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Germany

Agricultural Situation

Annual Summary Report

2007

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Report Highlights:
In 2006/07, farm income in Germany rose by an average of 14 percent. Cash crop farmers were the biggest beneficiaries of significantly increased prices for agricultural commodities. In contrast, livestock producers' income dropped nearly six percent. The consolidation of German farms continues at an annual rate between 2 and 4 percent. In 2006, the average size of German fulltime farms increased to 55 hectares (136 acres). Only 45 percent of German farms are considered fulltime farms. The amount of family labor used on German farms dropped by almost 20 percent while hired labor dropped by only 6 percent over the past 7 years.

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

Executive Summary

In 2006/07, German farm income rose by an average of 13.8 percent. The rise is mainly because of commodity price increases. Consolidation in the farm industry still continues. For the past 40 years the number of farms has gradually decreased by two to four percent annually. Today, the average farm size of full-time farms is estimated at 55 hectare (135 acres). Part-time farms are considerably smaller with an average of 13.7 hectares (34 acres). On average the most profitable farms were cash crop farms in 2006/07. Livestock producers were not as profitable because of rising feeding costs. The German farming sector employs 1.24 million people, thereof 320,000 are employed on a full-time basis. The value of Germany's livestock production (Euro 19.5 billion) is slightly higher than crop production (Euro 18.7 billion).

Germany's primary agricultural crop is wheat totaling three million hectares (7.4 million acres), followed by barley – two million hectares (4.9 million acres), and rapeseed – 1.55 million hectares (3.9 million acres). The area planted to silage corn is expected to increase considerably in 2008 because many farmers have invested in biogas facilities which convert biomass into methane gas to generate electric power. The 2008 crop area for silage ciorn is forecast at 1.55 million hectares, up from 1.47 million hectares in 2007.

Demand for organic foods in Germany is rising at double digit rates primarily because of the entry of conventional food retailers in this market segment in 2003. In 2007, about 60 percent of all organic foods were handled by these conventional retailers. 4.6 percent of Germany's farms are operated organically. Organic farmers receive additional subsidies because organic farming is regarded to be environmentally friendly.

The German government supports the production of agricultural crops for biofuels. It adopted the EU goals for production and use of biofuels into national law in 2007. The government has also committed itself to developing legislation to achieve the goal of a 10 percent biofuels blending rate by 2020.

Agricultural biotechnology is still in its infant stages. In 2007, about 2,650 hectares were planted to insect resistant biotech corn varieties. Growth in biotech corn area is expected for 2008.

Note: Income and production values in this report are shown in Euros. Converting them into US$ could be misleading if several years are compared.

In recent years the U.S.$/EURO exchange rate has been as follows:

1999: $1 = Euro 0.9383	2000: $1 = Euro 1.0827
2001: $1 = Euro 1.1166	2002: $1 = Euro 1.0575
2003: $1 = Euro 0.8840	2004: $1 = Euro 0.8039
2005: $1 = Euro 0.8038	2006: $1 = Euro 0.7763
Oct 2007: $1 = Euro 0.7029	

German Farm Income Increases

During the period of July 2006/June 2007, the income of German full-time farmers increased an average of 13.8 percent. The main beneficiaries of the improved market conditions were cash crop operations growing grains, oilseeds, sugar beets and other cash crops. The only groups of farmers suffering income losses were swine and poultry producers; losing 6.1 percent of their income compared to 2005/06.

Farm Income Development			
	Profit per Farm in Euro		
Sector	2005/06	2006/07	% Change
Crop Farms	37,407	50,448	+34.9
Horticulture	40,495	42,685	+5.4
Viticulture	37,821	43,225	+14.3
Fruit Producers	35,648	41,574	+16.6
Dairy	35,752	40,276	+12.7
Other Feed Producers, incl. Feeder Cattle	27,960	28,623	+2.4
Swine and Poultry	48,924	45,929	-6.1
Mixed Operations	34,243	36,954	+7.9
All	36,137	41,125	+13.8
Organic Farms	44,673	n/a	
Source: BMELV[1]			

After extremely low grain and oilseed prices in Germany in MY 2004/05, farmers took advantage of the higher prices which began an upward trend in the summer of 2006 and then rose sharply in the winter months of 2007. In contrast, poultry and swine producers were not able to pass production cost increases on to the next marketing and processing levels due to very intense competition.

During the past six years, the total net farm income averaged about €20 billion except for the drought year 2003. Except for hail insurance, German farmers do not have options for disaster or income insurance. However, income safety net models are being intensively discussed in Germany but no formal proposal has been introduced.

German Net Farm Income						
	2001	2002	2003	2004	2005	2006*
	Million Euro					
Cash Receipts	41,298	39,622	36,768	40,105	38,868	39,956
+ Product-related Subsidies	3,962	4,018	3,989	4,473	9	9
-- Crop Subsidies	3,325	3,252	3,223	3,314	9	9
-- Animal subsidies	637	766	766	1,159	0	0
- Product Taxes	217	150	95	273	294	62
Gross Cash Income	45,043	43,490	40,662	44,305	38,583	39,903
- Input	25,125	25,659	25,875	25,742	25,772	26,840
Net Cash Income	19,918	17,833	14,786	18,563	12,810	13,063
- Depreciation	7,033	7,033	6,981	6,979	6,946	7,086
- other Taxes, Royalties etc	408	605	719	339	441	441
+ oth. Subsidies, Area Payments	1,482	1,459	1,571	1,540	6,084	6,388
Net Farm Income	21,185	18,424	14,184	21,593	19,752	20,885
* Estimate						

[1] BMELV = Federal Ministry of Food, Agriculture and Consumer Protection

Source: BMELV						

As result of the 2003 EU Common Agricultural Policy (CAP) reform, Germany decoupled the financial support schemes from actual production beginning in 2005, which is reflected in the table above. Support payments for famers are no longer product related and subsidy payments are now predominantly based on crop area. Headage subsidies for cattle and other animals will be gradually recalculated and converted into single farm payments according to regions. Farmers are now free to decide which crops they want to grow and what kind of livestock they produce. The full conversion of product related payments to regional single farm payments will be achieved by 2013. The new financial EU support scheme for farmers has the potential of reducing beef cattle production since it is less labor intensive to grow field crops. The higher production cost for beef cattle are no longer reflected in higher subsidy payments.

Farm Structure

Based on 2005/06 statistics, average farm income in the former Eastern Germany was on average about 25 percent higher than in the western part of the country. The higher productivity in the eastern part of Germany is primarily attributed to significantly bigger farm sizes. On the other hand, soil fertility in large regions of the former East Germany is below average, particularly in the states of Brandenburg and Mecklenburg-Vorpommern. In addition, average precipitation in the eastern third of Germany is about 30 percent lower than in the former West.

Average Farm Size in German Regions, in Hectares				
	Full-time	Part-time	All	
	Farms			
Western Germany				
Baden-Wuerttemberg	43.6	11.1	22.8	
Bayern	37.9	12.8	24.4	
Hessen	63.3	15.7	30.6	
Niedersachsen	68.5	16.3	46.0	
Nordrhein-Westfalen	48.0	12.8	29.2	
Rheinland-Pfalz	45.1	11.6	25.4	
Saarland	86.3	22.7	48.1	
Schleswig-Holstein	80.8	15.5	54.0	
Eastern Germany				
Brandenburg	140.2	23.3	65.4	
Mecklenburg-Vorpmmern	239.0	31.5	106.4	
Sachsen	90.3	14.4	39.3	
Sachsen-Anhalt	189.9	26.5	93.7	
Thueringen	97.3	10.2	35.1	
Germany	54.6	13.7	32.0	
Source: BMELV				

Of the total of 353,300 farms reported in 2006, about 55 percent were operated by part-time farmers. The long-term consolidation or dropout rate of farms averages about two to four percent per year. The main category of farms which are given up year-to-year is between 2 and 40 hectares. At the same time, the number of farms operating more than 75 hectares is growing, but more interestingly, the number of very large farms totaling more than 1,000 hectares, is gradually shrinking. This is particularly evident in Eastern Germany where big farms are further consolidating and a number of them are being split up into smaller units and among several individual operators. In Germany, 0.7 percent of larger farms consisting

of more than 1,000 hectares operate more than 15.8 percent of the nation's farmland. The reduction of farms is primarily attributed to the aging of the German society and a lack of interests among young people to manage and work on farms. In addition, income opportunities outside the farming sector are usually more promising.

Farm Size Developments							
Farm Size Groups, in Hectares	2005	2006	% Change		1999	2006	% Change
	No of Farms, in 1,000				Agric. Area, in 1,000 ha		
2 – 10	120.0	113.6	- 5.4		622.6	590.4	- 5.2
10 – 20	73.0	68.9	- 5.6		1,088.4	1,028.6	- 5.5
20 – 30	37.0	36.0	- 2.8		918.7	893.8	- 2.7
30 – 40	29.1	27.9	- 4.2		1,011.6	967.9	- 4.3
40 – 50	22.2	21.5	- 3.0		992.7	962.3	- 3.1
50 – 75	35.5	35.4	- 0.2		2,169.5	2,166.8	- 0.1
75 – 100	18.9	19.2	- 1.2		1,633.9	1,652.2	+ 1.1
100 – 200	20.7	21.0	+ 1.5		2,766.8	2,809.6	+ 1.5
200 – 500	6.2	6.5	+ 3.9		1,830.4	1,896.9	+ 3.6
500 – 1000	1.8	1.8	+ 0.7		1,282.8	1,291.3	+ 0.7
1000 -	2.6	2.6			2,682.2	2,669.6	- 0.5
All	366.0	353.3	- 3.5		16,999.7	16,929.3	- 0.4
Source: BMELV							

Farm labor

In 2006, the German agricultural sector employed approximately 1.2 million people. However, only about 320,000 were employed on a full-time basis. Compared to 1999[2] this is a reduction of about 61,000 fulltime jobs or 16.5 percent. Job losses in the western half of Germany mainly resulted from the farmers' decision to quit farming and placing the farmland or and part of the farm building on the rental market. In the eastern part of Germany, the number of family workers marginally increased during the referenced period while the number of hired workers dropped by more than twenty percent. The number of seasonal workers[3] went up slightly by two percent. Vegetable and fruit producers are the main employers for seasonal workers.

German Labor Force in Agriculture, in 1,000 persons								
	Family Labor			Hired Labor				All
	All	Fulltime	Part-time	Permanent			Seasonal	
				All	Fulltime	Part-time		
1999	940.8	231.5	709.3	196.0	151.0	45.0	300.3	1437.1
2001	860.1	207.2	652.9	188.7	142.6	46.0	274.0	1322.8
2003	822.7	209.3	613.4	191.4	130.6	60.7	289.2	1303.3
2005	782.7	203.3	579.4	187.4	125.1	62.2	306.3	1276.4
2006*	758.0			185.0			300.0	1243.0
* Estimate		Source: BMELV						

[2] Comparisons to earlier years are not possible due to methodological changes.
[3] Usually coming from Central European countries, namely Poland

Agricultural Production

The production value of the German agricultural sector amounted to nearly €40 billion in 2006 (US$ 49.5 billion). German agriculture consists of 46.8 percent crop production and 53.2 percent of livestock operations. The production of fodder crops is likely to increase significantly in the coming years due to the greater need of input materials for biogas facilities, such as corn and grass silage.

Value of German Agricultural Production, in Million Euro					
	2001	2003	2005	2006	% Change
					06 vs. 05
Grains	5,297	4,175	4,218	4,613	+9.4
Oilseeds	889	851	974	1,208	+24.1
Protein Crops	93	68	52	55	+5.7
Sugar Beets	1,207	1,171	1,177	751	-36.2
Fodder Crops	4,068	3,406	4.294	4,135	-3.7
Vegetables	1,409	1,364	1,678	1,901	+13.3
Flowers + Decorat. Greens	2,691	2,670	2,581	2,613	+1.2
Potatoes	1,175	1,003	602	754	+25.3
Fruit	693	891	783	913	+16.7
Wine / Must	1,132	1,219	1,231	1,231	0
All Crop Production	19,019	17,194	18,034	18,710	+3.8
Cattle	2,493	2,617	2,945	3,343	+13.5
Hogs	6,147	4,669	5,552	5,928	+6.8
Sheep	188	167	170	179	+5.4
Poultry	1,090	953	1,238	1,130	-8.7
Milk	9,372	8,254	8,196	7,903	-3.6
Eggs	1,002	855	506	544	+7.6
All Livestock Production	20,739	18,003	19,099	19,495	+2.1
Other Income	1,540	1,571	1,735	1,751	+0.9
Total Production	41,298	36,768	38,868	39,956	+2.8
Source: BMELV Annual Report					

Over the past 16 years, total German agricultural area dropped by 1.1 million hectares to 16.9 million hectares. This acreage reduction occurred primarily during the first ten years of German reunification when agricultural lands were used for road, home and industrial building construction in Eastern Germany. Since then, the land loss rate has been relatively small. The vast majority of crop land is devoted to grains, rapeseed, and silage corn production. The specific crops gaining popularity are winter wheat, winter rapeseed and corn for silage. The increased production is attributed to their comparatively high yielding potential and to the increasing demand for these crops for fuels and biogas production.

Germany: Farm Land Use by Major Category in 1000 ha

'Year	1990	1995	2000	2002	2004	2006	2007	2008*
Wheat	2444	2579	2969	3015	3112	3115	3005	3240
Rye	1075	861	843	728	625	539	674	750
Barley	2629	2109	2068	1970	1980	2025	1933	2000
Oats	475	309	237	233	228	184	175	190
Triticale + WMG +SMG	150	344	539	596	541	439	412	420
Corn	232	325	361	399	462	401	383	400
TOTAL GRAIN	7005	6527	7016	6941	6947	6702	6582	7000
Pulses	122	123	186	208	178	144	109	110
Potatoes	558	315	304	284	295	274	276	275
Sugar beets	611	513	452	459	441	358	406	390
other row crops	106	29	14	12	10	9	10	10
Veget. / other hort.	149	103	109	118	127	132	127	127
Rapeseed	722	974	1078	1297	1283	1429	1546	1400
Sunflowerseed	25	52	26	26	32	32	19	30
Linseed, oth. oilseed	22	66	112	14	17	22	12	10
Hops	22	22	19	19	19	19	18	18
Grass seed, tobacco,etc	128	37	42	38	46	49	45	45
Silage corn	1373	1252	1155	1119	1249	1346	1475	1550
Clover, /grass mixtures	309	236	182	167	177	210	205	205
Alfalfa	155	49		25	86	79	83	85
Grass, oth. feed crops	433	256	287	230	209	321	329	330
Fallow land, set-aside	242	1282	823	835	784	741	645	300
TOTAL ARABLE LAND	11982	11836	11804	11791	11898	11866	11886	11885
Horticultural area	184	19	9	8	8	5		
Fruit and tree crops	114	69	69	69	69	66		
Nurseries	26	28	25	26	26	21		
Permanent pasture	5618	5282	5048	5010	5000	4882		
Vineyards	101	102	100	101	102	97		
Other agric. crops	7	10	14	14	14	26		
Total Agricultural Area	18032	17346	17069	17019	17117	16963		

* Forecast
Source: German Federal Statistics Office

Organic Farming

Public perception for organic foods increased significantly at the beginning of the BSE crisis in 2000. Organic agriculture was then often claimed to be generally safer than conventional agriculture. Beginning in 2003, the conventional retail chains began to launch their own organic retail brands and now they offer a wide variety of organic foods. Today, Germany's organic food market is growing at double digit rates. In 2007, almost 60 percent of all organic foods marketed in Germany were sold through conventional retail chains. Growth in specialized organic stores is rather limited. Total market volume of organic foods is estimated at $8.0 billion (Euro 5.5 billion), representing about 4 percent of the food retail market.

In Germany, about 4.9 percent of the farmland is operated organically. Annual growth of the organic farmland is estimated at about four percent, which is significantly lower than the current growth rate of organic retail sales (ranging between 18 and 22 percent in 2007). The interest of farmers to convert their farms to an organic operation has also been shrinking during recent years because government subsidies for organic farming have been reduced.

Organic Farming					
	Organic Farms		Organic area		
	Number	% of Total	Hectares	% of Farmland	
1996	7,353	1.3	354,171	2.1	
2000	12,740	2.8	546,023	3.2	
2001	14,702	3.3	634,998	3.7	
2002	15,626	3.6	696,978	4.1	
2003	16,476	3.9	734,027	4.3	
2004	16,603	4.1	767,891	4.5	
2005	17,020	4.2	807,406	4.7	
2006	17,557	4.6	825,538	4.9	
Source; BMELV					

Subsidies for Organic Farming, in Euro per hectare					
	Subsidies during Conversion Years			Permanent Subsidies	
	2006	2007		2006	207
Vegetable	480	440		271	300
Cropland	210	187		137	160
Grassland	210	187		137	160
Permanent Cultures	950	840		662	770
Source: BMELV					

German Commitment for Biofuels and the Energy and Climate Package

In December 2007, the German government adopted the EU goals for the production and use of biofuels into its own national policy program for renewable fuels. The government committed itself to developing legislation to achieve the goal of a 10 percent biofuels blending rate by 2020. To achieve this challenging objective, the German government intends to intensify research in second generation biofuels made from cellulosic material. The program also provides additional options for farmers to generate income.

In addition to the biofuels program, an energy and climate package has been proposed. It contains proposed policies to increase the use of manure in biogas (methane gas) production, which is believed to lower the emission of climate damaging gases that are developed when manure is spread on fields. A second investment proposal supports the commercial use of heat generation through biogas; which is converted into electric power. An alternative to converting biogas into electric power is the option of inserting biohas directly into the natural gas pipelines. The heat utilization and the gas insertion options would require significant investment in pipeline systems.

An escape clause has been added to these policy proposals stipulating that the supplies for the input materials for biofuels production should originate from sustainably managed farms and the use of agricultural crops should not negatively impact the food and feed supply situation.

Biotechnology

In Germany, agricultural biotechnology is still in its infant stages although biotech corn varieties have been commercially planted since 2004. The area planted to insect-resistant corn in 2007 amounted to 2,650 hectares. In 2008, biotech plantings are expected to grow significantly. Those farmers who already have experiences with the new varieties are expected to expand their biotech planting area and others are likely to join them. Moreover, a biotech starch potato is expected to be approved by the EU and subsequent cultivation is anticipated. The biotech potato producer is optimistic that farmer interest will be sufficient to start potato cultivation in 2008 or 2009.