pillar measures.

The council, similarly to the NGO Platform (section 2.3.1), recommends designing second pillar measures in such way that they remunerate the provision of systemic services (like those provided by organic farming) or the provision of ambitious environmental services with a high degree of synergetic effects.

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## List of references:

RNE (Rat für Nachhaltige Entwicklung) (2011a): Der Rat. <http://www.nachhaltigkeitsrat.de/der-rat/> (accessed 19.10.2011)

RNE (Rat für Nachhaltige Entwicklung) (2011b): Die Mitglieder des Rats für Nachhaltige Entwicklung. <http://www.nachhaltigkeitsrat.de/de/der-rat/mitglieder-des-rates/?size=evcnhsngh> (accessed 19.10.2011)

RNE (Rat für Nachhaltige Entwicklung) (2011c): „Gold-Standard Ökolandbau“: für eine nachhaltige Gestaltung der Agrarwende. Empfehlung des Rats für Nachhaltige Entwicklung vom 11.Juli 2011, Texte Nr. 40, <http://www.nachhaltigkeitsrat.de/de/der-rat/mitglieder-des-rates/?size=evcnhsngh> (accessed 19.10.2011), 48 pp.

## 2.5 Industry

In the following section some statements of associations representing companies along the value added chain for food are represented. However, the authors see the need to state that industry and its associations contributed surprisingly little to the public debate on the CAP reform.

The IVA, i.e. the association representing the German fertilizer and pesticide industry, argues that the **target** of the CAP should not be reduced to establishing stricter regulations for farmers. The association sees the need for European agriculture to increase productivity through research, innovation and resource efficiency. If productivity was neglected in Europe this would effect prices and food security in other parts of the world (IVA 2010).

For the BDSI, i.e. the association representing the German confectionery industry, the priority lies on securing the supply of high quality raw materials at competitive prices. According to the BDSI **direct payments** to European farmers are justified to compensate them for higher production standards and remunerate the provision of public goods. Direct payments enable European farmers to compete on global markets and ensure agricultural production in Europe. The BDSI supports the decoupling of direct payments from production. With regard to **market measures** it demands the abolishment of all supply control instruments and **production quotas** (including the abolishment of the sugar quota system in 2015). In order to compensate the food industry for higher raw material prices in the EU the BDSI sees the need to maintain **export subsidies** (BDSI 2010).

Similarly to the BDSI the IZZ, i.e. an association of German beverage, confectionery, vegetable-, fruit- and potato-processing companies as well as wholesale bakeries, demands the abolishment of the **sugar quota system** in 2015 in order to ensure the supply of sugar at competitive prices (AgE 2011a).

On the contrary the WVZ, i.e. the association representing German sugar beet farmers, sugar producing companies and sugar import-export firms, wants to maintain the current sugar market organisation until 2020. According to the WVZ this system guarantees security of supply and stable prices for local consumers. As the recent adjustments with regard to the market opening for the least developed countries and to export regulations had severe consequences for the sector further hardship after 2015 should prevented (AgE 2011b).

## List of references:

AgE (Agra-Europe) (2011a): IZZ fordert Änderungen in der EU-Zuckermarktordnung. Agra-Europe 25/11, 20.06.2011, p.9

AgE (Agra-Europe) (2011b): WVZ: EU-Zuckermarktordnung fortsetzen. Agra-Europe 26/11. 27.06.2011, p.2

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### 3 Comparative Analysis and Conclusions

In this section the authors give an overview of the range of opinions on different aspects of the CAP reform and put them into context. This is followed by a short concluding personal remark.

#### 3.1 Comparative Analysis

##### Challenges and Targets

Overall, the challenges and targets of the future CAP identified by the Commission are largely shared by many stakeholders. However, the statements differ with regard to the emphasis put on productivity on the one hand and the consequent orientation towards the public money for public goods principle and the concept of multifunctionality on the other hand. The need to increase productivity is justified by some stakeholders with the rising demand for bio energy and the need to contribute to global food security. Those arguments, however, are contested by non-governmental and civil society organisations who argue that the subsidised export of agricultural products (which are produced with imported inputs) from the EU hurts producers in developing countries and therefore do not contribute to global food security. The orientation towards the public money for public goods principle is demanded either from a perspective of regulatory policy that allows for state intervention in the case of market failures (e.g. due to positive and negative externalities of agriculture) or from the perspective of interest groups trying to limit the negative impacts of agriculture, mainly on the environment.

Other goals of the future CAP put forward by several stakeholders are the harmonisation of the implementation of previous reforms across Europe, the simplification of administrative procedures, the challenge of demographic change in rural areas and the coherence of the CAP with human rights and the Millennium Development Goals.

The goal of international competitiveness is mainly put forward by politicians, farmers' representatives and scientists. Interestingly, those stakeholders that consider international competitiveness to be an important goal do not seem to have the same understanding of the term itself and of the suitable approaches to it. Whereas the farmers' associations DBV and DRV would like to see their competitiveness ensured by direct payments that compensate them for higher production standards in the EU, scientists want to ensure competitiveness of the EU agricultural sector by market oriented policies, the targeted support of quality production as well as innovation and research.

Regarding the **orientation** of the future CAP the two-pillar-structure is hardly questioned in the German debate. This might be because many stakeholders assume that a fundamental structural reform of the CAP is unlikely to happen for political reasons and therefore do not deal with that question in their statements. There are, however, differences in the importance attached to the two different pillars. While, for example, the association of agricultural coop-

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eratives stresses that the financial focus should continue to lie on the first pillar, other groups, like the NGOs call for a financially strong second pillar.

A more equitable distribution of EU funds between new and old member states is strongly opposed by politicians and farmers' associations in Germany. While some groups plainly argue that losses for German farmers and a worsening of the net-payer position of Germany are to be prevented, others base their rejection on the differences in purchasing power and input costs across member states.

### Direct Payments

The basis of the various opinions on the Commission's proposals regarding direct payments is the question what purpose those payments do or should fulfil. On the one hand scientists recall that direct payments were introduced as a transitional measure to compensate farmers for the shift in policy away from price support. As this justification is no longer valid, those payments should be phased out and the money set free spent in a targeted and efficient way. On the other hand direct payments are seen by some stakeholders as compensation granted to farmers for the high environmental and animal welfare standards in the EU or as remuneration of the public goods provided by farmers. Regarding the question whether European farmers currently produce public goods and services that would justify such payments there is, however, also some disagreement which is reflected in the positions taken towards the Commission's proposal to link direct payments to additional environmental obligations (**greening**). Whereas the farmers associations DBV and DRV argue that European farmers already produce in an environmentally friendly way, this is denied by NGOs and other institutions concerned with environmental protection. Consequently, the former groups oppose the greening of direct payments, whereas the latter groups would like to see it ambitiously implemented and often made suggestions of their own regarding possible greening measures.

The greening measures most often suggested are:

- a prohibition to plough up permanent grassland (with a reference date in the past)
- regulations on crop rotation (three crops with a maximum share of a single crop of 50% and a minimum of 10%) as well as
- a minimum share of ecological focus areas (mostly 10%).

Other possible obligations suggested by some stakeholders are limits on livestock density and obligatory legume cultivation.

The greening measures finally put forward by the Commission in its legal proposals consequently fell short of the expectations. The main points of criticism are the chosen reference date for grassland protection (that by lying in the future could provide a major incentive for farmers to plough up their grassland before that date) and the maximum share of 70% per crop in a crop rotation. The opponents of a greening of direct payments mainly criticise the introduction of ecological focus areas as this is seen as contradictory to the needed rise in productivity.

Interestingly, most stakeholders that principally see the need of a "greener" CAP favour a combination of a few obligatory greening measures linked to direct payments with the agro environmental program mmes of the second pillar. In contrast to that the Scientific Advisory Board on Agricultural Policy and individual scientists, like Stefan Tangermann, argue that the aim of a greener CAP could be more efficiently implemented through second pillar programmes.

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It is also mainly from the field of science that the proposed **capping** of direct payments or the coupling with **employment** is criticised as an inappropriate policy measure to reach the aim of a more just distribution of direct payments. Instead such redistributive policies should be based on income criteria. Many other stakeholders in politics and farmers' associations reject the idea of a ceiling on direct payments on the basis of the argument that direct payments as a whole (and not just the greening component) serve as remuneration for the provision of public goods, which are provided irrespectively of farm size. Another argument put forward against such a ceiling is that it would create misdirected incentives impeding the necessary structural change towards highly capitalised efficient farming systems. The dividing line with regard to the capping mainly runs parallel to the different agricultural structures within Germany, with large units in the North and East (here resulting from the organisation of farming in agricultural production cooperatives in the former GDR) and small-scale agriculture in the South of Germany. However, the position on this question is, of course, not only determined by geography, but also by ideology. The proponents of such a ceiling, mainly NGOs, associations of small and organic farmers as well as politicians from the German green party, argue that the current system is socially imbalanced and systematically disfavours small, organic farms and production sectors with a high labour demand, as needed in dairy farming.

With regard to the proposal to limit the provision of direct payments to "**active farmers**" many stakeholders are concerned that this will negatively affect part time farmers, who play an important role in the management of agricultural land and the functioning of rural areas in many parts of Germany. It is often suggested that such a limitation should not be based on income from farming or turnover rates, but on the factual management of agricultural land.

### Market measures

Most stakeholders welcome the idea to strengthen the **role of producers** in the food supply chain, for example by supporting the formation of cooperatives. The issue of supported **risk insurance**, however, is more controversial. Some groups see the need to support farmers to cope with risks, but do not go into detail how that should be done and some groups argue that such instruments should be optional for member states. The Scientific Advisory Council sees it primarily as a task of the entrepreneur to cope with risks and suggest that supportive measures should only temporarily complement private efforts, e.g. in the form of a market entry grant. NGOs and the Agriculture Commission at the Federal Environmental Agency oppose such instruments as they might constitute an incentive for farmers to adopt precautionary measures and favour high yielding cultivation systems based on high inputs.

Concerning the **sugar market organisation** there is an unusual consent between the farmers' association DBV who would like to see the current organisation to be maintained until 2020 and the NGOs who argue that the abolishment of the current quota system solely serves the interests of the European processing industry by keeping their input costs low. However, not only associations of the processing industry, but also the Scientific Advisory Board on Agricultural Policy argue in favour of the abolishment of the sugar quota system.

With regard to **export subsidies** the loudest call for abolishment comes from the NGOs, especially those concerned with development cooperation. The German Platform even takes a more extreme position by calling for the introduction of export bans or export taxes on products benefiting from high direct payments. On the other side of the spectrum are some farmers' and processing industry's associations demanding to maintain export subsidies to help producers to be able to cope with fluctuating prices or as a compensation for processors for high input prices in the EU. The Federal Government takes the middle position by supporting the abolishment of export subsidies on the condition of an agreement in the WTO negotiations.

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## Rural Development

A common point of criticism in many statements is the lack of concrete policy measures concerning rural development in the Commission's communication. A proposal put forward by various stakeholders is the reintroduction of an incentive component for **agro environmental measures** and the request for a higher EU **co-financing** share for measures of special or trans-regional importance. Otherwise the positions mainly differ with regard to whether the focus of second pillar measures should mainly be on competitiveness and innovation in agriculture as opposed to integrated rural development.

With regard to the current **farm investment** support programmes some stakeholders see the need for reform, either by replacing the current system by innovation support strategies or by limiting the investment support to measures that have a positive environmental impact or create jobs.

A request made by some stakeholders concerned with environmental protection is to broaden the eligibility of assistance in the second pillar, e.g. by funding a greater variety of measures necessary to reach the aims regarding biodiversity and water protection, including investments, planning, management and monitoring. Some of these groups would like to see systematic approaches like organic farming to be especially supported.

The redefinition of less-favoured areas on the basis of **biophysical criteria** and the linking of measures to **concrete targets** are dismissed by most stakeholders, who express an opinion on that issue, for the fear of disruptive shifts or an increase in bureaucracy.

## Simplification of administrative processes

A simplification of the CAP is demanded by many of the stakeholders, especially regarding a reduction in cross-compliance obligations and controls as well as the monitoring and evaluation measures of second pillar measures. The fear of an increased bureaucratic burden is also frequently used as a counterargument against many of the Commission's proposals, e.g. against the linking of direct payments with employment or the limiting of direct payments to "active farmers". Interestingly, some stakeholders, like the Federal Government, believe that the proposed greening will lead to an increase in bureaucracy, while others, like the Federal Environmental Agency, argue that the implementation of easy to administer annual measures will not lead to an increase in bureaucracy (or in fact even reduce the bureaucratic burden by allowing a simplification of cross-compliance).

## **3.2 Concluding Remarks**

During the process of researching for this report the authors got the impression that the will to reform which is in principle expressed in the Commission's proposal takes up society's expectations with regard to an agricultural policy that focuses on supporting the provision of public goods. Many stakeholders therefore welcomed the Commission's communication and expressed disappointment when the legal proposals made it obvious that even the cautious reform attempts, especially in the form of the greening of direct payments, had been reduced in a way that could make them practically ineffective.

The authors also found that the various stakeholders very consistently defend their clientele, be it conventional farmers, the flora and fauna or small-scale producers in developing countries. Of course the authors are aware that exactly that is the function of associations and interest groups and that it is the (difficult) task of the politicians as people's representatives to weigh those positions against each other in order to make a balanced decision. However, the

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authors hope that the voice of science, even if it is also not totally unbiased, will have a greater impact on that decision than the particular interest of certain pressure groups. Last, but not least, the authors hope that the international perspective of this research project can make a small, though positive, contribution to the opinion-forming process and the public debate.

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