

Katja Rudow

Less Favoured Area policy in Germany

German Funding schemes

Outline

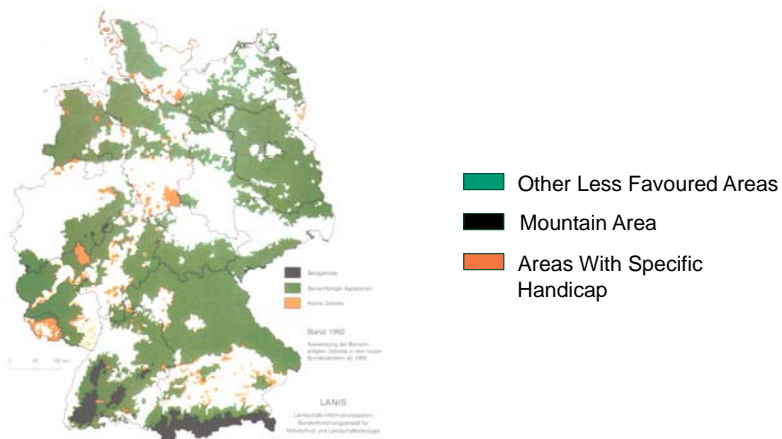
- History
- Objectives
- Current status
- Design of funding scheme
- Plans for new designation
- Results of evaluation
- Résumé

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)

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Less Favoured Areas in Germany



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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)**

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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“)**

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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**

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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**

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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

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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

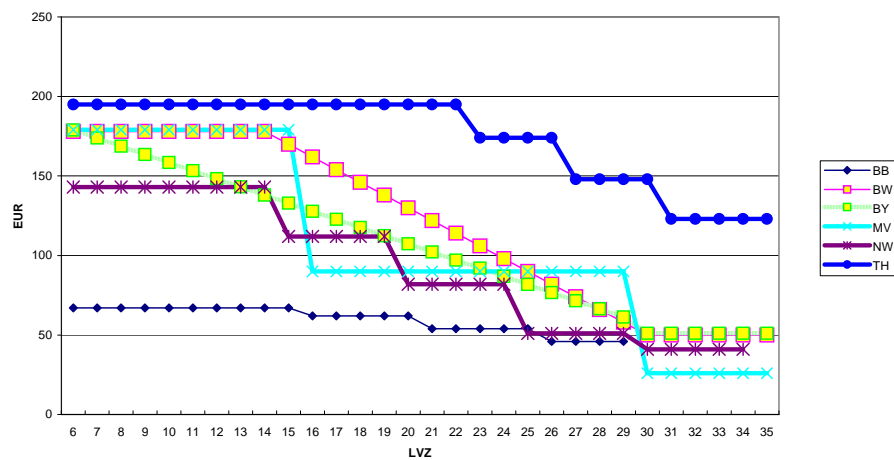
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Differences Between Federal States

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

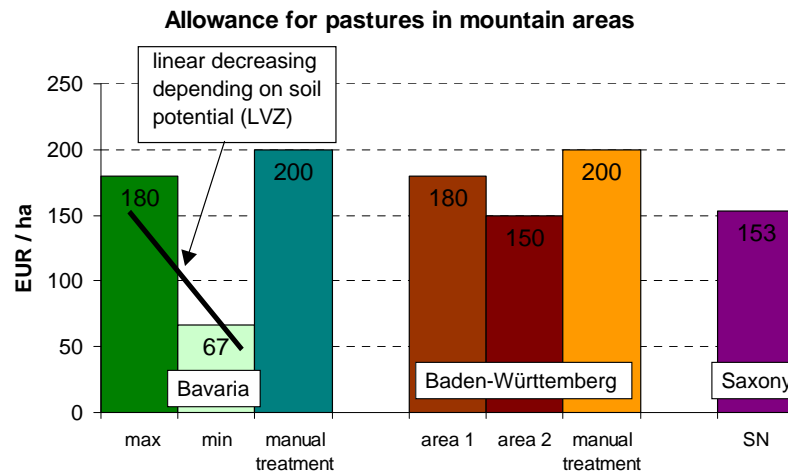
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Allowance for Pastures in Other Less Favoured Areas (Examples)



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Premium for Pastures in Mountain Areas



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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

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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

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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

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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

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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

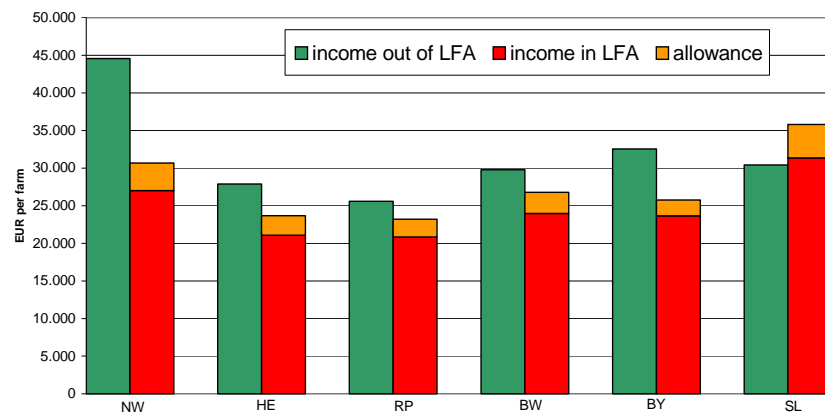
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To what extent has the scheme contributed to offsetting the natural handicaps in LFAs ?

- 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

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Findings : Offset of Farm income (average)



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

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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 parcels, lower possibility for off-farm diversification**
 - **Other payments, like EU-direct payments and Agri-environmental payments are also important of income situation of farms**

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Findings: Offset of Farm income

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

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To what extent 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.)**

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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**

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To what extent 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

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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

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To what extent has the payment considered ecological aspects?

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

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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

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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**

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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**

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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

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- Thank you for your attention
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