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Germany Moves to Get More Money in Farmers' Pockets

Report Categories:

Agricultural Situation

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Report Highlights:

The German Coalition Government proposed a financial relief program targeted particularly to dairy farmers amounting to €750 million for the years 2010 and 2011. The program is based on the provisions of Art. 69, EC 1782/2003 and will be completely covered with national funds. Another promise to the farmers is to change a currently temporary tax rebate program for farm diesel into a permanent program. In addition to these program intentions, Germany already advanced annual area payments (single farm payments) by one month to December 1 instead of January 1. A fourth feature of the current government support scheme for farmers is a €100-million liquidity program which has already been approved by the European Commission.

General Information:

A. New German National Support for the Agricultural Sector

The new German Government's coalition agreement proposed a two-year support program (2010 and 2011) for German farmers totaling €750 million which will be fully covered by national funds. This proposal has yet to pass through the German law making process. It is expected to be finalized by April 2010 and the money may begin to flow in the fall of 2010. The program is particularly targeted to support dairy farmers who have to suffer under the recent price reductions on the milk market. It is based on the provisions of Article 69, Regulation EC 1782/2003, of which Germany had not taken advantage so far. It is yet unclear whether the European Commission will approve the program.

Following are the individual features of the German national support program.

1. Grassland milk program – Total expected costs: € 500 million

A subsidy of €37/ha will be paid to dairy farmers feeding their cattle on grassland. In addition, a payment will be made of approximately €21 per dairy cow to all dairy operations. The goal is to keep dairy farmers in operation in disadvantaged regions. The Federal Ministry of Agriculture (BMELV) calculates that €226 million will be spent for the area payment and €160 million will be required for the cow payment. Of the €160 million, €85 million will be spent in 2010 and €75 million in 2011. The remaining €114 million will be used to subsidize the insurance premiums for farmers' accident insurance. It is calculated that dairy farmers are generally paying the highest insurance premiums than crop farmers. €100 million will be spent in 2010 and €14 million in 2011.

2. Subsidizing farmers' accident insurance – Total expected costs: €200 million

Aside from the €114 million out of the grassland milk program, Germany intends to provide another €200 million for accident insurance fee reductions. (Note: The accident insurance covers all costs associated with an accident occurring on the job including accident related health care.) The split of these two portions of insurance subsidies is attributed to the fact that the €200 million program was under consideration before the special grassland milk program was developed.

3. Crisis liquidity program – Total expected costs: €50 million

This program will be managed through the Landwirtschaftliche Rentenbank, a government-owned banking institute. The program is a mix of interest rate reductions and deficiency guarantees in case of financial problems. The program provides easier access to the credit markets particularly in times when banks have tightened conditions for credit approval.

B. Diesel Tax Rebate to be Made Permanent

Another portion of the package is the intent to make permanent the tax rebate system for diesel fuel used on farms. German farmers receive a tax rebate of €0.2148 per liter diesel. Based on the regulations of 2005 this rebate was limited to 10,000 liters per year and each farmer had a deductible of €350. In July 2009, Germany abandoned the 10,000 liter limitation and the annual deductible for the years 2008 and 2009. Since diesel taxes for German farmers are at the high end compared to other member states, farm organizations have always demanded a higher rebate. Since the German tax rebate level for farm diesel is among the lowest compared to other EU countries, it is very likely that

the Commission will approve the program.

C. Single Farm Payment Moved Ahead in 2009

In addition to get more cash into farmers' pockets, the Germany Government has provided annual area payments for 2009 on December 1 rather than waiting for January 1, 2010.

D. €100 Million Program for 2010

Aside from the above described programs, Germany had applied for a separate financial liquidity program at the European Commission which was approved on November 23, 2009. The BMELV expert claims that this program is more of a theoretical nature. It was applied for to provide Germany increased maneuvering room to offer farmers more financial liquidity through decreased interest rates and government-supported deficiency guarantees. €50 million will be provided by the federal budget and the other €50 million will have to be contributed by the German laender (states).