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Germany

Trade Policy Monitoring

Annual - Focus on EU Pillar 2 Support Programs

2008

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Report Highlights:
Germany has notified regional support programs in agriculture to the EU totaling for Euro 8.1 billion of EU support for the period 2007-2013. From an agricultural production point of view support programs grouped under Axis 2 (Protection of the Environment - Sustainable Agriculture) are the most interesting. Total support for organic farming is estimated at Euro 3.4 billion for 2007-2013. A full listing of German rural support programs is provided on the internet in German language.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Berlin [GM1]
[GM]

Trade Policy Monitoring Report – German Contribution

The 2008 Trade Policy Monitoring Report primarily emphasizes on the implementation of Second Pillar funds in the agricultural sector EU member states. After reunification of the two Germanys in 1990 the German weight as an agricultural producer in the EU increased significantly. After 18 years of reunification, the former Eastern Germany is still primarily an agricultural region with indications for economic recovery during recent years. About 40 percent of Second Pillar funds are spent in the eastern third of the country.

The following Second Pillar payment schedule in Germany for the period 2007-2013 has been notified to the European Commission. The Second Pillar programs are supported by Euro 8.1 billion out of EU funds. The national German support portion for Second Pillar programs is funded at 60 percent out of the federal and 40 percent out of the Laender budget. The German Laender have the opportunity to top-up program payments from their own regional budgets. The Laender decide individually what programs are of special advantage to them and are worth for additional funding.

German Regional Support Programs for the Period 2007-2013

		Axis 1	Axis 2	Axis 3	Axis 4	
Region	Payment		%-share			
	Million Euro		of Payments per Region			
Schleswig-Holstein	493.8	29.0	27.9	30.9	11.6	99.4%
Hamburg	71.4	62.4	15.9	16.9	3.3	98.5%
Mecklenburg-Vorp.	1,157.4	27.5	23.8	41.7	6.2	99.2%
Niedersachsen	2,125.6	55.1	19.7	19.4	4.6	98.8%
Sachsen-Anhalt	1,323.5	33.7	23.4	35.4	4.2	96.7%
Brandenburg/Berlin	1,385.0	35.2	30.9	26.5	4.8	97.4%
Nordrhein-Westfalen	803.5	27.1	54.1	14.6	3.6	99.4%
Rheinland-Pfalz	677.9	38.1	38.6	15.9	5.8	98.4%
Hessen	722.4	20.3	38.7	28.6	11.6	99.2%
Thueringen	1,073.7	27.1	39.2	28.4	4.1	98.8%
Sachsen	1,206.4	22.1	31.8	39.7	4.7	98.3%
Saarland	56.5	16.8	36.1	30.8	14.6	98.3%
Baden-Wuerttemberg	1,789.6	27.4	58.9	9.8	3.2	99.3%
Bayern	3,501.9	21.3	59.1	15.7	3.6	99.7%
Germany - Total	16,388.6					
		Axis 1	Axis 2	Axis 3	Axis 4	Total
Basic payments		3,696.7	5,505.7	3,042.8	753.3	12,998.5
Regional Top-ups		1,337.1	991.5	810.9	42.0	3,181.5
Total Second Pillar Payments		5,033.8	6,497.2	3,853.7	795.3	16,180.0
Technical or program development assistance						208.5
Total funding						16,388.5
- thereof EU funds for Germany						8,112.7

In Germany almost all regions in Eastern Germany qualify as convergence regions, except for three small districts in the States of Sachsen-Anhalt, Brandenburg and Sachsen. They receive up to 75 percent of EU co-financing. All other regions are regular support level regions, which are supported with up to 50 percent of EU co-financing.

Following pdf-documents in the internet provide a detailed breakdown of program support by the individual German Laender.

http://www.leaderplus.de/data/0009AE3CC85A1790BCCA6521C0A8D816.0.pdf
http://www.leaderplus.de/leaderplus/download.cfm?uuid=000AEC8646E616B383116521C0A8D816

The vast majority (70 percent) of Axis 1 funds in Germany (**Improvement of the Competitiveness of the Agricultural and Forestry Sector**) are scheduled for programs for farm modernization and improvement, land consolidation, infrastructure measures such as field and forest roads. Main recipient regions are Niedersachsen (Lower Saxony), Bavaria and Brandenburg. The Free State of Sachsen also strongly supports its farmers with regard to farm modernization. Coastal protection programs are naturally required along the North Sea coast. The main effect of these programs is to improve the competitiveness of active farms. If the investments have the effect that in particular animal welfare will be improved an add-up to the normal support level is also possible. The maximum support can total 25 percent of the investment amount of up to a maximum of Euro 1.5 million. The total support payment should not exceed Euro 400,000 granted for three years. It is at the discretion of the German Laender whether they will make use of this maximum support option.

Axis 2 payments (**Protection of the Environment – Sustainable Agriculture**) concentrate on environmental programs including organic farming, which have direct impact on the production of organic products. The two southern Laender of Bavaria and Baden-Wuerttemberg are the main target regions. These are regions with predominantly small-scale farming and a relatively large number of organic farms. Axis 2 programs also cover support programs for disadvantaged regions such as mountain regions. Here again Bavaria is the main recipient.

The leading Axis 2 programs are the support payments for environment protection including organic farming, which totals Euro 3.4 billion. The second main focus of Axis 2 programs is on support payments for disadvantaged regions such as mountain regions, totaling to Euro 1.24 billion.

Support payments per hectare of organic cropland are offered to encourage farmers to convert from conventional farming to organic farming methods. For this purpose farmers are entitled to a fixed per hectare support payment, which is differentiated by region and by type of production. The German guideline support payments per hectare are shown in the table below. The German Laender have the option to voluntarily increase the support payments by up to 20 percent or reduce them by up to 30 percent compared to the guideline level. If the support level remains within these guardrails the EU contribution remains valid at 55 percent in average income regions and at 80 percent in convergence regions. A financial support above these guard rails has to be fully covered by national funds.

The spread of support for organic farmers in Germany reflects the political interest in organic farming and also the budgetary situation of the respective region. Organic farmers in Niedersachsen receive comparatively high conversion payments of Euro 262/hectare for crop and grassland during the first two years of organic farming. Beginning with the third year these payments are cut back to Euro 187 per hectare and remain at this level for the following years. In 2007, farmers in the Saarland were not entitled to increased conversion payments. Their maximum payments for crop and grassland amounted to Euro 116/hectare.

Basic Organic Production Support Program - Euro / Hectare				
	Crop land	Grassland	Vegetables	Permanent Crops
German Guideline Support Levels				
Conversion Period	187	187	440	840
Permanent	137	137	271	662
Minimum				
Conversion Period	135	131	271	560
Permanent	116	116	230	563
Maximum				
Conversion Period	262	262	693	1107
Permanent	190	190	500	662

Source: BMVEL, Federal Ministry of Agriculture, www.oekolandbau.de

Axis 3 **(Improvement of the Rural Economy by Diversification**) focuses on village/town improvement programs and historic restoration primarily to attract tourism. Another topic of this program group is maintaining and improving village infrastructure and encouraging small businesses to stay in rural regions. These programs are relatively evenly spread over all of Germany. They do not directly effect agricultural production.

Axis 4 covers predominantly strategy development programs.

The implementation and financing of these national support programs are monitored and evaluated by state authorities. EU regulations define a check list for annual evaluation of the programs. For 2010, a mid-term review is scheduled on the national level. Aside from the scheduled evaluation cycles the European Court of Auditors (ECA) performs random checks in individual programs. The primary complaint in the ECA reports concentrates on windfall gains resulting from the subsidy programs, claiming that the investment would have also been made without the EU and national money.