

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** German COVID-19 Related Aid Measures for the Farm and Food Sector

**Country:** Germany

**Post:** Berlin

**Report Category:** Agricultural Situation, Agriculture in the News, Trade Policy Monitoring, Agriculture in the Economy, National Plan, Policy and Program Announcements

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**Report Highlights:**

Germany declared the agricultural and food industry a systemically important sector. This report provides an overview on the support measures adopted to keep the sector functioning as well as on the financial aids available.

COVID-19 related lock-down and physical distancing measures heavily impacted the German agricultural and food sector. With closure of schools and the majority of shops and services, and many people working in a home-office setting much of the demand for food and agricultural products shifted from restaurant and food service sector to food retail and/or was significantly reduced. This has created severe economic problems for those agricultural and related businesses that cater to the hotel, restaurant, and institutional sector. In addition, farmers that heavily rely on seasonal workers faced difficulties in planting and/or harvesting of their products.

On May 4, the European Commission published several measures to support the EU food and agricultural sectors. Germany has adopted a number of additional measures that basically fall into two groups: 1) securing liquidity and 2) securing the workforce.

## **1. Securing Liquidity**

### **1.1 Under the Scope of the Ministry of Food and Agriculture (BMEL)**

#### **1.1.1 Landwirtschaftliche Rentenbank (LR) Liquidity Assistance Program**

On March 18, 2020, *Landwirtschaftliche Rentenbank* (LR)<sup>1</sup> opened its Liquidity Assistance program for companies in primary production of agriculture, forestry, horticulture, viticulture, fisheries, and aquaculture affected by the COVID-19 crisis.

- The liquidity protection loans have a duration of 4, 6, or 10 years with one repayment-free year.
- Loan applications have to be made via the house banks of the affected companies.
- On application to the house bank, a suspension of repayment of existing loans can also be granted.
- Loans should not to exceed 10 million Euro (approx. 10.8 million USD<sup>2</sup>) per company.
- The program terminates on June 30, 2021.

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<sup>1</sup> *Landwirtschaftliche Rentenbank* (LR) describes itself as “Germany's development agency for agribusiness ..[which]... provides refinancing for agriculture and rural areas. Under its statutory promotional mandate, LR provides loans at favourable interest rates for agriculture-related investments via other banks on a competitively neutral basis. It provides funding for local authorities, banks and savings banks operating in rural areas.” LR was established in 1949 to increase the productivity of the agricultural sector to improve food security in post-WWII Germany. Since then, funding and scope have been continuously adjusted as economic and social conditions have changed. Today, loans can be given for agricultural and related sector projects as well as for renewable energy and rural development.

<sup>2</sup> Exchange rate: 1 Euro = 1.08407 USD / 1USD = 0.92233 Euro

### 1.1.2 Credit Guarantee Program

On April 16, 2020, a Credit Guarantee Program to complement the LR Liquidity Assistance Program was announced. This was made possible through a provision in BMEL's supplementary budget.

- The credit guarantee amounts to 80 percent of a loan, or 90 percent in case of small and medium size (SME)<sup>3</sup> companies.
- Companies can only apply if they were not already in financial difficulties on December 31, 2019.
- Companies have to demonstrate that their need for liquidity is resulting from COVID-19 effects.
- Loans can range from 10,000 Euro (≈USD 10,840) to three million Euro (≈USD 3.25 million) but may not exceed
  - Twice the amount of the yearly salaries paid, nor
  - 25 percent of the entity's total turnover in 2019.
- SME companies can apply for an additional subsidy limited to
  - 100,000 Euro (≈ USD 108,400) for companies in agriculture, forestry, horticulture, viticulture,
  - 120,000 Euro (≈ USD 130,100) for companies in fisheries and aquaculture,
  - 800,000 Euro (≈ USD 867,300) for forestry companies.
- Applications have to be submitted to LR by December 15, 2020.

### 1.1.3 Additional Subsidy Program Under Development

In addition, a subsidy program linked to the liquidity protection programme is being prepared, which will also be handled by LR. Details of the program are currently being developed and coordinated between BMEL and the Federal Ministry of Finance.

## 1.2 Under the Scope of the Ministry of the Economics (BMWi), Federal States, and Municipalities

### 1.2.1 Protective Shield for Commercial Enterprises

Commercial enterprises<sup>4</sup> can make use of the measures of the “*Protective Shield for Commercial Enterprises*” announced by the BMWi and BMF on March 13, 2020. These measures include delayed tax payment options as well as loan programs. The latter are implemented through the *Kreditanstalt für Wiederaufbau* (KfW), the equivalent of the LR for the non-agricultural sector.

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<sup>3</sup> According to the EU definition

<sup>4</sup> This does not apply to primary agricultural production etc. as these are covered by the LR programs

### **1.2.2 Corona Emergency Aid for Small Enterprises and Solo Self-employed**

This program is aimed at self-employed and businesses with ten or less employees. It consists of a one-time non-repayable subsidy of depending on the number of employees:

- Up to 9,000 Euro ( $\approx$  USD 9,756) one-off payment for three months for up to five employees (full-time equivalents)
- Up to 15,000 Euro ( $\approx$  USD 16,261) one-off payment for three months for up to ten employees (full-time equivalents)

Prerequisite: The company faces economic difficulties as a result of COVID-19 and must not have been in economic difficulties before March 2020. The damage occurred after March 11, 2020.

On the initiative of BMEL, this program can also be used by the agricultural sector and by self-employed persons or micro-enterprises in the food chain or in rural areas.

## **1.3 Further Support**

### **1.3.1 Protection against Termination of Lease Agreements**

Until June 30, 2020, leases of farmers who have difficulties in servicing their leases due to COVID-19 may not be unilaterally terminated.

### **1.3.2 Suspension of Obligation to File for Insolvency**

The obligation to file for insolvency is suspended until September 30, 2020, if the occurrence of insolvency or over-indebtedness has been caused by the effects of the COVID-19 pandemic and there are reasonable prospects of restructuring.

## **2. Securing Adequate Workforce**

German farmers depend heavily on seasonal workers for the fruits and vegetable harvest, for example asparagus and strawberries, as well as the planting, for example cucumbers and lettuce. Many of these seasonal workers originate from Eastern European countries, for example Bulgaria and Romania, and their travel to Germany was temporarily stopped with the closure of the German borders on March 25, 2020.

In order to mitigate the effects, Germany has adopted a number of measures including:

- Allowing a contingent of 40,000 seasonal workers to enter Germany under strict conditions in April and May (for details please see our report [https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Germany%20Partially%20Re-opens%20Borders%20for%20Seasonal%20Agricultural%20Workers\\_Berlin\\_Germany\\_03-31-2020](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Germany%20Partially%20Re-opens%20Borders%20for%20Seasonal%20Agricultural%20Workers_Berlin_Germany_03-31-2020) )
- Enabling the seasonal workers to remain working in Germany without having to contribute to the German social security system for a longer time by raising this period to 115 days (normally 70 days). This is applicable until October 31, 2020.
- Temporarily easing the maximum daily/weekly work hours (10-hour limit/6-day week) in German labor law (was in force until April 31, 2020.)
- Temporarily raising the limits on additional income for people on pre-retirement systems (in force until December 31, 2020), and shorter work-compensation systems (in force until October 31, 2020) were temporarily raised.
- Allowing certain groups of immigrants and refugees to take up work in agriculture.
- Establishing the internet platform [www.daslandhilft.de](http://www.daslandhilft.de) and <https://www.arbeitsagentur.de/m/corona-saisonarbeiten/> to connect domestic workers and farmers.

### **Related Reports:**

The following related report can be accessed through the FAS GAIN report database at

<https://gain.fas.usda.gov/#/search> :

- COVID19 Pummels German Food Service Sector – April 3, 2020
- Germany Partially Re-opens Borders for Seasonal Agricultural Workers – April 3, 2020
- Germany Closes Borders to Seasonal Ag Workers – March 26, 2020
- German Farmers Fear Lack of Seasonal Workers – March 18, 2020

### **Attachments:**

No Attachments.