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Less Favoured Area policy in Germany

German Funding schemes

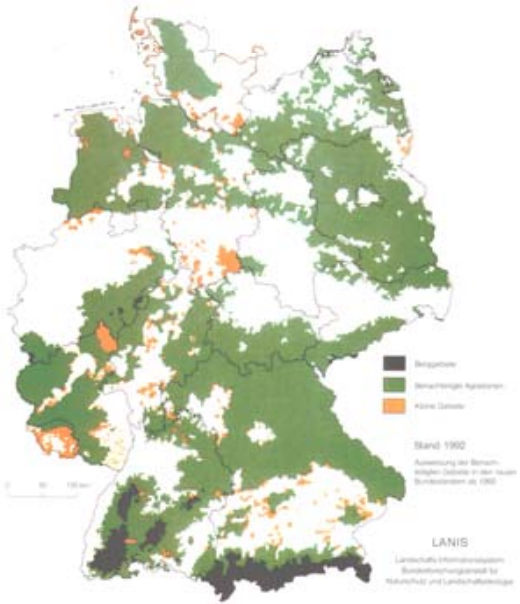
Outline

- History
- Objectives
- Current status
- Design of funding scheme
- Plans for new designation
- Results of evaluation
- Résumé

History of LFAs in Germany

- **Funding schemes for LFAs (mountain areas) first introduced in 1975 on EU-level and in Germany (west part)**
- **Three types of LFAs (mountain areas, other less favoured areas, areas with specific handicaps)**
- **First LFA designation in 1975, but only some regions inside LFAs eligible (core zones)**
- **In 1980ies enlargement of LFAs and also enlargement of eligible area**
- **Since 1992 LFA fundig also applied in East Germany**
- **since 2000 only slight adjustings**
- **Now nearly 50% of UAA LFAs (eligible area less)**

Less Favoured Areas in Germany



- Other Less Favoured Areas
- Mountain Area
- Areas With Specific Handicap

Objectives of the funding

- **Offsetting of income differences between farms in LFAs and farms outside LFAs (income differences caused by natural handicaps such as altitude, steep slopes, bad soil potential…)**
- **Keeping up farming in LFAs and continue land management**
- **Keeping up the cultivated landscape**
- **Regarding ecological aspects of agricultural production**
- **Maintenance of a viable community in rural areas**
- **Preservation of the countryside**
- **(keeping up population / population density in LFAs)**

Criteria for designation of LFAs

- Natural handicaps mainly expressed in a soil potential figure (LVZ) (only areas outside mountain areas – „other LFAs“)
- Altitude (only mountain areas)
- slope (only mountain areas)
- Population density
- Share of persons employed in agriculture
- Other („need for keeping up agricultural land use“)

LVZ in Germany

- Figure expressing soil potential
- Between 0 and 100 (100 best)
- Including natural conditions (soil type, amount of water, climatic influences, altitude, etc.)
- Including technical conditions (accessibility, shape, size, etc.)
- Available for the whole space of agricultural land
- Created for calculating taxes

Plans for the new designation

- **EU Court of Auditors: designation criteria to diverse in Member States**
- **More emphasis on bio-physical criteria (soil quality, humidity, weather …)**
- **Criteria constant over time**
- **Germany has stable and physical criteria with LVZ (soil potential figure)**

- **Designation at small scale**

LFA funding in Germany

Three levels influence the applied funding scheme:

- **EU – directions**
- **Federal agricultural law**
- **Guidelines of the federal states (Länders) within the scope of EU and federal law**
- **All institutions share the financing**

  – **different LFA-Schemes for each federal state in Germany**

Design of LFA funding scheme

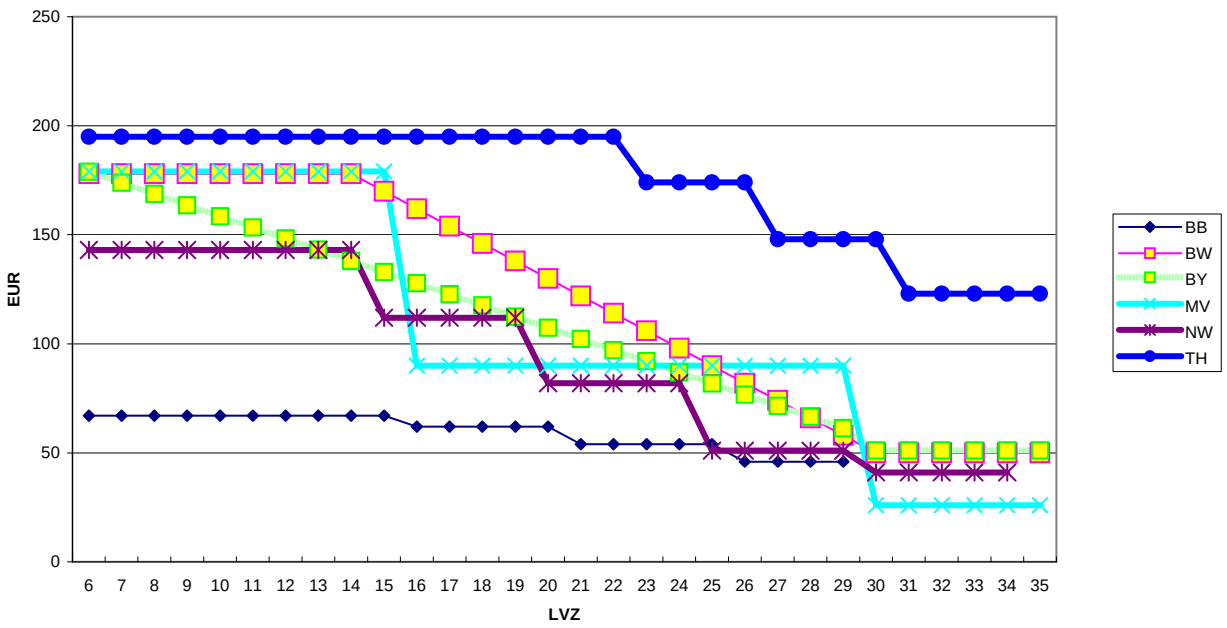
Due to federal influence:

- **Different payments in mountain areas and other less favoured areas**
- **Exclusion of corn, beets, wheat, fruits, vegetable and other intensive crops from payment**
- **Differentiation of premiums inside LFAs**
- **Differentiation is done by LVZ**
- **Premium for arable land is half of that for pastures**

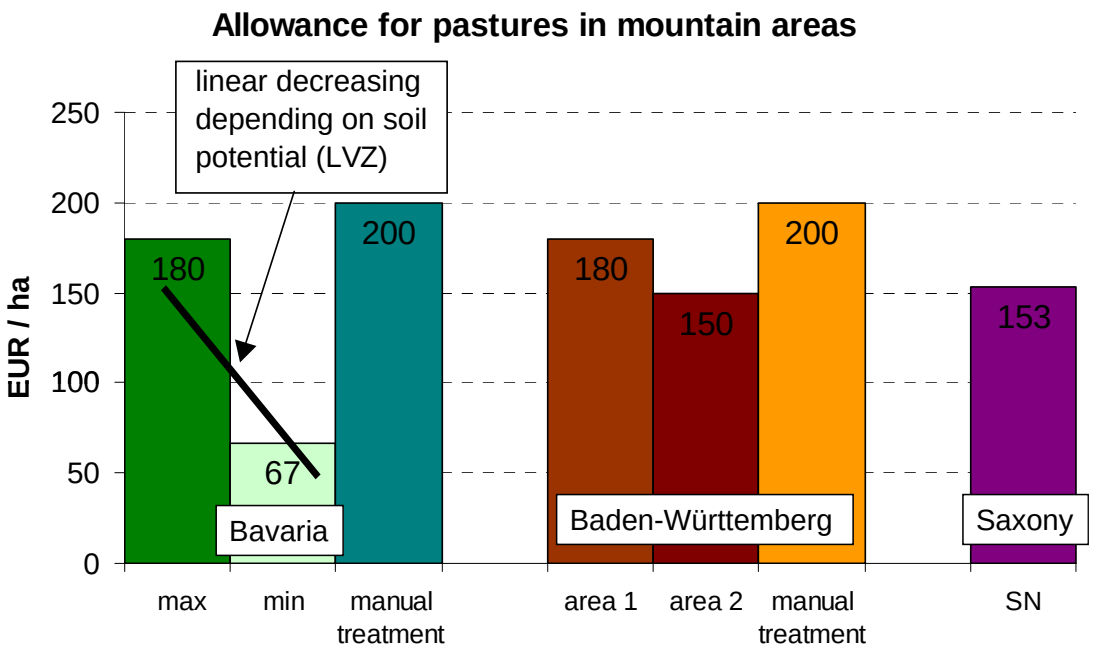
Differences Between Federal States

- **Classification of payment linear or stepwise**
- **Differences in max. premium and min. premium**

Allowance for Pastures in Other Less Favoured Areas (Examples)



Premium for Pastures in Mountain Areas



Example of LFA payment for one farm:

- **Farm structure:**
  - **20 ha agricultural used land in LFAs (outside Mountain areas)**
  - **10 ha arable land**
    - **2 ha LVZ 18**
    - **2 ha LVZ 20**
    - **5 ha LVZ 22**
    - **1 ha LVZ 36**
  - **10 ha pastures and meadows**
    - **5 ha LVZ 23**
    - **3 ha LVZ 25,**
    - **2 ha LVZ 30**

Example:

	federal state 1	federal state 2	federal state 3
– 10 ha arable land			
• 2 ha LVZ 18	27 € / ha = 54 €	80,7 € / ha = 161,4 €	0 €
• 2 ha LVZ 20	27 € / ha = 54 €	71,4 € / ha = 142,8 €	0 €
• 5 ha LVZ 22	26 € / ha = 130 €	62,1 € / ha = 310,5 €	0 €
• 1 ha LVZ 36	0 €	0 €	0 €
– 10 ha pastures and meadows			
• 5 ha LVZ 23	52 € / ha = 260 €	114,9 € / ha = 574,5 €	80 € / ha = 400 €
• 3 ha LVZ 25	52 € / ha =156 €	96,3 € / ha = 288,9 €	50 € / ha = 150 €
• 2 ha LVZ 30	0 €	50 € / ha = 100 €	40 € / ha = 80 €
	654 € / farm	1578,1 € / farm	630 € / farm

Example:

	federal state 1	federal state 2	federal state 3
– 10 ha arable land			
• 2 ha LVZ 18 - rye	27 € / ha = 54 €	80,7 € / ha = 161,4 €	0 €
• 2 ha LVZ 20 - rye	27 € / ha = 54 €	71,4 € / ha = 142,8 €	0 €
• 5 ha LVZ 22 - wheat	0 €	0 €	0 €
• 1 ha LVZ 36 - wheat	0 €	0 €	0 €
– 10 ha pastures and meadows			
• 5 ha LVZ 23	52 € / ha = 260 €	114,9 € / ha = 574,5 €	80 € / ha = 400 €
• 3 ha LVZ 25	52 € / ha =156 €	96,3 € / ha = 288,9 €	50 € / ha = 150 €
• 2 ha LVZ 30	0 €	50 € / ha = 100 €	40 € / ha = 80 €
	524 € / farm	1267,6 € / farm	630 € / farm

Assessing the results of LFA funding in Germany (program periode 2000 – 2006)

Regarding the Output:

Number of supported farms: 132,600 (2006)
20,000 (13 %) less than in the year 2000

Supported area: 4.4 Mio hectare (2006)
9 % less than in the year 2000

Reasons: changes in fundig systems

Average supported farm: 33 ha

Evaluation of LFA funding schemes 2000 - 2006

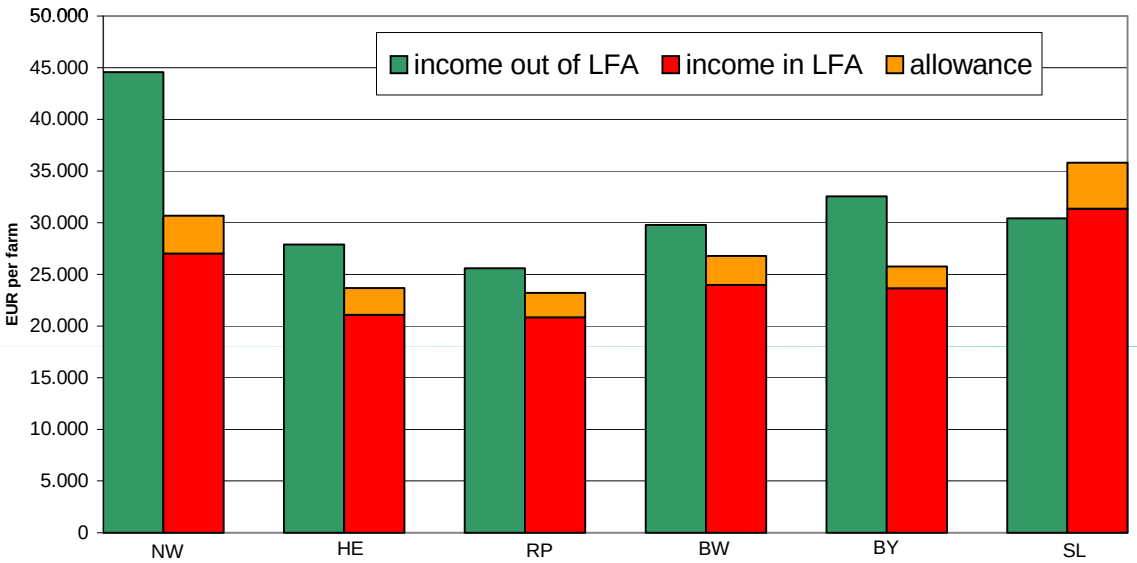
- **Guidelines from the European Commission**
- **Evaluation applied for all German Länders having LFA funding schemes -> 14 reports**
- **4 compulsory evaluation questions regarding:**
  - **Offset of income**
  - **Continuity of land use**
  - **Impact on rural society**
  - **Ecological effects**

To what extent has the scheme contributed to offsetting the natural handicaps in LFAs ?

- **Comparison between income of farms inside LFAs and outside LFAs**

- **Methodological problems:**
  - **big variety in farm structure inside LFAs (kind of production, farm size, number of livestock, form of organisation, etc.)**
  - **Structural differences between farms in LFAs and outside LFAs – matter of the reference farms, reference value**

Findings : Offset of Farm income (average)



Quelle: Eigene Darstellung auf Grundlage der Testbetriebsergebnisse WJ 2000/01, Betriebsgruppe Landwirtschaft insgesamt

Findings: Offset of Farm income (average)

- **Reasons for lower income inside LFAs:**
  - **Besides poor natural conditions – structural handicaps, such as farm size, small fields and parcells, lower possibility for off-farm diversification**
  - **Other payments, like EU-direct payments and Agri-environmental payments are also important of income situation of farms**

Findings: Offset of Farm income

- **On single farm level - degree of compensation can differ**
- **Paying the premium has also psychological aspect**

To what extend has the payment contributed to a continued land use?

- **Comparison between land use activities inside LFAs and outside LFAs**

- **Methodical problems:**
  - **No statistics about abandonment**
  - **Loss of agricultural land due to building activities (new housing areas, traffic projects etc.)**

Findings: Continued Land Use

- **Continued land use…**
  … is given in the LFAs
- **only small percentage taken away from agricultural use (also outside LFAs)**
- **Even though not whole LFA is covered with funding**
- **But: other measures of EU Common Agricultural Policy play also an important role**

To what extend has the payment contributed to a viable rural society?

- **Survey among farmers, farmers families, mayors of rural municipalities, other experts**
- **Case studies in different rural regions**

Findings regarding impact of LFA funding on rural society

- **different fields of impact:**
  - **provide employment in agriculture**
  - **keeping up farms**

- **Contribution of farmers to rural society**
  - **Maintaining traditions – touristic attraction of region**
  - **Take care for the village**
  - **Contribution to social life especially high in villages with high percentage of daily or weekly commuters)**
  - **Participation in political processes**

  - **Psychological aspect of payment**

- **Can not influence migration in East Germany**

To what extend has the payment considered ecological acpects?

- **Analysis of funding schemes**
- **Analysis of agri-environmental production in terms of applied measure from Agri-Environmental Programs**

Findings: environmental impact

- **Crops with anticipating high negative impact on environment (high consumption of pesticides, fertilizer, water erosion) are excluded from funding**

- **Share of area under environmental management in terms of applied AE measure is higher inside LFAs than outside**

Conclusion

- current design, in general, seems to meet the needs
- the funding contributes to an offset of income differences
- also psychological aspects
- continued land use is given in the LFAs
- The funding also contributes to the rural society in different terms (employment, village life, touristic aspects)
- environmental aspects are regarded

Résumé

- **Long tradition of funding**
- **High acceptance among farmers and politicians**
- **Covers large areas**
- **Reaches many goals**
- **Reflects the multifunctional approach of agriculture**
- **Easy to apply**

Literature

- **14 report of assessment of LFA funding on federal state level (in German only)**
- **Case study reports**
  - **In Mountain areas (Oberallgäu / Bavaria)**

    Rudow, K, Pitsch, M: Case study regarding impacts of LFA Payments in the region Oberallgäu (Bavaria) – in German language
  - **In other LFAs (Vogelsberg / Hesse)**

    Daub, R.: Case study regarding impacts of LFA Payments in the region Vogelsberg (Hesse) – in German language

    Rudow, K: LFA supporting schemes - German experiences. In: Less favoured areas for agriculture and rural areas, collection of papers of international conference, Jihlava, 2007, Praha. Praha : Vyzkumny Ustav Zemedelske Ekonomiky, 159-170, in English language

- **Thank you for your attention**
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