



German Perspectives on the Current CAP Reform

Policy Brief for the German Marshall Fund of the United States (GMF)

Ecologic Institute

Ruta Landgrebe

Timo Kaphengst

Susanne Friedrich

February 2009

Special thanks for contributions to Sophie Herbert, Maria Berglund and Ana Freluh-Larsen

Ecologic

Ecologic - Institute for International and European Environmental Policy

Berlin - Brussels - Vienna - Washington DC

Pfalzburger Str. 43-44, D-10717 Berlin, Tel. +49 30 86 88 00, Fax +49 30 86 88 0100

E-Mail: ruta.landgrebe@ecologic.eu

Contents

- 1 INTRODUCTION 1**
- 2 THE COMMON AGRICULTURAL POLICY: CURRENT PROCESSES AND ISSUES..... 1**
 - 2.1 General 1
 - 2.2 The EU Budget Review 3
 - 2.3 The Health Check 4
- 3 THE AGRICULTURAL SECTOR IN GERMANY 5**
- 4 OVERVIEW OF THE KEY AGRICULTURAL ACTORS IN GERMANY 6**
 - 4.1 Decision makers 6
 - 4.2 Agriculture and consumer protection associations 7
 - 4.3 Environmental and development NGOs 9
- 5 STAKEHOLDER POSITIONS ON THE CAP REFORM..... 10**
 - 5.1 Current German position 10
 - 5.2 Differing responses to the Health Check agreements 11
 - 5.2.1 Reactions by the German government 11
 - 5.2.2 Positions of other actors 12
- 6 OUTLOOK ON THE FUTURE GERMAN POSITION TOWARDS THE CAP REFORM..... 15**

1 Introduction

The recently completed Health Check of the Common Agricultural Policy (CAP) and the upcoming Mid-Term Review of the EU's Financial Perspective (hereafter "Budget Review") provide two key processes of the current round of CAP reform. The Health Check agreement, with its focus on the period of 2009-2013, is a stepping-stone towards a potentially much more far-reaching reform that could be adopted within the context of the Budget Review for the programming period 2013-2020. Overall, the Health Check has had a narrower stakeholder focus, whereas the Budget Review involves a larger pallet of stakeholders to define long-term priorities in which agricultural policy expenditure will be evaluated against other EU policy areas.

As the largest absolute contributor to the EU Budget and the third largest CAP beneficiary¹, Germany represents a powerful actor in the current and future discussions on European agricultural policy. This policy brief outlines the positions and relative influence of the main German stakeholders on the CAP reform as they became visible through responses to the Health Check agreement and the upcoming Budget Review. Based on this analysis, the policy brief discusses the main issues and directions of the CAP debate in Germany and the likely overall German position towards the future CAP reform in Brussels.

To place the current developments of the German debate on the CAP and the Budget Review into perspective of the European agricultural policy process, a brief description of the two EU policy processes and issues currently in discussion is presented in Section 2. This policy brief shows that when looking behind the official German position in Brussels one finds substantial differences in the internal German perspectives on the CAP reform with the regional background of actors playing a key role in shaping stakeholders' positions. In order to understand the background of these differences, a brief description of the German agricultural sector is provided in Section 3. Section 4 presents key national actors participating in the European agricultural policy debate, their possible influences and interests. The current German position within the CAP, its reactions to the Health Check agreements as well as reactions of the other actors at the national level is stressed more specifically in Section 5. Finally, the outlook on the future German position towards the CAP reform is presented in Section 6.

2 The Common Agricultural Policy: current processes and issues

2.1 General

The European agricultural policy has seen a strong integration process since the Treaty of Rome in 1957. Over decades decisions have been made by the Council of ministers on proposal of the EU-Commission, which affected essentially the economic and social situation of farmers and their families. With continuous enlargement of the EU the Common Agricultural Policy replaced an increasing number of national policies and centralised the scope of political decisions. Decisions on the CAP are made by a multilevel system of government, in which the Commission and the parties of the European Parliament play the

¹ Based on 2006 data: <http://farmsubsidy.org/germany>

supranational role and the national agricultural ministries act as parts of the intergovernmental system of the Council of Ministers.

National interest groups thereby have three major accesses to the European policy process: first directly by lobbying their national governments, second indirectly, transmitted by their European representative organisations, or third directly to the supranational European actors, first of all the Commission.

Box 1: Relevant EU bodies for CAP decisions

The European Commission has virtually the exclusive right of initiative in the field of legislation. This makes it the driving force of European integration. It prepares, i.e. formulates the proposals, and then implements the legislative instruments adopted by the Council and the European Parliament in connection with Community policies.² The Commission has no voting right, but influences the results of negotiations through the content design of the proposals.

The Directorate-General for Agriculture (DG AGRI) of the EU Commission as a supranational executive organ is responsible for the implementation of the Community policy in the fields of agriculture and rural development. This involves the management of the common organization of agricultural markets of the EU and the mechanism for market support. DG AGRI is subordinated to the Commissioner for agriculture (since 2004 the Dane Mariann Fischer Boel). Its Director General as technical executive is the Frenchman Jean-Luc Demarty. Twelve directorates form DG AGRI which are working on all aspects of the CAP including market organization, finances and environmental or forest policies. The topic of CAP is also important for the **Directorate-General for Health and Consumer Protection (DG SANCO)** since it is responsible for food safety, animal welfare as well as for the amount of agents in certain comestibles. The technical executive is Robert Madelin (U.K.).

The Council of Ministers is the Union's main decision-making body. Its meetings are attended by Member State ministers, and it is thus the institution which represents the Member States. Decisions as reaction to proposals of the Commission are prepared by the Committee of Permanent Representatives of the Member States (Coreper),³ assisted by working groups of national government officials. In most cases, the Council's decisions, based on proposals from the Commission, are taken jointly with the European Parliament under the codecision procedure.⁴ Decisions within the CAP are made by the so called qualified majority to ensure that the majority of the EU member states as well as the majority of the represented citizens agree with the draft legislation. For this the votes of the member states are assessed, i.e. a country with more inhabitants gets more votes in the Council.⁵

In most cases the **European Parliament**⁶ shares the legislative power with the Council, in particular through the co-decision procedure⁷ which, however, does not apply to the CAP. Consequently, the European Parliament can demonstrate its opinion to legislative proposals of the European Commission and hand in proposals for amendments. But there is no possibility to amend or blockade plans of the Commission through the authority of the Parliament. German representatives in the

² http://europa.eu/scadplus/glossary/european_commission_en.htm

³ The Permanent Representatives Committee or "Coreper" (Article 207 of the Treaty establishing the European Community) is responsible for preparing the work of the Council of the European Union. It consists of the Member States' ambassadors to the European Union ("Permanent Representatives") and is chaired by the Member State which holds the Council Presidency. http://europa.eu/scadplus/glossary/coreper_en.htm

⁴ http://europa.eu/scadplus/glossary/eu_council_en.htm

⁵ The proportion of the votes is as follows: Germany, France, Italy and UK have 29 votes, Spain and Poland 27, Romania 14, the Netherlands 13, Belgium, Greece, Portugal, Czech Republic, Hungary 12, Austria, Bulgaria and Sweden 10, Denmark, Finland, Ireland, Lithuania and Slovakia 7, Estonia, Latvia, Luxembourg, Slovenia and Cyprus 4 and Malta 3. [see: Homepage of the European Union](#)

⁶ Since 1979 the European Parliament is directly elected by the citizens every fifth year.

⁷ http://europa.eu/scadplus/glossary/european_parliament_en.htm

European Parliament, especially members of the **Committee on Agriculture and Development**, are especially key stakeholders in promoting German interests in EU policy. For example Friedrich Wilhelm Graefe, member of the Green Party, is Deputy Chairman of the Committee and regularly prepares position papers for the German Green Party and has also authored a number of Parliamentary briefs on agriculture policy. Lutz Goepel (CDU) is also a member of the above mentioned Committee and is spokesman for agriculture and rural development in the European People's Party. Albert Dess is another key German representative as the CSU chairman of the Committee on Agriculture and Rural Development since 1995. In total there are 6 German members on this Committee.

There are mainly two EU policy processes boosting currently the discussion on the future agricultural policy, namely the EU Budget Review and the Health Check of the CAP. While the Health Check as the regular review of the outcomes and effects of the last reform of the CAP in 2003 serves as a background for a more immediate, short term and mainly agricultural position taking, the Budget Review involves a larger pallet of stakeholders to define long term priorities in which the weight of agricultural policy expenditure is evaluated in comparison to other EU policy areas. The outcomes of the Health Check, thereby provides valuable input for the ongoing discussion process of the Budget Review. The outcome of the Budget review in turn will have important consequences for the future CAP, especially for the question how much will be spend for what in European agricultural policies.

2.2 The EU Budget Review

The European Council approved the financial forecast 2007-2013 in December 2005. This approval does not only define the financial framework for this period, but also includes the decision to comprehensively review the EU budget in 2008 and 2009.

The objective of the review of the EU's present spending is: "to set out the structure and direction of the Union's future spending priorities, assessing what offers the best added value and most effective results".⁸ Therefore the ongoing budget review process gives a chance to question the existing EU political aims, through their reflection in current spending, and change them if necessary. According to the Commission, a re-definition of common European objectives should aim to achieve a right balance between continuity and responding to new challenges, including climate change, energy and migration, and the growth and jobs priorities of the Lisbon strategy.

In this context a profound review of the spending on the Common Agricultural Policy is being considered, which amounts to 41 percent of total EU spending.⁹ During the broad consultation lasting from September 2007 until November, the CAP appeared as the mostly frequently addressed policy area. The need to align the policy with today's priorities raised a relatively broad consensus but the extent of the necessary reforms remains controversial.¹⁰

In 2006 Germany was the largest absolute contributor to the EU Budget, and the third largest CAP beneficiary.¹¹ The German interests at stake are thus significant and diverse, but most importantly they involve a broader pallet of stakeholders and actors than the CAP Health

⁸ http://ec.europa.eu/budget/reform/issues/issues_en.htm

⁹ European Communities 2009: *General Budget of the European Union for the financial year 2009. The figures.*, Luxembourg, January 2008.

¹⁰ COM 2008: Consultation report. Reforming the Budget, Changing Europe: Short summary of contributions. Working document prepared by the Secretariat-General and DG Budget., Brussels, 3.11.2008, SEC(2008) 2739.

¹¹ Based on 2006 data: <http://farmsubsidy.org/germany>

Check. The positions of national German actors on issues crucial to the future of the CAP were submitted during the consultation process.¹²

2.3 The Health Check

The EU Commission framed the Health Check as an effort to streamline and modernise the CAP in view of an enlarged EU and a shifting international context rather than as an opportunity for major reform of the policy. A key objective in the Commission's proposal of May 2008 was to facilitate changes that would allow farmers to respond better to market signals and to face 'new challenges', including climate change, improved water management, biodiversity protection and bio-energy production.¹³

The Commission's proposals sparked an intensive debate among numerous stakeholders throughout Europe on the general future of the European agriculture. Detailed discussion referred to different measures of the CAP including modulation, cross compliance, milk quota, Article 68 and the future of set aside land. The final agreement, however, did not go as far as the EU Agriculture Commissioner Mariann Fischer Boel had hoped.

Box 2: The major results of the Health Check as agreed by the EU agriculture ministers in November 2008¹⁴

Milk quotas will expire by April 2015 with a 'soft landing' ensured by increasing quotas by one percent every year between 2009/10 and 2013/14.

Currently, all farmers receiving more than € 5,000 in direct aid have their payments reduced by 5 percent and the money is transferred into the Rural Development budget (**Modulation**). This rate will be increased to 10 percent by 2012. An additional cut of 4 percent will be made on payments above €300,000 a year. This additional transferred money will be co-financed by the EU at a rate of up to 90 percent. Member States have the opportunity to feed the money for compensation measures for farmers, for example through a **milk fund** to protect small producers from low prices.

Abolition of set-aside: The requirement for arable farmers to leave 10 percent of their land fallow is abolished.

Cross Compliance will be simplified, by withdrawing standards that are not relevant or linked to farmer responsibility. New requirements will be added to retain the environmental benefits of set-aside and improve water management.

Intervention will be abolished for pig meat and set at zero for barley and sorghum. For wheat, intervention purchases will be possible during the intervention period at the price of €101.31/tonne up to 3 million tonnes. Beyond that, intervention will be by tender. For butter and skimmed milk powder, limits will be 30,000 tonnes and 109,000 tonnes respectively, beyond which intervention will be by tender.

The remaining coupled payments will be **decoupled** and moved into the Single Payment Scheme (SPS), with the exception of suckler cow, goat and sheep premia, where Member States may maintain current levels of coupled support.

¹² Contributions to the public consultation: http://ec.europa.eu/budget/reform/issues/read_en.htm

¹³ Agriculture: CAP Health Check will help farmers meet new challenges. Press release, IP/08/1749, Brussels, 20 November 2008, <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1749&format=HTML&aged=0&language=EN&guiLanguage=en>

¹⁴ For further information see: http://ec.europa.eu/agriculture/healthcheck/index_en.htm

Article 68 measures assist the sectors with special problems. Member States will be able to retain by sector 10 percent of their national budget ceilings for direct payments for use for environmental measures or improving the quality and marketing of products in the sector of their choice. The funds released through Article 68 can be used to help farmers producing milk, beef, goat and sheep meat and rice in disadvantaged regions or vulnerable types of farming; to support risk management measures such as insurance schemes for natural disasters and mutual funds for animal diseases; and countries operating the Single Area Payment Scheme (SAPS) system will become eligible for the scheme.

3 The agricultural sector in Germany

Unlike prevailing conditions in the US, the German agricultural sector (and most European countries are alike) does not have a traditional division between sectors on farm level. In many regions there is a high share of mixed farms producing crops for the market, as well as fodder and animal products. In addition, most of the meat and dairy farms produce their own fodder on their own land.

However, the German agricultural sector is characterised by another dual farm structure. Large agricultural co-operatives dominate in the new eastern federal states, being remnants of the GDR's 'Agricultural Production Co-operatives' (LPG – Landwirtschaftliche Produktionsgenossenschaft) and often consisting of several thousand hectares. Smaller and more family-based farms, on the other hand, are dominant in South-West Germany¹⁵ (see Figure 1). Although large farm holdings (more than 100 hectares) only amount to eight percent of all farms, they account for approximately 50 percent of all cultivated land in Germany.¹⁶ This, of course, influences regional political positions on progressive modulation that is seen to affect mainly the East-German agro-business, whereas the increase of the basic modulation rate would comparatively disadvantage West-German farmers.¹⁷

According to 2006 data, Germany is the fourth largest agricultural producer in the EU after France, Italy and Spain in terms of the gross value added at producer prices; and the third largest agricultural producer in the EU-27 in terms of producer prices real value, after France and Italy.¹⁸ The German dairy sector has a significant economic weight on the European level, with the largest share (20.3 percent) of milk production in the EU.¹⁹ The German dairy sector also shows regional differences as most dairy farms are located in West Germany, and in particular in the Southern and North-Western States²⁰ (see Figure 2).

¹⁵ Statistisches Bundesamt (2007): Vorläufige Ergebnisse der Agrarstrukturerhebung 2007.

¹⁶ Ecologic 2006: CROSS-COMPLIANCE (EU FP6 research project), Facilitating the CAP reform: Compliance and Competitiveness of European Agriculture, Deliverable 5: Mandatory standards in 7 EU countries and 3 non-EU countries - Germany Country Report, 2006.

¹⁷ Agra-Europe 2008: Länderberichte 32, Agra-Europe 47/08, 17. November 2008.

¹⁸ Eurostat 2007: Agriculture. Main statistics 2005-2006. ISSN 1830-463X. 2007 edition, pages 72-75.

¹⁹ Eurostat 2007: Agriculture main statistics 2005-2006, ISSN 1830-463X. 2007 edition.

²⁰ Statistisches Bundesamt 2008: Land- und Forstwirtschaft Kennzahlen nach Ländern, Statistisches Jahrbuch 2008.

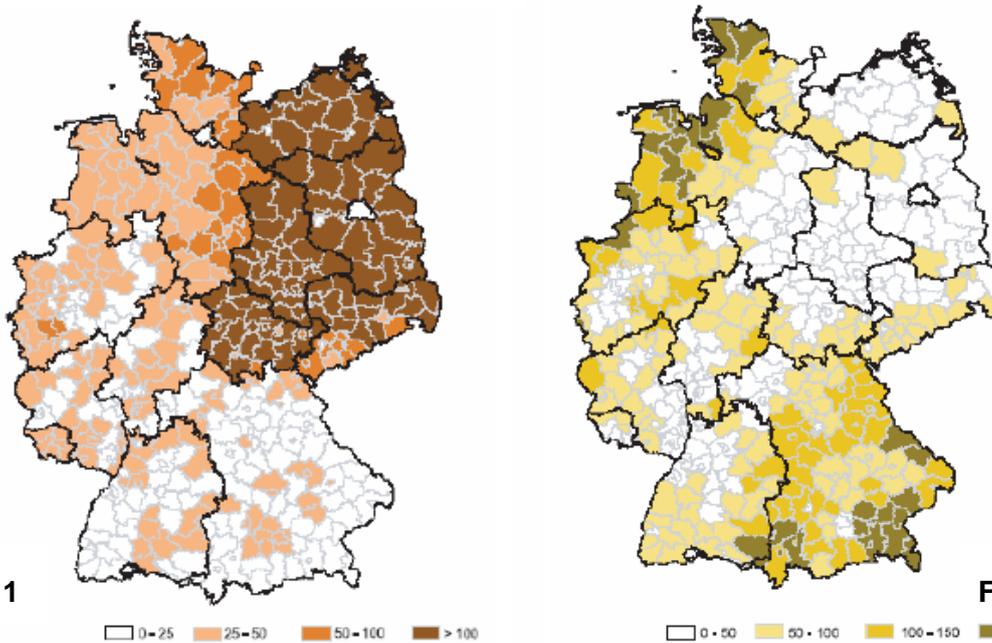


Figure 1: Structure of the agricultural sector in the German *Länder*. Size of farms in Germany (agricultural area per farm in hectares).²¹

Figure 2: Livestock husbandry in the dairy and beef sectors in the German *Länder*. Number of beef and dairy cattle per 100 hectares of agricultural area.²²

4 Overview of the key agricultural actors in Germany

4.1 Decision makers

At the national level, the **Federal Ministry for Food, Agriculture and Consumer Protection (BMELV)** is responsible for creating the German political framework for agricultural policy, negotiating among multiple interest groups. The independent Scientific Advisory Board on Agriculture Policy works closely with the BMELV, developing policy recommendations for the discussion on the CAP reform. Consisting of nationally and internationally renowned experts from different institutes and universities it also comments on positions of other stakeholder groups.

The **Federal Ministry for Environment (BMU)** and its sub-agency, the **Federal Agency for Nature Conservation (BfN)**, shape and implement environmental policy, and in the context of agriculture, promote a stronger orientation on ecological and social performance of agriculture. Furthermore, the BfN provides the BMU with scientific expertise for decision-making and also works in close cooperation with the federal states authorities to streamline policy throughout Germany.

²¹ Source: I.M.A. 2005 (Information medien agrar e.V. 2005: Landwirtschaft in Deutschland. Kartenatlas. http://www.ima-agrar.de/Dateien/Agraratlas_Web.pdf) in Ecologic 2006: CROSS-COMPLIANCE Facilitating the CAP reform: Compliance and Competitiveness of European Agriculture, Deliverable 5: Mandatory standards in 7 EU countries and 3 non-EU countries - Germany Country Report, 2006.

²² Source: see above

As in many policy fields in Germany, the state-level politics (*Länder*) is important in shaping federal German positions on agricultural policy. The **Länder** Agriculture Ministers meet twice each year at the **Agriculture Minister's Conference (AMK)** to discuss policy stances on agriculture and rural development. Controversies among the *Länder* themselves and in relation to the federal government's position mainly derive from natural and economic conditions that can vary significantly across regions and lead to different needs and strategies.

The **German Bundestag** is currently constituted of five political parties. The governing grand coalition includes the Christian Democratic Union (CDU/CSU) and the Social Democratic Party (SPD); the opposition consists of the Free Democratic Party (FDP), the Green Party (Bündnis 90/Die Grünen) and the Democratic Socialists (Die Linke). Due to the high level of integration of agricultural policies in the EU, competences of the Federal Parliament in decision making processes for agricultural issues are limited. Controversies on the financial contribution to the CAP by the Federal State in relation to the *Länder* regularly arise between the Bundestag and the Bundesrat (legislative body of the *Länder*). On such occasions also the **Federal Ministry for Finance (BMF)** takes an active role in discussions on agricultural policies.

Apart from governmental decision makers, many stakeholder and interest groups participate in the discussion, ranging from lobbying organisations in the agricultural sector to a wide range of environmental and development NGOs.

4.2 Agriculture and consumer protection associations

Beyond working groups and advisory boards within the relevant ministries, agriculture associations and dairy interest groups work to influence Germany's position on EU agriculture policy:

The **German Farmers Union (DBV)**, the umbrella organisation of German farmer's groups, has traditionally been closely connected with the conservative parties CDU/CSU and provides a range of services for its members at over 500 branches. The organisation employs lobbyists in various political groups and at all levels of government. Full members include 18 *Länder* farmer unions, the Association of Young German Farmers, the German Raiffeisen Association (membership corporation) and the Federal Association of Agriculture Training. The number of associated members is much higher, with 46 associations and institutes. The DBV is also a member of COPA, a EU level agriculture lobby group.

The average rate of unionisation of the state unions within the DBV stands at 90 percent, which appears to be the highest of all organized professional groups in Germany. However, up to 99 percent of full-time farmers are organized, in contrast to a small rate of the part-time farmers.²³ This is reflected within the DBV, where mostly high profit full-time farmers hold the high positions. Also, during the process of German reunification, the DBV was able to keep its organisational monopoly due to its federal structure and experience in managing different regional interest groups. Today the DBV is an accepted organization for the big collective farmers of the new federal states.

However, some smaller competitive associations gain importance caused by the selective representation of farmers' interests by the DBV.

²³ <http://www.bpb.de/wissen> Homepage der Bundeszentrale für politische Bildung, Handwörterbuch, Bauernverband, R. G. Heinze (last visit 11-02-2009)

For example, the **Association of Small Farmers (ABL)** and the **German Farmer's Association (DBB)** focus on smaller farmers and environmentally friendly farming and try to influence the direction of the agricultural sector. The ABL often collaborates with environmental NGOs on position papers favouring a greener CAP and is therefore a member of the umbrella organisation Agricultural Alliance Membership Corporation due to its „green policy“. Furthermore, ABL is part of Coordination Paysanne Européenne, an EU level umbrella organisation for small farmers that works to influence MEPs, for example, by writing letters to members of the agriculture committee within the European Parliament. The ABL is also a member of the European Milk Board, a vocal advocate of securing payment of farm-gate milk prices that cover true costs.

In the last years, the DBV has been confronted by a serious competitor, the **Federal Union of German Dairy Farmers (BDM)**. In Germany, there are over 100,000 dairy farmers, of which around 34,000 are represented by the BDM. It was founded due to widespread dissatisfaction with milk policies of the DBV²⁴ mainly criticising its entanglements with the dairy industry. The BDM considers itself a non-partisan interest group whose goals are to achieve a minimum 40 cent price for milk, change the way milk is measured (the conversion factor for volume), and to achieve volume control. The BDM works at national, regional and district levels. It seeks to influence policy by bringing all dairy farmers together under a Mandate of Negotiation, where, if conditions are not met to increase dairy prices, farmers will terminate milk delivery.²⁵ The BDM also seeks to realise its goals through collective action with other Member States by being a member of the European Milk Board (EMB).

The **Association of the German Dairy Industry (MIV)** works towards protecting German dairy industries by supporting protective duties and ensuring prices for milk and quantity restrictions. It represents the interests of approximately 90 member companies by acting as a “broker between the industry, public administration, the political community and the scientific community” and provides consultation services. Hence, milk has a strong lobby group and is the best represented product in Germany. Furthermore, it is part of larger national and EU level networks, working together with, among others, the DBV, the German Raiffeisenverband e.V., the Germany Dairy Association (VDM) and other dairy specific associations in Germany. At EU level the MIV networks with the European Association of Dairy Trade (Eucolait), the European Dairy Association (EDA), and the Association of the processed cheese industry in the EU (Assifonte).²⁶

The **German Dairy Association (VDM)** is an umbrella organisation for thirteen major dairy and agriculture interest groups (including the DBV and MIV). The VDM consults and provides advice directly to the German Federal Government. It holds round table discussions attended by representatives of the federal government, Länder and other experts. In addition to its advisory services, the VDM represents the interests of its member at all levels of government and organises seminars and workshops on policy developments. It is also a member of the International Dairy Federation.

There are numerous other dairy associations at the national level in Germany who also work to influence European policy in favour of dairy interests, including the Federal Association of Dairy Products; EXPORT-UNION for dairy products; the Central Association of German Dairy Producers; and the Association of the Bavarian Private Dairy Industry. These associations all

²⁴ For more information see: <http://www.bdm-verband.org/index.php?pid=45>

²⁵ Mandate for Negotiation: <http://www.bdm-verband.org/index.php?pid=51>

²⁶ For more information regarding networking of MIV see:
http://www.milchindustrie.de/de/miv/miv_netzwerk.html

work at national and EU level, through networks and umbrella organisations to ensure the EU agriculture policy is favourable to dairy producers.

Consumer Protection Association: The German Consumer Protection Association (VZBV) is committed to representing the interests of consumers in the public and towards politics, business and society. The VZBV is the national umbrella organization of consumer protection agencies and other consumer-oriented associations. It is a member of CI (Consumers International)²⁷ and BEUC (Umbrella organization of the European Consumer Associations). Such organisations only have a secondary impact on the public discussion on agricultural policy in Germany, mostly through raising concerns on food quality and respective standards.²⁸ The significance of such issues increases especially after scandals on putrefied meat or pesticide residues on fruit in vegetables which have taken place in Germany in the last years. However, respective discussions mostly run independently from general debates on CAP reforms.

4.3 Environmental and development NGOs

Besides agriculture lobby groups, German level environmental and development NGOs also lobby government institutions and political representatives in the field of agricultural policy. The most active in the political debate on the CAP, such as NABU, BUND, WWF, EuroNatur and Germanwatch often collaborate in developing joint positions and organising events with high publicity to increase their influence on governmental decisions. In recent years, a convergence of positions of environmental and development NGOs (like FIAN, EED and Misereor) in agricultural topics, mainly on international impacts of European agricultural policies such as export subsidies and biofuel policies, could be observed. This has resulted in a broader critique against German and EU policies and in more powerful alliances from civil society affecting the German position on the CAP.

Box 3: Selection of environmental and development NGOs active in the debate on the CAP

The Nature and Biodiversity Conservation Union (**NABU**) works to protect threatened habitats, flora and fauna, and promote climate protection and sustainable energy policies. NABU helps protect the environment through direct conservation efforts, scientific research projects and lobbying activities at EU, national and federal states level. NABU also works together with BirdLife International.

The Association for Environment and Nature Conservation Germany (**BUND**) is part of the international environmental organisation Friends of the Earth. The Bund includes 20 federal task forces that focus on various environmental issues. To realise its goals, Bund undertakes lobbying activities and informs the public through publications and events.

The World Wild Life Fund for Nature (**WWF**) is a major international organisation that works with local communities, government agencies, partner NGOs, and businesses to implement programmes that promote sustainable development and environmental conservation.

EuroNatur is a non-profit foundation that works for the preservation of Europe's natural heritage through research projects, restoration and land protection measures as well as political lobbying and environmental education. In addition to conservation, the organisation is committed to a more ecological development of rural areas.

²⁷ <http://www.consumersinternational.org/>

²⁸

<http://docshare.beuc.org/docs/1/BPEOGPNCNDOJHNCIGEHHPFHFPDBG9DBD9TY9DW3571KM/BEUC/docs/DLS/2009-00072-01-E.pdf>

Germanwatch is a “North-South Initiative” active on the International, EU and national level concerning issues such as trade, environment and North-South relations. Germanwatch prepares the ground for necessary policy changes in the North that preserve the interests of people in the South. To this end, Germanwatch prepares and presents relevant information to decision-makers and supporters. Germanwatch is also a member of the Agriculture Alliance e.V., an independent, partisan association at national level with currently 24 independent organizations and over 1 million members.

FIAN (Food Information and Action Network) is an international membership based organisation. FIAN holds states, international institutions and private actors accountable at the national and international levels. Based on a international contacts and networks, FIAN uses documentation of cases for lobbying and advocating the right to food.

5 Stakeholder positions on the CAP reform

5.1 Current German position

In the current discussion on the Health Check and the Budget Review the more general discussion about Germany`s net payer role played a minor role than it had been in recent years. Disputes were replaced by a broadly shared understanding that payments are necessary to maintain agriculture in Europe and that the responsibility of Germany even grew stronger with the integration of the New Member States in 2004. However, concerns were raised at some occasions, that an overall decrease in the EU agricultural budget could result in an even stronger net payer role of Germany, when New Member States claim to be less affected by budget reductions.

The official German government position on European agriculture as reflected in the Budget Review consultation (represented by the German Federal Foreign Office) emphasised the need to reform the CAP with a view to create jobs, enhance the international competitiveness, adjust technical and social infrastructure, and promote ecologically compatible land-use in rural areas. Traditional elements of public support such as price support and production quotas should be further eliminated and private sector solutions should be favoured in order to reduce production and revenue risks.²⁹

The Budget Review discussions, however, unveiled different interpretations within the government of what the general position means for the future design of the CAP measures and how the objectives could be achieved.³⁰

The former Agriculture Minister Horst Seehofer and the German Chancellor Angela Merkel both opposed an increase in modulation favouring instead the maintenance of the current financial framework to ensure sufficient planning security for farmers. Moreover, the BMELV supports further simplification of agricultural payments. Despite the fact that an increasing transfer of money from pillar one to pillar two was rejected, the BMELV stressed the huge potential for rural development. The general aim of agricultural policy should be to preserve and develop rural regions based on their current potential. The promotion of the use of

²⁹ German Federal Foreign Office 2008: The response of the German Government to the Commission Communication "Reforming the budget, changing Europe", 7 April 2008.

³⁰ Anneke von Raggamby, Katharina Umpfenbach, Sandra Naumann, Timo Kaphengst, Max Grünig and Alexander Neubauer (2008): Einbringung der Interessen des Klima- und Umweltschutzes in das Konsultationsverfahren der Europäischen Kommission zur Überprüfung der Finanziellen Vorausschau 2007 – 2013. Ecologic - Institut für Internationale und Europäische Umweltpolitik, Berlin.

renewable raw materials for heat and electricity is seen as a valuable contribution to sustainable economic development.

In contrast, the federal Environment Minister, Sigmar Gabriel, has called for reforming agricultural subsidies towards stronger priorities for rural development, particularly through support for renewable energies, direct marketing of organically produced food and the promotion of tourism. He asked for a reassessment of the logic of the pillars towards a unified and integrated rural development programme. A progressive reduction of direct payments based on farm size, however, has also been rejected by the Federal Environment Ministry. In addition, the Ministry points at the environmental benefits provided by set-aside land, particularly for the biodiversity protection, an issue strongly supported by the Federal Agency for Nature Conservation (BfN).

5.2 Differing responses to the Health Check agreements

The debate on the Health Check at the German level focused particularly on a few issues of the general discussion, including modulation, milk quotas and milk funds. These issues were commented on by all actors at the national level. Other issues, such as cross compliance, the abolition of set-aside land, Article 68 and the new challenges were addressed in statements to a lesser extent and more by the environmental and development NGOs, SPD and opposition parties. The remaining issues included in the agreed package in Brussels, remained mostly untouched in the German discussion, such as decoupling of support, providing additional funding for EU-12 farmers and providing investment aid for young farmers.

5.2.1 Reactions by the German government

Against the background of the BMELV position, it is not astonishing that the BMELV appeared to be generally satisfied with the agreements of the Health Check while the BMU sees an urgent need for stronger adaptations of the CAP. The German government (BMELV) officially stated that the main German concerns on the Commission's proposal could be addressed in the negotiations. In particular, the following outcomes were positively highlighted as being in line with the German position:³¹

- the allocation of additional funding for dairy sector accompanying measures (milk funds);
- the recognition of the dairy sector as a “new challenge” in the framework of the measures to support rural development;
- a moderate increase of the milk quota, including a planned revision of the market situation in the years 2010 and 2012;
- a moderate and socially acceptable increase of modulation with all payments remaining in the agricultural sector and in rural areas;
- lower national co-financing rates for additional funding through modulation; and

³¹ BMELV (2008): Ergebnis der Gesundheitsüberprüfung der GAP, 15 Dezember 2008. http://www.bmelv.de/nr_750578/SharedDocs/downloads/04-Landwirtschaft/StatementHealthCheck,templateId=raw,property=publicationFile.pdf/StatementHealthCheck.pdf

- a considerable simplification of cross compliance in comparison to the Commission's proposal.

The reduction in modulation from eight to five percent and the use of second pillar funds or accompanying measures in the dairy sector were seen as a success of negotiations. This could back up the phase out of milk quotas that in general would reflect the market capacity. Although the German government was not able to remove the progressive reduction of direct payments from Health Check agreements, it achieved its reduction by 4 percent for payments above 300,000 Euro, saving a total of 183 Mio. Euro burden on the German farmers compared to the Commission's proposal (from 425 to 242 Mio. Euro).

5.2.2 Positions of other actors

Political parties

Opinions of the political parties towards the Health Check agreement differ both within the grand coalition of the current federal government (CDU/CSU and SPD) and the opposition (FDP, Bündnis 90/Die Grünen and Die Linke). Their positions focus mainly on the issues of milk quotas, milk fund, modulation, cross compliance, new challenges, rural areas and the new federal states.³²

The **CDU/CSU** Union, in general, acknowledges that the achieved agreements assure their and German interests and considers the establishment of a 'milk fund' as an important success for Germany. The Union regrets the agreement to increase the milk quota, but sees the review of the market situation in the years 2010 and 2012 as a softening factor to avoid a further increase. The Union is satisfied with the German success to considerably attenuate the Commission's proposals on the modulation. This is in line with the Union's position against an increase of the direct payments reduction during the Health Check consultation phase.

The **SPD**, in contrast, states that chances for substantial reform have not been used and criticises that the agreements do not react to all the identified "new challenges". The SPD advocates consideration of sustainable development of rural areas as a "new challenge". The SPD further criticises the progressive modulation as a one-sided burden for the farmers in the eastern federal states and advocates a policy oriented toward public goods and services. In the consultation process, the SPD was advocating for the increased modulation that would have secured more financing for climate and environmental protection but against size-dependent depression that particularly affects the most efficient and arguably most important companies in the eastern federal states.

The party **Bündnis 90/Die Grünen** generally views the agreements positively, even if the agreements fall considerably short of the Commission's original proposals. The party considers the compromise 'a step forward in the right direction' and the need to strengthen climate protection and rural development simultaneously. Therefore, Bündnis 90/Die Grünen argues that redistribution of money in favour of these issues is the right way forward to support farmers in the future. Instead of flat-rate subsidies, the shifted finances will be paid in return for producing desired services, for example climate and environmental protection. In general, Bündnis 90/Die Grünen favours a significant shift in spending from the first to the second pillar of the CAP.

³² Agra-Europe 48/08, 24 November 2008, Länderberichte, Seite 18-20.

The oppositional **FDP** party criticises the coalition for not keeping its promises to ensure the planned direct payments until 2013. The FDP states that, after the recent agreements, German farmers will lose approximately 240 Million Euro, particularly in the eastern federal states through the progressive modulation. The FDP criticises the amendment to the cross compliance because it supposedly adds bureaucracy instead of simplifying and reducing it. Only the agreement on the milk quota phase-out was evaluated positively. The party also supports transparency and control on agricultural payments.

Similar to the SPD and the FDP parties, the party **Die Linke** criticises discrimination against the already economically weak eastern federal states through progressive modulation. Die Linke also criticises the milk quota increase, which will particularly affect the southern regions of Germany. The party questioned the ability of the milk fund to soften the massive changes that milk farmers will face.

The Länder

The *Länder* positions differ depending on natural and economic conditions and lead to different needs and strategies. Particular differences in opinions often occur between the new³³ and old *Länder*. For example, Mecklenburg- Pomerania and Brandenburg were among the strongest opponents of progressive modulation for bigger farms because it would especially affect farmers in the eastern *Länder*. Bavaria and Saarland argued against the general idea of a higher modulation rate rather than stressing the progressive modulation. In contrast to the *Länder* position, the Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO) stated in a study³⁴ that the agreed progression with an additional reduction of 4 percent for bigger farms will not harm their economic stability. The study also showed that noticeable impacts on the farms size structure can not be expected by higher modulation rates.

The *Länder* Bavaria, North Rhine-Westphalia, Schleswig-Holstein and Baden-Württemberg are the biggest milk producers in Germany³⁵. It is therefore not surprising that these *Länder*'s opinions appear more frequently in the German debate on milk quota and milk fund issues. For example, Bavaria and North Rhine-Westphalia heavily criticised the increase of the milk quota that resulted from the Health Check agreements by arguing that this attempt ignored evident market realities. Baden-Württemberg considers the abandonment of the milk quota as a positive outcome. Regarding the milk fund, views of the *Länder* are controversial. For example, Bavaria wants to allocate most of the available funds for farms in mountainous regions, while Sachsen-Anhalt calls for a more equal distribution across all *Länder*.³⁶

The decision on the reduced co-financing by Member States has been welcomed by the *Länder*. General concerns are continually raised in terms of the financial capacity of the *Länder* to co-finance the second pillar.³⁷ In Germany, national co-financing of the CAP is provided by the Gemeinschaftsaufgabe "Verbesserung der Agrarstruktur und des Küstenschutzes" (GAK), which has an approximate volume of 1.1 billion Euro per annum. The GAK is financed at a ratio of 60:40 by the Federal State and the *Länder*, respectively.

³³ The five "new" or „eastern“ federal states: Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia.

³⁴ Agra-Europe 49/08, 1 Dezember 2008, EU/Deutschland Kurzmeldungen, Betriebswirtschaft.

³⁵ Statistisches Bundesamt (2008): Statistisches Jahrbuch 2008, Seite 332.

³⁶ Agra-Europe 48/08, 24 November 2008, Deutschland/EU Milchmarkt.

³⁷ AGRA-EUROPE 48/08, 24-11-08

The EU currently adds another 1.2 billion € through the ELER fund. Germany thereby receives the highest rate of EU funds for the second pillar behind Poland and Italy.

Farmers' Associations

The German Farmers Union (DBV) criticises³⁸ the Health Check agreement as “absolutely not market compatible”, particularly for the milk sector. The agreement would undermine the political credibility of the European Council of Agricultural Ministers. The increase of quota at the present point in time was seen as “a completely wrong signal”. The DBV considers the review of the milk quota increase and the financing of a milk fund as positive achievements. The increase of modulation, even if the previous plans of the Commission had been softened, was strongly criticised.

According to the Federal Union of German Dairy Farmers (BDM), the Health Check agreements support further negative market development in the milk sector and threaten massively the existence of many farmers. It argues that the agreed increase of the milk quota in this flat rate form is a wrong decision for market economy; the new milk quota does not actually consider whether the market can absorb the additional quantity, and that the reviews reached by the German agricultural minister came too late. In regard to the milk fund, the BDM suspects that the funding might be first of all used for development of additional production capacity.³⁹

Environmental and development NGOs

The environmental and development NGOs criticise the Health Check agreements for falling to meet the new challenges. In general, these organisations promote environmentally friendly agriculture, including provisions for cross compliance, maintaining set-aside and increasing modulation on direct payments.⁴⁰

In the run-up to the Health Check agreement, a group of environmental and development organisations (see footnote) jointly released a common position paper.⁴¹ With this document, the organizations called inter alia for the abolishment of the national co-financing of the second pillar, since it decreases the national acceptance of this payment scheme in comparison with the first pillar, which is fully financed by the EU.

The NABU and BUND criticise the agreements as completely insufficient and argue that a chance to adopt a new direction in the re-allocation of the EU-subsides in the agricultural sector was missed.⁴² These agreements work against those who advocate for sustainable

³⁸ Agra-Europe 48/08, 24 November 2008, Länderberichte, Seite 37-39.

³⁹ see above

⁴⁰ see above

⁴¹ Arbeitsgemeinschaft bäuerliche Landwirtschaft e.V. (AbL), Bioland e.V., Bund für Umwelt und Naturschutz Deutschland e.V. (BUND), Bund Naturschutz in Bayern e.V. (BN), Demeter e.V., Deutscher Naturschutzring e.V. (DNR), Deutscher Tierschutzbund e.V., EuroNatur Stiftung, Germanwatch e.V., Industriegewerkschaft Bauen-Agrar-Umwelt (IG BAU), Landesbund für Vogelschutz in Bayern e.V. (LBV), Neuland e.V., Naturfreunde Deutschlands e.V., Naturschutzbund Deutschland e.V. (NABU), Oxfam Deutschland, Umweltstiftung WWF Deutschland, Verband Deutscher Naturparke e.V. (VDN) (2008): Notwendige Therapie nicht verschieben! Diagnose der EU-Agrarpolitik unbestritten. Gemeinsame Stellungnahme der Verbände zum Health Check 2008 der EU-Agrarpolitik. Berlin, Oktober 13, 2008.

⁴² Agra-Europe 48/08, 24 November 2008, Länderberichte, Page 39.

agriculture in Europe, protect the climate, create and keep working places. Even if the further re-shifting of agricultural funds from direct payments to rural development is a step into the right direction, the agreements still fail to fully deal with environmental and climate protection. The BUND characterises the agreements on the modulation as a weak signal for environmental and climate protection. In addition, a further intensification of agricultural activities is expected in response to the abolition of the set-aside rule and the increase of the milk quota; both measures will disadvantage first of all farms that produce milk using environmentally friendly methods.

In their common position paper,⁴³ the AbL, Germanwatch, FIAN and MISEREOR also criticize the Health Check agreements for prioritising agricultural industry interests. They stress that the German agricultural minister neither advocated in favour of the final phase-out of export subsidies nor for a flexible regulation of milk quantity after 2015. These organizations argue that, in this way, only exporting processing dairy industry gains from the increased milk quota. The development organisation Oxfam accuses the EU of neither supporting environmental protection sufficiently nor creating working places, and suspects that the export of the agricultural products at dumping prices will continue.

A core campaign supported by a wide range of the named NGOs focussed on the transparency of the EU agricultural subsidies.⁴⁴ The main objective of the campaign is to initiate a national discussion on the legitimacy of subsidies in general and to identify unjust imbalances in the distribution of payments. The campaign can be seen as a reaction to the German taxpayer's critique against the total lack in transparency regarding the questions who is benefitting from the agricultural subsidies and which actors receive most payments. The campaign succeeded in so far as the BLE recently launched a website for publishing the recipients of EU payments⁴⁵. To date, recipients of the payments for rural development can be tracked through the website. The publication of recipients of direct payments is expected to take place at the end of April 2009.

6 Outlook on the future German position towards the CAP reform

In some respects, the contribution of the German government to the consultation on the Budget Review does not fully coincide with the position that the German Minister of Agriculture defended in Brussels in November 2008. While in the Budget Review contribution the German government indicated "enhancing the international competitiveness and economic performance of rural regions as well as creating jobs within and outside agriculture" as one of the priorities for the future of CAP, the German government strongly argued against a stronger increase of modulation in the Health Check negotiations. A higher modulation rate would have resulted in an increase of pillar two of the CAP, which is widely recognised as the main funding scheme to strengthen rural development. It is also the better scheme "to ensure environmentally friendly and ecologically compatible land use as well as to conserve and link the environmental and recreation functions of rural areas" which was also seen as a priority by the German government in the context of the Budget Review.

The discrepancy in the German position will determine the upcoming discussions in 2009 within the Budget Review and other national policy processes. The direction of the process will strongly depend on and be influenced by European and national political events, such as

⁴³ <http://www.germanwatch.org/presse/2008-11-20.htm>

⁴⁴ <http://www.wer-profitiert.de/de/kampagne/>

⁴⁵ see: <http://www.agrar-fischerei-zahlungen.de/>

the elections of the European Parliament in June 2009 and the nomination of new Commissioners, as well as the election of the German Federal Parliament in September 2009.

Based on the current positions of national actors within the budget review, some major issues of the upcoming debate concerning the future of the CAP after 2013 can be identified:

- principle legitimacy of direct payments, considering new conditions for farmers (rising prices for agricultural commodities and new income opportunities, such as biomass production)
- overall reduction of the CAP budget after 2013
- redesigning payments towards stronger remuneration of public goods and services
- strengthening rural development through concerted funding programmes that encounter future economic and environmental challenges
- the need for more transparency in funding schemes and a stronger application of the subsidiary principle, possibly corresponding with higher co-financing

It is important to note that, although the need to direct payments more towards rural development and environmental performances is broadly recognised, the current German government is reluctant to confront itself with a fundamental discussion of the future CAP, which is inherent in some of the listed issues. For example, the redesign of the payment schemes unveiled the proposal to integrate both pillars in one instead of shifting just more money from pillar one to pillar two. More progressive forces in the discussion, mostly represented by the environmental and development NGOs, continually raise these issues, thereby enforcing the government to respond to some critical aspects.

In the short term, no substantial changes can be expected from Germany's official mindset on agricultural policies. Agricultural Minister Ilse Aigner promised during the Green Week in January 2009 in Berlin that she will continue the policy of her forerunner Horst Seehofer.⁴⁶ Both represent the CSU, which takes a rather conservative position on agricultural policies and often shows its closeness to the German farmers Union as well as to the agro and food industry. No major approaches towards substantial shifts of funding from pillar one to pillar two can therefore be expected from the current government.

These priorities might change after the elections of the German Federal Parliament in September 2009. The German position will strongly depend on which party will take over (or keep) the administration of the BMELV. Social democrats (SPD) and, to a higher degree, the Green Party would shape a more progressive orientation of funds on social and environmental performance of agriculture; arguments from NGOs would gain more influence in the decision-making processes. If the administration stays in the hands of the conservative parties (CDU, CSU and probably also FDP) a business-as-usual policy of defending high payments for farmers without substantial obligations and a less progressive steps towards a "greening" the CAP can be expected. No reasonable prognosis at present time can be made on the outcomes of the elections.

⁴⁶ Agra-Europe 4/09, 19 Januar 2009, Kurzmeldungen, Seite 46.