



Proposal for a fair EU agricultural policy after 2020

Remunerate services provided by peasant farms.
Qualify direct payments with points system.
Avoid market crises and strengthen quality with market rules.

Second Edition with new calculation examples
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1) Align EU agricultural policy with quality

Europe's Common Agricultural Policy faces the great challenge of reconciling society and agriculture for the benefit of all. For decades, agricultural policy has mainly focused on pushing the international competitiveness of the food industry. The goal of world market leadership pushed aside societal concerns for a transparent quality-production, which is fair to environment, climate and animals and pushed hundreds of thousands of farms in economic exits.

EU subsidies such as the flat-rate payments per hectare, which are granted indefinitely per farm by Member States such as Germany and which do not take into account the quality of production, favour large farms and those with the lowest environmental, animal welfare and rural diversity benefits.

Market rules and trade agreements tailored to the interests of the export-oriented dairy and meat industry prevent farmers from actively responding to supply and demand and consumers from choosing the origin and quality of products. Europe can do it better. For that the AbL occurs.

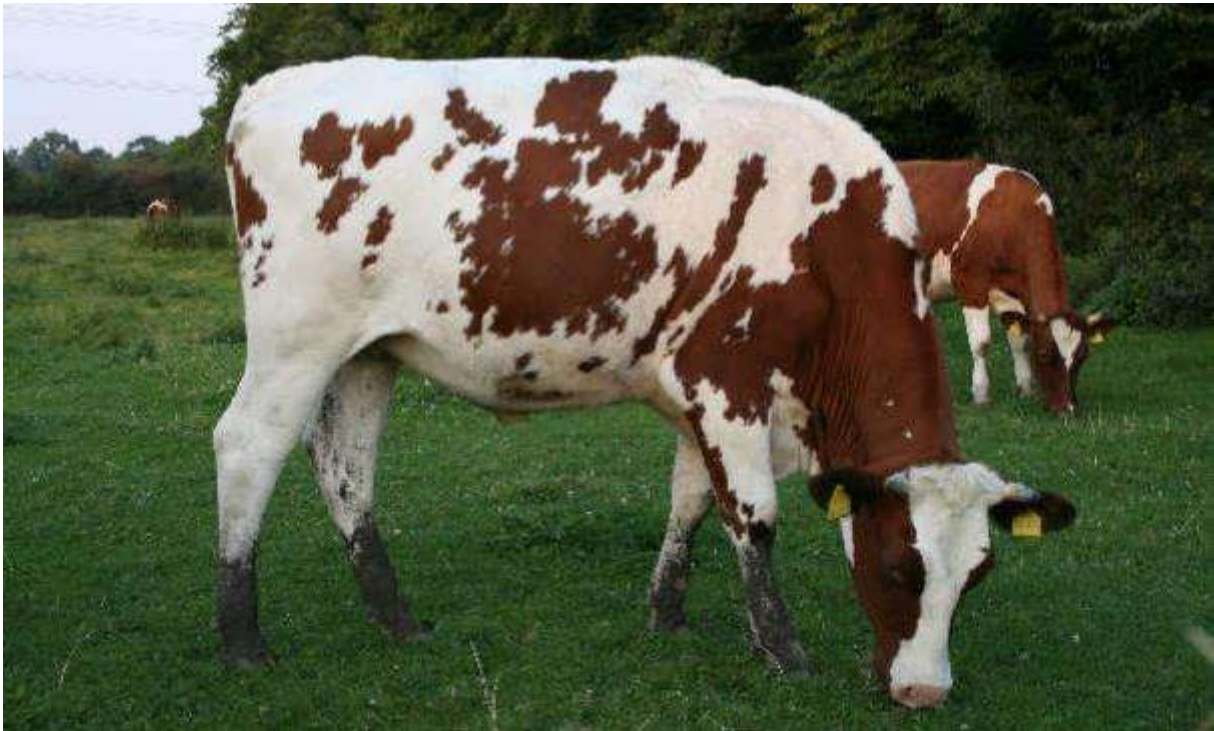
No other economic sector in the EU is so strongly influenced by common rules as the agri-food sector. The EU's Common Agricultural Policy (CAP) therefore has to take its responsibility and enable peasants to put into practice today's societal demands. This will not be possible with less financial resources, but requires a different, targeted on quality-oriented use of funds. Those who now deprive the CAP of the financial means in an unqualified way cut off most of the farms path to creating an economic perspective by ensuring social benefits. Europe needs the courage of these farm businesses - and the strength for a different agricultural policy.

The upcoming reform of the CAP offers the opportunity to focus on the societal achievements of peasant farm businesses and to give them an economic perspective just because of helping to implement environmental protection, animal welfare and biodiversity conservation with their way of farming. This sometimes requires considerable and expensive changes from agriculture, especially in animal husbandry. Therefore a strong CAP is needed, which binds the taxpayers' money consistently to social benefits. And it needs market rules that help growers to prevent severe market crises like in the milk market in 2015/2016 by a coordinated avoidance of surpluses.

With this paper AbL presents concrete proposals for the CAP reform and its implementation in Germany.

2) Align direct payments on specific services with a points system

Peasants in Europe are already doing a lot for society, though in very different ways and to different extent. The quality and variety of food and the face of cultural landscapes are inseparable from the ways in which food is produced. Peasant farming in its diversity was the prerequisite for the wealth of plant and animal species in our landscapes, the decline of which is to be lamented in recent decades. The health and well-being of livestock are just as much a part of the day-to-day tasks of farms as the protection of soil fertility, the pollution prevention of waters and the contribution to climate change mitigation.



AbL is committed to a quality strategy with cows, sheep and goats in the pasture, pigs in the straw and chickens pawing in the ground. Otherwise societal acceptable land use and animal husbandry can not work.

There is already a lot of work done, but there are also serious and tangible problems. The sometimes huge challenges in protecting soil, water, air, biodiversity and animal welfare must be resolved. Agricultural policy has to give answers. So far, direct payments, by far the most financially strong instrument of the CAP, have almost completely ignored the extent to which farms are already performing and contributing to solving the above challenges. The direct payments are paid on a flat rate per hectare of agricultural area (and in Germany for an unlimited amount of hectares per farm), regardless of the specific services provided by the farms. This does not create positive incentives, but rather promotes land ownership and land speculation. That needs to be changed fundamentally.

The AbL proposes to use the funds of today's direct payments specifically for the remuneration of specific social services of the farms. The amount of a farm's payments is then no longer based on its overall number of hectares, but on the basic services provided by the farm for diverse, lively cultural landscapes, for healthy soils and waters, and for the welfare of the animals. The quality of production is rewarded. The specific funding offers of today's 2nd pillar continue to exist, for example for the construction of animal-friendly stables, for organic agriculture, nature conservation measures and regional processing and marketing



Sustainable land use must protect the climate, the soil and our drinking water. This requires well-trained peasants, smart technical solutions and an agricultural policy that finally remunerates societal services.

2.1) Criteria of the points system

In order to be able to remunerate the basic achievements of the enterprises) their achievements must be determined first. For this purpose, the concrete service criteria shown in Figure 1 are used. These can be derived to a large extent from the single-farm data or information already recorded today. The criteria are divided into those of land use and animal husbandry.

Figure 1: Criteria of the AbL point system (own illustration)

Criteria for animal husbandry	Criteria for land use
<ul style="list-style-type: none"> – more space per animal in the stable – interspersed lying areas without slats (for example straw) – outdoor climate area – spout – grazing / outdoor – area binding of animal husbandry (livestock per ha) – GMO-free feeding 	<ul style="list-style-type: none"> – Diverse field structure (field size) – Diversification of crop rotation – Legume production – abnegation of total herbicides – Share of landscape elements – Share of grassland – Share of extensive grassland – GMO-free production – Natural location disadvantages – Food production instead of renewable resources – Balanced nutrient balances

These criteria cover the following:

Diverse field structure (field size): The lower the average field size on a farm, the greater the structural diversity, the biodiversity in the landscape and the structural protection against erosion (wind, water).

Diversity of crop rotation: The longer or more diverse the crop rotation is, the more positive are the effects on soil fertility, biodiversity and the reduced need for pesticides.

Legume production: Legumes such as field beans, peas and clover grass fixate air nitrogen in the soil and makes it usable. This saves fertilizer and increases soil fertility and humus content in the soil.

Avoiding total herbicides: This can reduce the residues of pesticides in environment, food and feed, as well as conserve biodiversity and increase soil fertility.

Share of landscape elements: The more that a farm preserves and maintains, the greater the biodiversity and diversity of the cultural landscape.

Share of grassland: Conservation of grassland (meadows and pastures) contributes to erosion protection, carbon storage in the soil and drinking water protection.

Extensive grassland use: The waiver of very fertilizer-intensive forms of use of grassland promotes i.a. the biodiversity as well as quality of ruminant feeding.

Natural location disadvantages: The lower the average number of soil points in the farm, the greater the need to compensate for natural location disadvantages.

Food production: It shall be acknowledged when a farm is primarily producing food instead of renewable resources, e.g. generated for energy.

Balanced nutrient balances: The fact that no more nutrients are brought into the farm system than they are taken away mainly through harvesting is particularly important for keeping waters and groundwater clean and for protecting the climate.

Criteria for animal husbandry: Today's animal welfare requirements include more space per animal than currently required by law; Lying areas without slatted floor and with litter such as straw; Access to outdoor areas; Spout and free range or grazing.

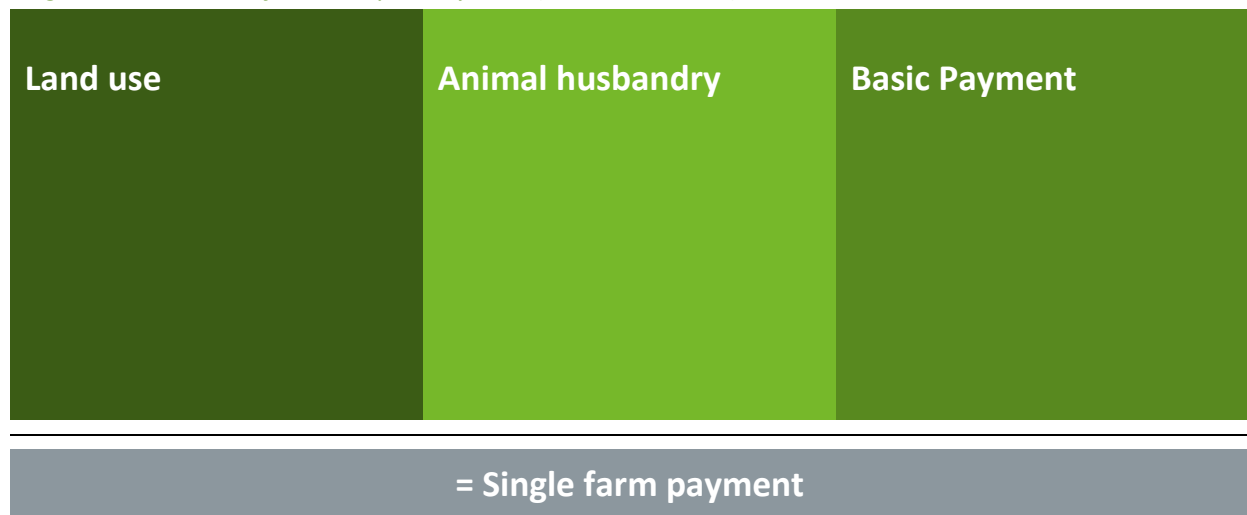
Bonding of livestock: A good relationship between the extent of animal husbandry in the farm and the self-managed area strengthens the local fodder supply and protects the environment.

GMO-free cultivation and feeding: The population rejects the cultivation of genetically modified plants for good reasons. Consequently, feeding should also rely on GMO-free quality.

2.2) From the criteria to the payment

Each of the criteria listed above is weighted with a maximum number of points (e.g., 40 points for a diversified field structure). The more a farm covers a criterion, the more points it receives up to the maximum limit. The points achieved for the various criteria are then included in the calculation of the farm-specific direct payment. This consists of a service payment for animal husbandry, a service payment land use and a service-related basic payment (Figure 2). The partial payments are explained below.

Figure 2: Structure of the AbL point system (own illustration)



Service payments for land use and animal husbandry: In a first step, separate service payments for land use and animal husbandry are calculated from the points determined in the way explained above. For the service payment land use, the points from the land use criteria are multiplied by the hectares of the farm. Analogical, for the service payment animal husbandry, the score from the livestock criteria is multiplied by the livestock units of the farm. To get from the points to a euro amount, each point is first valued at one euro. Only the livestock units up to a livestock population of a maximum of two livestock units per hectare are taken into account for the service payment animal husbandry. Because the financial expenditure for a service per hectare or per animal decreases as the number of hectares or animals increases, the euro amounts calculated in this way are degressive. For this purpose, a degression factor from a threshold of e.g. 200 ha or 200 livestock units is included. This is how the service payment land use and the service payment animal husbandry are calculated.

Service-related basic payment: In order to give all farms an additional incentive to provide the societal desired benefits and, where appropriate, to switch their production practices accordingly, the sums of the criteria points calculated above are also included in a service-related basic payment per farm. This is calculated per farm by applying an additional payment of e.g. one euro per point for the first 30 hectares per farm and the first 30 livestock units per farm. This also sends out the clear signal that small and medium-sized farms are desired and needed for the further development of our agriculture.



For AbL, it is clear that agricultural policy also has a social responsibility and has to aim to vitalize rural areas rather than rationalize them. The country needs more farmers and especially more young farmers.

With the proposed point system, today's direct payments are finally bound to concrete societal services provided by farms and the rationalization advantage of large units is relativized. The payments get qualified. This does not replace the target-specific funding with individual measures of the second pillar, such as organic farming, animal welfare-related stable building support or nature conservation. The AbL calls on the EU Commission to redesign the existing direct payments in this way in the forthcoming reform of the EU's agricultural policy, or at least to open this option to the Member States. The Federal Government is called upon to work for this at EU level as well.

2.3) The calculation using example farms

In order to clarify the calculation steps as well as the effect of the point system, the payments of six different farms are calculated using the points system below.

Small dairy farm with extensive grazing: A farm with 20 dairy cows plus offspring (together 30 livestock units) is working on 20 ha of extensively used permanent grassland. The grassland (50 soil points) is divided into 6 fields and contains 0.2 ha of hedges (landscape elements). Total herbicides are not used. The animals are kept in an outdoor climate free running stable with interspersed lying areas and are grazing at least a half day every day from May to September. The feed is GMO-free.

Figure 3: Small dairy farm with extensive grazing

Land use (1 € / point): 245 points reached according to land criteria x 20 ha = 4.900 €

Animal husbandry (1 € / point): 80 points reached according to animal criteria x 30 GV = 2.400 €

Basic payment (1 € / point): (245 points area x 20 ha) + (80 points animal x 30 GV) = 7,300 €

Total funding of the farm according to AbL points system = 14.600 €

Funding according to the current system (313 € / ha) = 6.260 €

Medium size dairy farm with grazing: A farm with 100 dairy cows plus offspring (together 120 livestock units) is working on 60 ha, (20 ha arable land, 40 ha permanent grassland). The areas (50 soil points) are subdivided into 15 fields and contain 0.5 ha of hedges and other landscape elements. There are 3 crops on the field, of which 4 ha are legumes. Total herbicides are not used. The animals are kept in an outdoor climate free running stable with interspersed lying areas and come from May to September in each case at least half the day on the pasture. The feed is GMO-free.

Figure 4: Medium size dairy farm

Land use (1 € / point): 299 points achieved according to land criteria x 60 ha = 17,940 €

Animal husbandry (1 € / point): 80 points achieved according to animal criteria x 120 GV = 9,600 €

Basic payment (1 € / point): (299 points area x 30 ha) + (80 points animal x 30 GV) = 11,370 €

Total funding of the farm according to AbL points system = 38.910 €
Funding according to the current system (313 € / ha) = 17.782 €

Middle size arable farm: A diverse structured arable farm without animal husbandry is working on 60 hectares of arable land (50 soil points). The land is divided into 15 fields and includes 0.5 ha of hedges and other landscape features. There are 3 crops on the field, of which 4 ha are legumes. Total herbicides are not used.

Figure 5: Middle size arable farm

Land use (1 € / point): 232 points achieved according to land criteria x 60 ha = 13,920 €

Animal husbandry (1 € / point): 0 points reached according to animal criteria x 0 GV = 0 €

Basic payment (1 € / point): (232 points area x 30 ha) = 6.960 €

Total funding of the farm according to AbL points system = € 20,880
Funding according to the current system (313 € / ha) = 17.782 €

Dairy farm with little grassland: A farm with 400 dairy cows plus female offspring (together 500 GV) is working on 200 ha (50 soil points), of which 20 ha are permanent grassland and 10 ha are clover grass (legumes). The land is divided into 25 fields and includes 2 hectares of landscape elements as well as 4 different cultures. Total herbicides are used. The animals are kept in an outdoor climate free running stable with interspersed lying areas, without a spout and without grazing, but with 10 percent more space in the stable. The feed is GMO-free.

Figure 6: Dairy farm with little grassland

Land use (1 € / point): 158 points reached according to land criteria x 200 ha = 31,600 €

Animal husbandry (1 € / point): 62 points reached according to animal criteria x 500 GV * = 19.700 €

Basic payment (1 € / point): (158 points area x 30 ha) + (62 points animal x 30 GV) = 6.600 €

Total funding of the farm according to AbL points system = 57.900 €

Funding according to the current system (313 € / ha) = 54.641 €

** Degression applies*

Medium size diverse arable farm: An arable farm without animal husbandry is growing on 200 hectares (50 soil points) 5 cultures, of which 10 hectares legumes. The area is divided into 20 beats and contains 2 hectares of landscape features. Total herbicides are not used.

Figure 7: Middle varied arable farm

Land use (1 € / point): 241 points reached according to land criteria x 200 ha = 48,200 €

Animal husbandry (1 € / point): 0 points reached according to animal criteria x 0 GV = 0 €

Basic payment (1 € / point): (241 points area x 30 ha) = 7.230 €

Total funding of the farm according to AbL points system = 55.430 €

Funding according to the current system (313 € / ha) = 54.641 €

Large arable farm: A pure arable farm builds on 2,000 hectares (50 soil points) 5 crops, including 50 hectares of legumes and 100 hectares of silage maize for their own biogas plant. The area is divided into 100 strokes and contains 10 hectares of landscape elements. Total herbicides are not used.

Figure 8: Large arable farm

Land use (1 € / point): 215 points reached according to land criteria x 2000* ha = 225.887 €

Animal husbandry (1 € / point): 0 points reached according to animal criteria x 0 GV = 0 €

Basic payment (1 € / point): (215 points area x 30 ha) = 6,450 €

Total funding of the farm according to AbL points system = 232.337 €

Funding according to the current system (313 € / ha) = 528.545 €

**Degression applies*

2.4) Use all possibilities in Germany already

Under existing EU law, Member States already have the opportunity to better target a large part of direct payments, thereby supporting farms that provide a high level of social services. AbL expects the Federal Government to make the best use of these opportunities:

- The shift from direct payments to the specific funding of animal welfare and agri-environmental measures, as well as to the set up of new farms under the second pillar, should be gradually increased from 4.5% today to 15%. This should be accompanied by appropriate consultant service for the farms on the practicable use of the funding offers.
- The shift from direct payments to the first hectares per farm should be increased from 7% today to 30%. This strengthens the smaller and medium-sized farms, and thus the majority of livestock farms, which face particularly costly challenges of the necessary conversion of animal husbandry. EU law allows for a staggered approach. The Federal Government should use this in order to consider and reward societal benefits provided by farms (see above) in the course of a higher level of the shifting.
- Up to 8% of direct payments should be used for the coupled funding of grazing of cattle, sheep and goats, taking into account the abovementioned service criteria for animal husbandry.
- The possibility, once again opened up by the EU, of a reduction in the size of large payment amounts per farm above 150,000 euros basic payments per year should be used (if applicable taking into account actual labor costs). This would send a signal that the increasing concentration of land in the hands of a few investors is no longer subsidized by unlimited direct payments.

The AbL calls on the federal and state governments to pass resolutions immediately after the formation of a government in the federal government and to submit them to the EU Commission by the deadline of August 1, 2018. These shifts are a first important step in order to provide farms with targeted support for the upcoming changes, even with existing funds.

3) Avoid price crises and strengthen quality with new market rules

The milk market crisis of 2015/2016 urgently calls for effective instruments at EU level to prevent such substance-destroying crises. The strong and prolonged price decline was triggered by milk production that grew beyond demand, especially in the EU as the world's largest exporter of dairy products. Despite a sharp fall in producer prices, many dairy farmers were still increasing the volume to keep themselves temporarily liquid. This has aggravated the crisis on the market. In Germany alone, between May 2015 and May 2017, a total of almost 7,500 dairy cattle farms have given up, a decline of 10% in two years - a structural break.



The AbL considers the export orientation in the agricultural market to be a dead end and therefore relies on quality rather than quantity.

The EU was unprepared for this market crisis. In the 2013 CAP reform, proposals by the EU Parliament, which also included quantitative limits for such crises, were rejected. When the crisis hit, the EU Commission bought large quantities of skimmed milk powder from the dairies and also supported private storage of butter. Only after all this did not bring about the necessary turnaround, the EU Commission and the Member States decided in mid-2016 to grant new special aid and to tie it to the temporary individual farm-line limitation of milk production. The measure came late and costed additional taxpayers' money, but it had an impact. This implies consequences for the reform of the Common Market Organization.

3.1) Action at EU level

For the future preventive avoidance of strong market crises, AbL therefore demands:

- Producer organizations and interbranch organizations should have the right in the market organization to take quantitative measures such as an economy-financed rebate bonus to avoid market crises. The Member States and the EU Commission should be allowed to declare such decisions universally valid for a limited period of time.
- In response to the poor bargaining position of agricultural producers over other food chain operators, in particular dairies, slaughterhouses and mills, producers should be given the right, in times of crisis, to agree on volume-limiting measures to be implemented by the downstream stages.
- For acute, severe market crises, the EU common market order should allow for rapid intervention by the EU Commission, including temporary quantitative measures. If financing is necessary, the industry should be involved for that.
- The common market organization should oblige Member States to establish written contracts for supply relationships between milk producers and dairies. These supply contracts should also be compulsory for cooperative dairies and set the quantity, price and quality of the milk supply before delivery. Since long notice to quit periods weaken the bargaining position of the producers, the notice to quit period for producers must be limited to a maximum of one year.
- The EU should introduce compulsory labeling of regional origin and the quality of the food production process, as is already the case with eggs. This labeling is particularly lacking in food of animal origin: milk, meat and egg products. Such labeling is a requirement for differentiating the market and increasing the value added in the internal market.
- The EU has to ensure on its own that exports of the European agri-food sector, especially to developing countries, do not undercut local producer prices and do not have any other dumping effects on them.
- For imports into the EU, the EU Commission must ensure compliance with the same or corresponding minimum social, ecological, consumer and animal welfare standards as apply to production in the EU. Small producers in developing countries should be enabled to comply with these standards through targeted EU support.

AbL expects the Federal Government to actively contribute these demands to the negotiations on the reform of EU agricultural policy.

3.2) Homework in Germany

In addition, AbL calls on the federal and state governments to use their existing options to strengthen agricultural producers in the food chain:

- The Federal Government and the federal states should launch a bundling offensive with the aim of bundling as many farms as possible in producer groups in order to represent common interests to the customers and thereby assume their own responsibility for the market.
- The Federal Government should oblige the dairies to negotiate with the milk producers on the agreement of written supply contracts with clear information on quantity, price and quality and to conclude such contracts.
- Until the EU has introduced compulsory labeling of origin and production quality, the Federal Government should introduce a voluntary animal welfare label for meat, milk and egg products. The label should be organized into an entry or transition level and a premium level. Cooperation with neighboring countries such as Denmark, Netherlands and Belgium should be sought.

The AbL refers - in addition to the measures proposed here - to the Joint Statement of Compliance of the Platform of Associations for Environmental Protection and Nature Conservation, Agriculture, Development Policy, Consumer Protection and Animal Welfare, March 2017: "For a socially supported agricultural policy. Reconstructing EU agricultural policy for a quality strategy ":

<http://www.abl-ev.de/themen/agrarpolitik/publikationen/>



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Arbeitsgemeinschaft bäuerliche Landwirtschaft e.V.
Bahnhofstrasse 31
59065 Hamm
Germany

Contact:

Email: info@abl-ev.de
Telephone: 02381-90-53-171
Fax: 02381-49-22-21
Web: www.abl-ev.de

Editorial staff:

Ulrich Jasper

Layout:

Phillip Brändle

Translation:

Henrik Maaß

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