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Report Name: Dutch Government Increases Agricultural Budget

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Report Highlights:

The Dutch government has presented its budget for the next annual budget cycle (which begins on January 1, 2021). In recent years, the Ministry of Agriculture's budget has increased sharply -- from €0.8 billion in 2018 to more than €2 billion for 2021. The government has identified four key areas in which it wants to invest: 1) structural measures to address nitrogen pollution, 2) a national protein strategy, 3) sustainable European agricultural production, and 4) continued development of a sustainable livestock sector and improved animal welfare. Through these policy goals, the Ministry hopes to provide clarity and perspective to farmers in terms of future policies. Parliamentary discussions on the 2021 budget revealed that not all Ministers of Parliament were in agreement with some of the proposed policies, particularly the proposal to address nitrogen emissions.

Background

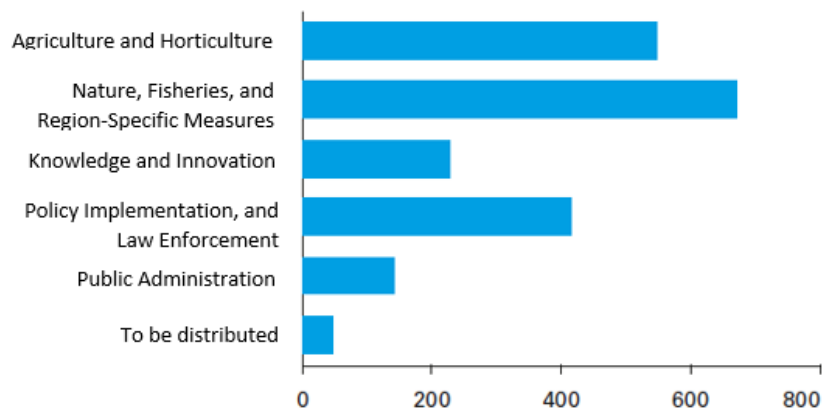
On September 15, 2020, the Dutch center-right government, led by Prime Minister Rutte, presented its 2021 budget. Next year's budget cycle (which begins on January 1, 2021) will be dominated by the impact of the coronavirus (COVID-19) crisis, as well as by the government's desire to cut taxes and increase spending.

In recent months, the Dutch government has been investing heavily to keep the economy operational during the pandemic. Various support measures for businesses, entrepreneurs, and laborers have been implemented to counter the effects of the crisis. The overall cost of these measures (in 2020 and 2021) is expected to reach €62 billion (\$72.6 billion).¹ These measures give the government budget for the coming year a whole different character. Instead of a budget surplus, the government anticipates a deficit of 7.2 percent (€56 billion) in 2020 and a deficit of 5.5 percent, or €45 billion, in 2021. Head of State, King Willem-Alexander, warned that the Netherlands must brace itself for an economic setback in his traditional 'speech from the throne' on Prinsjesdag (also referred to as Prince's Day or Budget Day)²

Ministry of Agriculture Doubles its Budget

The Ministry of Agriculture, Nature and Food Quality has allocated €2.1 billion (\$2.5 billion) for 2021. Under the stewardship of Minister Schouten, the agricultural budget for the Netherlands has more than doubled. In 2018, at the start of the Rutte III Cabinet, the budget for agriculture was €0.8 billion (\$943 million). Nevertheless, if compared with the overall government budget, the amount allocated for agriculture still represents less than one percent of the government's total budget. The growth of the agricultural budget in recent years is partly due to extensive funding for the reorganization of the livestock sector, reducing nitrogen emissions, and developing climate measures.

Figure 1. Ministry of Agriculture Budget Allocations for 2021 (in Million Euro)



Source: https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/begrotingen/2020/09/15/xiv-landbouw-natuur-en-voedselkwaliteit-rijksbegroting-2021/14_Landbouw_Natuur_en_Voedselkwaliteit.pdf

¹ www.rijksoverheid.nl/onderwerpen/prinsjesdag/inkomsten-en-uitgaven-van-het-rijk-2021. For more information on the support measures extended by the Dutch government, see, e.g., GAIN Report [NL2020-0014 Financial Support to Help Business Endure Corona Crisis](#).

² [https://www.cpb.nl/augustusraming-2020-2021#:~:text=In%20de%20basisraming%2C%20die%20ervan,hel%20Centraal%20Planbureau%20\(CPB\)](https://www.cpb.nl/augustusraming-2020-2021#:~:text=In%20de%20basisraming%2C%20die%20ervan,hel%20Centraal%20Planbureau%20(CPB))

Minister Schouten emphasized that, at this moment, the Ministry's main goal is to provide 'clarity' for farmers, horticulturists, and fishermen. In line with this ambition, Schouten stressed that she wants to provide perspective for Dutch agriculture and nature by offering new opportunities for sustainability and entrepreneurship. The Ministry further aims to sustain agriculture and fisheries in a competitive and turbulent world market, with high demands for sustainability, while at the same time addressing the impact of the nitrogen crisis, the COVID-19 crisis, and uncertainties about Brexit. The Ministry of Agriculture has identified four key areas in which it will invest in the coming year (and beyond):³

Structural Measures to Tackle Nitrogen Pollution

Following the ruling by the Council of State last year, as well as the ongoing nitrogen discussions, Minister Schouten continues to work to reduce nitrogen emissions and restore and strengthen natural areas. In the coming years, the national government will invest more than €2 billion (\$2.36 billion) in efficient source measures in sectors, such as agriculture (to encourage increased grazing, improve stables, more efficient feeding), industry, mobility, and construction. The budget supports a program through which farmers can avail themselves of subsidies to switch to a more sustainable (circular) agricultural system, as well as for farmers who decide to quit farming. For additional information on this program, see [NL2020-0012: Dutch Government Announces Programs to Curb Nitrogen Emissions](#). The government aims to achieve, for at least half of the [Natura-2000](#) reserves in the Netherlands, a 'healthy' nitrogen level by 2030 (< 255 mole per hectare). The aim is to legally anchor the structural approach to nitrogen into Dutch law in early 2021.

In rural areas, biodiversity is still declining, and the Ministry believes that it is necessary to reduce nitrogen deposition. A substantial increase in funds will be made available from 2021 to 2030 to strengthen and restore nature, rising to €300 million per year. The national government as well as the Dutch provinces will use these funds to implement a joint nature program. In addition, €125 million (\$147 million) from the Nitrogen Budget will be used for nature restoration projects in nature reserves, such as, hydrological measures and the procurement of tracts of land to enhance the robustness of nature reserves.

A National Protein Strategy

Recently, the Ministry of Agriculture, Nature and Food Quality announced its intention to design a national protein strategy, in line with the EU Farm-to-Fork ambition to increase protein production in the EU in order to reduce dependency of protein imports from abroad. The Dutch government's strategy is expected to come out before the end of the year. The strategy will also touch on the Ministry's intention to obtain proteins from residual flows, as well as other sources (such as beet leaves, brewer's grains, kitchen waste and more). In addition, other projects (such as how proteins can be extracted from seaweed and what options there are to use vegetable proteins as a replacement to meat for human consumption) will also be part of the National Protein Strategy.

Sustainable European Agriculture

The EU [Green Deal](#) - in particular, the [Farm to Fork \(F2F\)](#) and [biodiversity](#) strategies – require the agriculture sector to shift towards more sustainable food production and the conservation of biodiversity.

³ (in Dutch): www.rijksoverheid.nl/actueel/nieuws/2020/09/15/begroting-lnv-duidelijkheid-voor-de-nederlandse-landbouw-en-natuur

The new [European Common Agricultural Policy](#) (CAP) is expected to take effect on January 1, 2023. The government is committed to making the new CAP more supportive of innovative agriculture and ensuring its contribution to climate objectives, biodiversity, nature, and landscape management. In the new CAP, the Netherlands is striving to shift resources from income support to targeted payments for farmers, that, for example, contribute to the restoration of biodiversity and the reduction of emissions. The Dutch interpretation of the CAP will be given shape in 2021 in the National Strategic Plan that each EU member state will have to draft.

Furthermore, the fishing industry is on the verge of major changes due to the uncertainties surrounding Brexit. With the implementation of the [North Sea Agreement](#) and the [Future Vision for Cutter Fishing](#), the Ministry of Agriculture - together with Dutch fisheries organizations - is working on a transition to modified revenue models to support a smaller and more sustainable Dutch fishing fleet.

Sustainable Livestock Sector and Improved Animal Welfare

In 2021, the Ministry of Agriculture will support the implementation of the agreement that the five livestock sectors (i.e., dairy cattle, calves, pigs, poultry, and goats) have developed jointly on sustainability.⁴ This will be done via subsidies, the removal of legal obstacles, and agreements facilitating increased sales of sustainable products. In addition, improving animal welfare is part of the agreement that has been made with the sector.

The EU, through its F2F strategy, is working towards new standards for animal welfare and animal transport. Together with the Netherlands Food and Consumer and Product Safety Authority (NVWA), the business community, and social organizations, the Ministry is investigating what vulnerabilities exist in Dutch slaughterhouses, where several incidents have occurred in recent years, and what measures are needed to better safeguard animal welfare, food safety, and worker supervision. The Ministry is also looking at lowering the permitted slaughter speed.

Farmers Organization LTO Proposes Several Suggestions

The Netherlands Agricultural and Horticultural Association (known by its Dutch acronym of LTO) welcomes the Cabinet's plans to focus on investments to help the agricultural sector maneuver through the COVID-19 crises. It stresses the importance of the agriculture sector as a stable factor in these times, and the role the sector plays in ensuring sufficient food supplies. LTO, however, adds that due to new government policies (e.g., circular agriculture, phosphate rules, etc.), social preferences, and ensuing obligations, costs for farmers and horticulturists are increasing, while the prices of their products have not increased at a commensurate level.

The organization argues that because entrepreneurs have simply lost their financial strength, the government will have to make investments possible again (e.g., to help the industry combat nitrogen emissions). The industry is looking for consistent policy guidelines that prevail longer than one cabinet term and which allow farmers to obtain a return on their investments. Prior to the launch of the 2021 budget, the farmers organization made several suggestions to the government:⁵

⁴ <https://www.rijksoverheid.nl/actueel/nieuws/2019/09/04/veehouderij-op-weg-naar-verduurzaming>

⁵ www.lto.nl/lto-investerend-de-crisis-uit-vraagt-financiele-dekking/

- Convert the budget that is meant for the buyout of livestock farms to investments that can help limit nitrogen emissions;
- Invest in mechanization and robotization for agriculture and horticulture;
- Obligate funds to create a financial reserve for the agricultural sector to absorb the impact of reduced income as a result of the consequences of climate change, and market disruptions (using monies from profitable times); and,
- Maintain a green countryside while investing in solar energy and housing.

Discussions in Parliament over Budget Spending

Even though the money for agriculture has been allocated, most members of parliament believe that supporting policy guidelines still need to be developed. For example, the left side of the political spectrum appears to strongly oppose the proposed nitrogen approach. The Greens (GroenLinks), social liberal party D66, and the Party for the Animals (PvdD) stress that the nitrogen policy is not sufficiently clear as the necessary regulations have not yet been promulgated. The Green party has, in turn, decided to develop its own policies to cut emissions as the party thinks that more needs to be done to reduce nitrogen deposition than what has been announced by the Cabinet.⁶ In addition, the socialist party (SP), the Greens and PvdD cite the canceled feed measure⁷ and the disappointing participation in the proposed buyout scheme as examples of a failing nitrogen policy.

Meanwhile, the Party for Freedom (PVV) appeared to be worried about all the new requirements that would soon be put upon the agricultural sector (i.e. the EU Green Deal). Separately, the Christian Democrats (CDA) believe that more emphasis should be put on the profitability of the sector.⁸ Accordingly, agricultural policy is likely to remain a subject of discussion among Dutch parliamentarians as the government moves towards national elections in March 2021.

Attachments:

No Attachments.

⁶ For more information, see, e.g., [NL2020-0029: Advisory Council Critical of Government Approach to Reduce Nitrogen Emissions](#)

⁷ For more information, see, e.g., [NL2020-0041: Dutch Ministry Abandons Controversial Feed Measure to Limit Nitrogen Emissions](#).

⁸ www.boerderij.nl/Home/Achtergrond/2020/9/Kamer-Geld-is-er-nu-het-landbouwbeleid-nog-641841E/