Observations on the Environmental Compatibility of the EU Agricultural Budget

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A study

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1. Introduction

The conflict between environmental and nature conservation and agriculture has been discussed for many years. As early as 1983 the final report produced by the "*Aktionsprogramm Ökologie*" ('Ecology Action Programme') project group, which was appointed by the Federal Ministry of the Interior as the then ministry with responsibility for the environment, pointed out that "*under the constraints of the economic situation a form of agriculture has developed in the Federal Republic of Germany which ecologically speaking has a number of serious weak points*[1] *"*. The State Committee of Experts on the Environment appointed by the Federal Government picked up on the issue in 1985 in their well noted expert report "*Umweltprobleme der Landwirtschaft*" ('Comprehensive and Detailed Global Review on Agriculture and the Environment') and in over 400 pages presented a comprehensive critique of the current agricultural production methods and the prevailing agricultural policy.

The growing conflict of objectives between economically profitable agricultural production and the environment has still not been resolved. This is obvious, for example, from the Red Data Books for species of flora and fauna, from the studies on excess nutrients in the environment and problems caused by pesticides, from the publications of the European Environmental Agency, from the Special Report 14/2000 published by the European Court of Auditors on "Greening the CAP"[1], and from the study entitled "*Nachhaltige Entwicklung in Deutschland*" ('Sustainable Development in Germany') commissioned by the German Federal Environment Ministry (UBA).

The threats posed by the agricultural sector to nature and the environment prompted the Western German environmental organisations to deal intensively with the issue at an early stage. As early as the mid-1980s the *Bund für Umwelt und Naturschutz Deutschland BUND* (German Federation for the Environment) published their "*Agrarpolitisches Grundsatzprogramm*", a manifesto on agricultural policy in which it called for a departure from intensive production methods and for a reorientation of the EU agricultural policy.

Agricultural policy is more strongly affected by decisions at the EU level than any other policy sector. The 1992 reform and the Agenda 2000, as decided upon in March 1999 in Berlin, have supposedly set the course towards greater environmental compatibility – if one is to believe assertions issued by the relevant European institutions. However, in a number of statements and declarations the environmental organisations have judged the reforms as being insufficient. The studies listed above on the environmental effects of agricultural production, *i.e.* those published by the EEA, the European Court of Auditors, and the UBA, support their claim.

Therefore, the idea grew amongst the environmental organisations of preparing and accompanying the next reform of the Common Agricultural Policy (CAP), due in 2007, in a more systematic manner than was done in the case of Agenda 2000 or the 1992 reform. At that time the organisations reacted at too late a stage to the final reform proposals presented to the European Council.

At EURONATUR's request the UBA approved a project which aimed at committing the German environmental organisations to a joint platform on the reform of the agricultural policy. This platform was not designed as a reaction to the Commission's or the Member States' new proposals, but rather the organisations were to actively participate in the foreseeable reform discussions.

1 "*Aktionsprogramm Ökologie*" project group, final report, section 179, Bonn 1983. Translated quote.

2 Court of Auditors Special Report No 14/2000 on 'Greening the CAP' together with the Commission's replies, OJ C 353 of 8.2.2000

The joint platform “Towards a New Agricultural Policy in the European Union” was adopted in October 2001 and presented to the wider public. It was signed not only by the relevant environmental organisations such as BUND, DNR (German League for Nature Conservation and Environmental Protection), EURONATUR, NABU (German nature conservancy - partner of Birdlife International*),* Naturfreunde (Friends of Nature), WWF Germany, and the *Deutscher Verband für Landschaftspflege* DVL (German Association for Landscape Management), but also by organisations representing the agricultural sector, such as the *Arbeitsgemeinschaft bäuerliche Landwirtschaft* AbL, the organic *inspection and* certification bodies *Bioland* and *Naturland,* the German Federal Association of Consumer Advice Centres (vzbv), the German Society for the Prevention of Cruelty to Animals (DTB), and the *Industriegewerkschaft Bau, Agrar und Umwelt* (Trade Union for Construction, Agriculture and Environment). Thus, for the first time, a broad societal alliance made itself heard at an early stage in order to call for a new agricultural policy in Germany and in the European Union. The various associations were no longer simply reacting to proposals put forward but they themselves formulated reform strategies.

All of the partners in the alliance are aware of the fact that the framework conditions for the farmers have to be designed in such a way that environmentally sound production pays off economically and that environmentally damaging production must be made uneconomic. For the farmers these conditions are defined by regulations and directives, by quality and other grading systems, but most particularly by financial flows.

Therefore, the general budget of the European Union holds a key position in this regard. To know the budget and to understand the agricultural policy background is a basic precondition to participating effectively in the political discussions on the future of the CAP.

This study on the environmental impact of important budgetary items in the EU agricultural budget is targeted at those in charge and at the members of the signatories of the platform, as well as at journalists and other interested citizens. Its aim is to enable the reader to gain a general overview of financial flows in the agricultural sector at the European level. It outlines what funds are made available for, where they flow, the extent to which they are of environmental concern, and what changes need to be instigated in order to turn around the as yet negative relationship between agriculture and the environment.

This paper also serves to give an impetus to the discussion initiated by the President of the German Federal Environment Ministry, Prof. Troge, on an “ecological financial reform”. It focuses on the ecological dimension of those EU agricultural payments which are of the most relevance to Germany.

The compilation of the study occurs at a time of increasing public exchequer constraints. The European Union budget, like any other public budget, is under public scrutiny. The discussion on EU spending is being held with widely varying motivations and it is likely to intensify in the coming months and years with one of the key reasons being the upcoming EU enlargement. The accession of ten to twelve additional states to the EU will have considerable consequences for the EU budget, and their integration will lead to a redistribution of funds.

The current Member States’ interest in this respect is quite simple – they all want to pay as little as possible into the EU budget and get as much as possible out of it. The finance ministers of the ‘net contributors’ (*i.e.* those countries that currently already pay more into the budget that they receive from it) in particular have made it quite clear that they don’t want their position to ‘deteriorate’ any further. Germany, a country which must expect a major part of the current structural funds moneys to be discontinued (currently these moneys primarily flow into its five new *Länder)*, has always been one of the net contributors and is one of the biggest contributors by far. The discussions and decisions taken in the European Council in Brussels make it clear that in the coming years the agricultural sector, as well as others, will have to make do with less money.

Whether considering net contributors or net recipients - the taxpayers are justified in expecting that their money is put to good use.

BSE and FMD, dioxins in chicken, chloramphenicol in feed products, benzopyrene in olive oil, and banned chlormequat residues in German apples, nitrofen in organic grain stored in a contaminated storehouse rented by the Raiffeisenverband (German Association of Cooperatives), hormones in livestock feeds, and antibiotics in meat - these are just some of the confidence crises which have affected both the farming sector and society at large; and these are additional to the financial discussions of the past months. To some extent these crises have upstaged the long-standing discussions on the negative environmental impacts of farming practices as well as on aspects of animal welfare. That doesn't mean the environmental problems in the farming sector are any closer to a solution. However, they have demonstrated that a great deal more than 'just' nature conservation and environmental protection are affected by agricultural practices and EU expenditure.

What can be said with certainty is that the approximately € 44,000 million annual EU agricultural spending on agriculture must be well reasoned and requires societal legitimacy if it is not to be the focus of permanent public discussion and reform debates. However, if it is due to the Common Agricultural Policy (CAP) that we have an agricultural sector which generates so much negative publicity and which substantially contributes to negative impacts on nature and the environment, and if this policy continues to generate more mass livestock production units and ultimately continues to dismantle farm livelihoods and reduce rural employment opportunities, then the pressure to reform and legitimise this funding policy will greatly increase.

2. Agricultural policy through the years

If one is to believe the politicians, there has been a paradigm shift in agriculture in recent years. The focus is (allegedly) on more than mere productivity increases and has been extended to the "multifunctionality" of farming as shown in the "European Model of Agriculture" (see Box).

The statement made by the EU Commission and the Council of Ministers that with the European Model of Agriculture they wish to promote a "multifunctional agricultural sector" which is striving for more than just economic profitability but which recognises the range of services which society as a whole receives from the farming community and which considers many of the previously condoned external effects of agriculture is welcomed by the environmental organisations.However, one can not be blamed for harbouring doubts as to whether it will be possible to make such a multifunctional European agricultural sector fit for the world market if producers outside of the EU do not have to make allowances for sustainability criteria or multifunctionality. Just one example shall be given here - European beef finishers whose livestock production is linked to locally available extensively used

The European Model of Agriculture

*The European Model of Agriculture is to be understood as a policy that seeks to "*promote:

- a competitive agricultural sector which is capable of exploiting the opportunities existing on world markets without excessive subsidy, while at the same time ensuring a fair standard of living for the agricultural community;
- production methods which are safe, capable of supplying quality products that meet consumer demand;
- ediversity, reflecting the rich tradition of European food production;
- the maintenance of vibrant rural communities, capable of generating employment opportunities for the rural population;
- an agricultural sector that is sustainable in environmental terms, contributes to the preservation of natural resources and the natural heritage and maintains the visual amenity of the countryside;
- a simpler, more comprehensible policy which establishes clear dividing lines between the decisions that have to be taken jointly at Community level and those which should remain in the hands of the Member States;
- an agricultural policy that establishes a clear connection between public support and the range of services which society as a whole receives from the farming community.

In short, the new policy seeks to support the maintenance of the specific model of agriculture which is a key part of Europe's heritage, one that recognises the multifunctional nature of European agriculture and the wide range of benefits it produces.*"*[3]

3 http://europa.eu.int/comm/agriculture/publi/fact/policy/index_de.htm

„Sustainable and global“

Sustainable and globally competitive at the same time – Squaring the circle

*In its Opinion on “The Future of the CAP” the European Economic and Social Committee has called for consideration to be given to the fact that “*the aims being pursued by the EU are in fact in permanent conflict and that it is not possible to square the circle. It is illusory - and will in future remain illusory:

- to want to have an agricultural sector which can produce under (often distorted) world market conditions (as far as possible without financial support);
- and, which at the same time, meets all the production expectations (in terms of quality, safety, protection of natural resources, animal welfare etc.) and copes with European costs;
- and also to secure a modern and attractive labour market that helps protect employees and is marked by high standards of employment, safety, and basic and further training.” [4]

grassland will not be able to compete with American feedlots keeping up to 100,000 steers on 50 hectares, fitted with hormone ear implants and fed on GM feedstuffs.

European farmers have become closely interlinked at a global level and the pressure of competition is rising. Agricultural products can often be produced more cheaply outside of Europe because of, amongst other reasons,

- more favourable climatic conditions,
- more beneficial operational structures,
- some production methods would offend European ethical values (including lower environmental, animal welfare, consumer protection, and social standards; use of production-enhancing substances which are banned in Europe),
- world market prices are often greatly influenced or distorted downwards as a result of export subsidies, export guarantees, or export credit guarantees.

Supported by European agricultural policy Europe’s farmers have in the past reacted to these factors and used a variety of methods to massively increase productivity. With the aid of the CAP a money transfer to farmers was organised aimed at establishing the farmers’ “global competitiveness”. In this context production methods were introduced the consequences of which are now heavily criticised by society at large. The landscape was adapted to machinery, wet sites were drained, and dry sites irrigated. Massive amounts of fertilisers have been used, plant protection products are being applied, ‘modern’ livestock housing has been built, small farmers went to the wall, and industrial methods were adopted. Cattle eat less and less grass, calves no longer suckle their mothers because industrially produced feedstuffs and milk replacers are cheaper. Repeatedly the most economically profitable production methods were supported without heed as to whether this was in society’s best interest.

But then the events of the years 2000, 2001 and 2002 (BSE crisis, FMD, dioxine, nitrofen,

4 Opinion of the European Economic and Social Committee on ‘The Future of the CAP’ Doc. No. CES 362/2002, Section 4.9, OJ C 125 of 27.5.2002, pp 87 – 99.

nitrofuran and hormone scandals etc.) made their contribution to the sorely needed critical analysis of the way agriculture and agricultural policy are being pursued in the EU, an analysis of unprecedented societal scope and intensity. These events have induced a 'turnaround in agricultural policy', known in Germany as the "Agrarwende" which was characterised by the Federal Chancellor, Mr. Schröder, as "getting away from factory farming" and by the Agriculture Minister, Mrs. Künast, with the words "Quality instead of quantity". The increasing spread of industrial production methods is increasingly being questioned by society. There are calls for maintaining or re-establishing tried and tested traditional farming practices. New and additional environmental, conservation, and animal welfare conditions are clearly needed in order to solve the problems at hand. However, they can only be implemented if the farmers are either paid fairly for quality products or if the additional expenditure incurred is compensated for by way of direct payments.

The conflict between the European Model of Agriculture and globalised markets is becoming increasingly obvious. To produce food at world market prices and at the same time to do this sustainably is often quite impossible. Another model – one that some economic liberals endorse – involves the abstention from a somewhat more expensive (more sustainable) agricultural production in Europe and the fulfilling of European food needs through imports. Food, or what is passed off for food, can certainly be imported, perhaps even in the necessary quantities. However, this leaves the question of the security of supplies, as well as – at least in part – the question of the quality of the products. At the same time everything that is as yet associated with multifunctional agriculture (*i.e.* the visual qualities of the landscape, diversity in nature, rural culture, and employment) cannot be imported. In order to implement the European Model of Agriculture, to maintain living landscapes and intact rural areas, and to maintain a diversity of rural livelihoods, a modified sustainable agricultural production system in Europe is required. To implement and secure this European Model of Agriculture one thus needs the farmers who are now awaiting a re-orientation of the CAP.

This is *the* new challenge for the CAP. The question which shall be answered in the context of this study is whether the CAP, as reformed by Agenda 2000, already lives up to the challenge or not. To this end it is essential to look back at the previous instruments and to evaluate the current instruments of the CAP.

2.1 The CAP in the age of food and labour shortages

In 1957, Article 39 of the Treaty of Rome establishing the European Communities set out the *then* objectives of the common agricultural policy, which were:

- to increase agricultural productivity,
- thus to ensure a fair standard of living for the agricultural community,
- to stabilise markets,
- to assure the availability of supplies and
- to ensure that supplies reach consumers at reasonable prices.

This wording merely mirrors the requirements of the agricultural policy *of that time*. The primary objectives then were to boost production in order to satisfy food requirements, and to promote the economically essential structural change in the farming sector and thus to free labour resources for the expanding industrial and services sectors.

The policy pursued was very successful in terms of achieving the objectives set at the time. The insufficient supply situation which existed for major agricultural commodities in Europe was eliminated. The crucial instruments initiated by the EU in the context of the CAP were the support for certain internal producer prices as well the protection from cheap imports (through import levies)[5] which were required to secure the system of elevated market prices.

The example of the cereal market

The developments outlined above can be well described by considering the evolution of the cereal market as an example. Initially the market organisations for the arable sector as introduced in 1962 contained two main instruments:

- At the start of every financial year the Council of (Agricultural) Ministers fixed a (politically determined) **target price**. It was defined as the price the farmers should

Important articles of the Treaties establishing the European Communities

Apart from the 'traditional Article 39 of the Treaty of Rome' other articles in the Treaties establishing European Communities are of relevance to the CAP:

- ***Integrating environmental protection*** *requirements into the Community's other policies, in particular with a view to promoting sustainable development. (Article 6)*
- ***Ensuring a high level of human health protection*** *in the definition and implementation of all Community policies and activities (Article 152)*
- *Ensuring a high level of consumer protection (Article 153)*
- ***Reducing disparities between the levels of development*** *of the various regions (Article 158).*

Community policy on the environment aims i.a. *at preserving, protecting and improving the quality of the environment and is based on the precautionary principle and on the principles that preventive action should be taken, and that the polluter should pay (Article 174).*

5 At the national level these were often complemented by investment incentives as well as by agricultural structural change with the aim of optimising production (*e.g.* land consolidation programmes).

Table 1: EU self-sufficiency in cereals[6] (in million tonnes)

Marketing year	Production [7]	Imports	Exports	Market stocks	Self-sufficiency
1972/73	102,2	25,1	14,4	22,4	90 %
1974/75	107,3	24,2	13,8	28,2	95 %
1976/77 [8]	90,0	30,5	10,6	23,4	82 %
1978/79	115,6	20,8	16,7	26,8	100 %
1980/81	125,0	16,7	24,1	24,4	106 %
1982/83	131,4	11,1	23,0	27,5	115 %
.....					
1991/92	181,0	5,5	34,7	40,5	129 %
1997/98	205,0	4,9	23,4	37,2	117 %

receive for their produce as it is sold off the farm.

- Additionally, an **intervention price** was defined, set at a certain number of percentage points lower than the target price. It defined the lowest threshold to which the real market prices were allowed to drop. Once the market price reached this level the intervention agencies had to purchase the cereals at the fixed intervention price. This meant that for the producers there was a **guaranteed minimum price**.

This system was of particular benefit to the most productive holdings in the most favoured regions (*e.g.* the German *Börde* landscapes with their extremely fertile soils) and it was clearly an enormous stimulant to production, as was intended.

Looking at the EU self-sufficiency in cereals the ”success” of the system is obvious (see Table 1).

While the EU had to import cereals in the 1960s and 70s it became a surplus producer thereafter, fuelled by the market organisation and by technical progress. This necessitated changes in agri-policy instruments.

6 Special Report No 2/99 on the effects of the CAP reform in the cereals sector, OF C 192 of 8.7.99, Table 1, p.7

7 Between 1972/73 and 1977/78 the EU comprised nine Member States, in 1982/83 there were ten, between 1987/88 and 1992/93 twelve and from 1997/98 15 Member States.

8 1976 was a very dry year in Europe!

2.2 The CAP in the age of surplus production and the beginnings of the environmental debate

From shortages to surplus production

Once the aim of providing adequate supplies had been achieved in many sectors (*e.g.* cereals), the EU had to face the entirely new question of how to deal with the growing surplus production.

Since the growth potential of EU consumption was limited (there is only so much one can eat), the focus increasingly shifted to **exports**. However, some commodities that were not so well suited to storage or export (such as fruit and vegetables) were increasingly disposed of in the well-known **market withdrawal and destruction** actions. It is certainly a major deficiency of the CAP that there has never been serious consideration given to the full-coverage introduction of more extensive and environmentally sound production methods in order to address the problems of both surplus production and the environment impacts.

Apart from the cost of price supports the costs incurred for **surplus storage** and **export subsidies** increasingly became the focus of attention. Given that prices were generally substantially higher than world market levels, many exports (*e.g.* cereals, beef) were possible only with **export refunds** (= **export subsidies**). For supported products the exporters were paid the difference between the (higher) European guaranteed price and the (lower) world market price. Without this balancing payment it would have been impossible to find a buyer outside of Europe. Additionally, the '**intervention purchases**' were adopted as a policy tool, *i.e.* storage measures. This meant that payments were provided for the storage of surplus products which could then be put on the market at times of lower supplies (and thus higher prices). Intervention storage became a lucrative business. However, it was necessary that the product would store well. Since milk powder, for example, is much easier to store and transport than liquid milk, we are today dealing with a situation where the energy-intensive milk drying process is supported, but not the organization of the regional distribution of liquid skimmed milk to the holdings. The environmental impacts arising from the extremely high energy consumption of the drying process are not taken into consideration.

These policies became more and more expensive. They also became increasingly controversial, not just because of the surplus production and destruction of surpluses in some commodities, but also because of their negative influence of the non-European markets. The EU incurred the anger of the then General Agreement on Tariffs and Trade (GATT), the precursor to the current World Trade Organisation (WTO). The world market became the safety valve for the European surpluses, albeit an expensive and controversial one. This could not be achieved without export refunds.

In 1990 - just prior to the 1992 agricultural policy reform being agreed - the budgetary item B 1 – 10 "Arable crops' amounted to a total of € 7,800 million. Approximately 31.2 % of this expenditure (€ 2,400 million) went on export refunds for cereals and another 16% went on cereal intervention storage (€ 1,200 million). A separate decision on oilseeds cost the EU € 3,400 million at the time, 'other interventions' outside the cereal sector cost c. € 760 million, and the expenditure for set-aside came to € 21 million (0.3%) in that year[9].

A number of negative factors (not least the build-up of internal stocks and excessively high costs and a lowered acceptance of, for example, surplus destruction) led to further changes being made to the policy tools. For instance, supply management emerged in certain areas through the introduction of **quota systems** (e.g. for milk and sugar). While this is actually not a bad way of preventing surplus production, the problem included that, for

9 See the tables in the appendix.

example, the milk quota was not set at 100% of the European requirement but well above that at 120%. This means that surplus production was written in stone from the outset.

The beginnings of the environmental debate

By the mid-1980s **environmental issues** had increasingly **entered the CAP debate** and a number of tentative policy moves followed. However, the new policy instruments introduced at the time were not primarily driven by environmental considerations but rather focused on the re-alignment of production with the market capacity, even though the 'new policy' was often publicly promoted under the environmental banner. To this day the names of some of the programmes show that the market was of primary concern. The "agri-environmental programmes" in Baden-Württemberg can be found in the "MEKA" scheme which stands for "Programme for the *re-alignment of production with the market capacity* and for the protection of the cultural landscape".

Similarly, the voluntary set-aside programmes introduced at that time were not primarily targeted at the environment. They were designed to reduce the utilized agricultural area and in turn to reduce production in Europe. In the public debate these were also often presented as environmental measures. In the 1980s it was argued, for example, that the fields which were not to be utilized for a period of 20 years would create ecological refuges. In retrospect it proved to be an ineffective measure both in market and environmental terms. The BUND (German Federation for the Environment) argued at the time that this was a 'Trojan horse' for nature conservation and predicted a division of the landscape into "protected areas and polluted areas".

The truth is that the voluntary set-aside programmes of the time had minimal participation rates, and the small reduction in production achieved with the few set-aside sites was more than compensated for by the remaining lands being steadily more intensively utilized. Today's partly compulsory set-aside schemes are similarly driven by market objectives and not by environmental considerations. This is obvious from the fact that these 'set-aside' lands can still be intensively used – not for crops covered by market organizations but for energy crops etc.

Neither the voluntary set-aside schemes nor the other "**extensification measures**" adopted at the time (such as the **promotion of organic farming**) were able to resolve the increasingly apparent environmental problems or the escalating costs of the market organisations. Nonetheless, these examples show that even some fifteen years ago issues were beginning to be discussed in the context of the CAP which today are becoming ever more relevant from the point of view of sustainability.

The promotion of organic farming as part of the EU extensification scheme initiated an important development. After the EU began to financially support organic farming under the 'Efficiency Regulation' (1760/87) and later created important framework conditions for the organic sector with the 'Organic Regulations' (2092/91 and 1804/99) the sector has flourished enormously. The number of agricultural holdings within the EU which produce using organic methods has increased from 9,521 in 1988, to 28,868 in 1993, and to 124,462 in 2000[10] (see Table 2).

This goes to show that the creation of the relevant framework conditions can trigger (or prevent) certain developments.

10 Figure for EU (15). In some of the Member States growth figures are well above the average, *e.g.* in Italy where the number of organic holdings is now 45 times as high as it was in 1988

2.3 The 1992 and 2000 CAP reforms

The 1992 reform

The 1992 reform was an important turning point for the CAP. The decisions taken must be seen in the context of the GATT round that was then under way and which was subsequently completed. The introduction of the reform was again not inspired by the environmental impacts caused by the agricultural sector but by market and financial problems.

The measures adopted in 1992 related mainly to

- cuts in **guarantee prices**,
- the offsetting of these cuts by **direct compensatory payments**,
- the introduction of **compulsory set-aside**, and
- **cuts in export refunds** (volumes and budget) and **reduced external protection** (with a view to the meeting of the requirements of the GATT).

With the 1992 reform the EU abandoned the old system of price supports. It was clear that it could neither be financed in perpetuity, nor could it be brought into compliance with the

Table 2: Development of organic farming in Europe – No. of holdings and agricultural area under organic management[11]

	Area in ha				Number of holdings			
	2000	in %	1993	1988	2000	in %	1993	1988
Belgium	20.263	1,5	2.179	1.000	628	0,9	160	125
Denmark	165.258	6,2	20.090	5.881	3.466	5,5	640	219
Germany	546.023	3,2	246.461	42.393	12.732	2,9	5.091	2.330
Finland	147.423	6,8	20.340	1.500	5.225	6,6	1.599	160
Franca	370.000	0,3	87.829	60.000	9.260	1,4	3.231	2.700
Greece	24.800	0,7	591	50	5.270	0,6	165	5
United Kingdom	472.515	2,6	30.992	11.000	3.182	1,4	655	600
Ireland	32.355	0,8	5.460	1.500	1.014	0,7	162	75
Italy	1.040.377	7,0	88.437	9.000	49.790	2,1	4.656	1.100
Luxemburg	1.030	0,8	497	450	51	1,7	12	12
Netherlands	27.820	1,4	10.354	5.000	1.391	1,5	455	300
Austria	271.950	8,0	135.982	12.320	19.031	7,1	9.713	880
Portugal	50.002	1,3	3.060	420	763	0,2	90	20
Sweden	171.682	6,3	36.627	8.598	3.329	3,7	1.486	665
Spain	380.838	1,5	11.675	3.000	13.424	1,1	753	330
EU (15)	3.536.815	2,9	700.574	162.112	124.462	1,9	28.868	9.521

11 Source: 1988, 1993: Agra-Europe 16/01 of 17.4.01, 2000: http://www.soel.de/oekolandbau/statistik_europa.html

GATT. The intervention prices, *i.e.* the "support prices" which were of such importance to the farmers, were radically cut. This met with strong resistance from the farming lobby as it entailed major income losses for the farmers. Therefore the direct price support was replaced with the **compensatory payments in the form of direct payments** to farmers.

Up until 1992, generally speaking, the formula "Yield per hectare multiplied by intervention price equals income per hectare" could be used. This system was changed with the 1992 reform. Regionally differentiated historic **average yields were determined or calculated**. Obviously, these were higher in the favoured regions, such as the fertile German 'Börde' landscapes, than in the agriculturally disadvantaged areas[12]. These average regional yields have since been multiplied with the politically determined **compensatory payment** (per tonne). That figure, multiplied by the hectarage of the eligible area represents the direct payment to the farmer concerned.

Now the income per hectare a farmer can achieve depends on the direct payments *plus* the sale price of the harvest achievable at the market.

In terms of environmental policy it was argued around the time of the 1992 reform that the decisions would reduce incentives for the intensification of agricultural production, which would in turn have a positive impact on nature and the environment. However, in retrospect it is obvious that, for example the use of inputs (artificial fertilisers and pesticides) as one indicator of environmental impacts of agricultural production has not declined!

For the years following the 1992 reform it can be established that:

- The high costs of surplus utilisation of butter, milk powder, grain, as well as fruit and vegetables (including surplus destruction) have since been reduced,
- EU agricultural products are increasingly being sold to non-EU markets without (high) export refunds. This is due to the fact that the difference between the European price levels and world market prices has seen a massive reduction, meaning that products can (generally) be exported without high export subsidies being paid,
- Consequently the high intervention costs[13] as well as the share of export refunds[14] in total spending[15] were reduced in the post-reform years.
- Farmers' incomes were from this time on to be secured by the newly introduced **compensatory payments**[16] rather than by the traditional instruments.

Once again it needs to be emphasised that in the end environmental considerations played a marginal role and the issue of the burden placed by EU agricultural products on non-EU markets was not considered in the 1992 reform. Hence it can be said that the objective of the 1992 reform was not to reduce surplus production or to reduce the environmental impact of the farming sector, but rather to find a better (*i.e.* cheaper) way of dealing with European surplus production. The world market which had until then been an expensive outlet became the target for many European producers.

From the environmental point of view it has to be noted that the 1992 reform also introduced the "**accompanying measures**", which continue to provide aid for afforestation, early retirement, and for agri-environmental programmes. However, the budgetary share of these measures, which to an extent were aimed at reducing the intensity of production, amounted to a mere 5% of EAGGF Guarantee spending.

It is interesting to look back at the political discussions held prior to the 1992 reform. Envi-

12 Example: The average grain yield for 2001 in Baden-Württemberg was set at 51.4 dt/ha, in Bavaria it was set at 55.3 dt/ha, in Lower Saxony's 'Hildesheimer Börde' at 59.8 dt/ha, but in the Rotenburg/Wümme region only at 49.3 dt/ha.

ronmental considerations did indeed enter the political debate. These considerations did not survive into the final reform, and they are as topical now as they were then. The then responsible Agriculture Commissioner Ray MacSharry[17] , for example, voiced a fundamental critique of the CAP system of the time. He was of the opinion that the policy instruments hailed from a time when there was no surplus production. MacSharry put forward the new objectives of the agricultural policy:

- The maintenance of a sufficient number of farmers in order to maintain the environment, the cultural landscape and the family farming model;
- The recognition of the dual function of the farming sector: production *and* environmental services in the context of rural development;
- A rural development policy supporting the above, which is targeted not only at the agricultural sector but also at the promotion of other forms of economic activity.

MacSharry supported the idea that the market organisations were to be redesigned to support extensification and environmentally sound production methods. The Commissioner who was then in charge of the CAP wanted the direct income supports to be modulated on the basis of social and regional criteria. He also wanted to see this form of grading payments to be applied to all other quantitative provisions such as quotas and set-aside. The payments for arable crops were to be made conditional upon the use of environmentally sound production methods. However, Commissioner MacSharry was unsuccessful in convincing the Agriculture Ministers of the EU Member States of his ideas.

Agenda 2000

Following the 1992 reform, renewed steps to reform had to be assessed and introduced much more quickly than expected[18] , due amongst other factors to the fact that the MacSharry proposals had not been fully implemented.

Once again, market and financial policy considerations predominated as had been the case in many of the reform debates of previous years. The objectives of Agenda 2000 included amongst others:

- the achieving of a **stronger market orientation** of agricultural production and increased competitiveness in the international markets through the approximation of EU prices to world market prices, and
- **the strengthening of the EU position** for the new **WTO negotiations**, *i.a.* through a reduction in export refunds and a further reorganisation of market supports towards direct payments.

Other objectives of Agenda 2000 included

- the **preparation** for **EU enlargement**,
- the increased **inclusion of environmental objectives** into the CAP, and
- the bringing together of the various agricultural structural policy measures and support programmes to achieve a comprehensive and consistent rural de-

13 For arable crops, which today account for approximately 40% of all EAGGF spending, intervention costs were reduced from 63.4% (in 1991) to 5.1% (in 1999) of total spending.

14 For arable crops export refunds were reduced from 38.9% (in 1991) to 4.9% (in 1999) to less than 1% currently (2002 budget appropriation).

15 In 1991 91% of EAGGF Guarantee spending went on refunds and storage measures - in 2001 only 21% were spent on the traditional market support measures.

16 For arable crops the share of compensatory payments (incl. set-aside) increased from 0.8% in 1991 to 89.3% in 1999 to 96.4% currently (2002 budget appropriation).

17 See the publication by the DG Agriculture “The development and future of the Common Agricultural Policy” Green Europe 2/91, Brussels.

velopment policy (second pillar of the CAP).

As in 1992 critical remarks were made in the run-up to Agenda 2000 on the distribution of Brussels agricultural moneys. *„[T]he Commission acknowledged … that the farm support system … was devoted, in large part, to a small minority of farms …“*[19] , an acknowledgement which sparked internal considerations on a re-orientation of the distribution of funding based on the needs of individual holdings and regions. It became increasingly obvious that only a relatively small number of farmers and holdings really benefited from the CAP.

And once again some of the basic considerations on the integration of ecological and social aspects into the CAP, which had already been voiced prior to the 1992 reform, made it, albeit partially modified, to the negotiation table. These included, for example, the **proposal** to introduce a **ceiling on the amount of direct aid** that a farm could receive[20] . In its first proposals on Agenda 2000 the Commission planned, for example, to introduce the mandatory modulation of direct payments per farm relative to the overall prosperity of and employment on the farm in order to achieve a more "equitable" distribution of funding. Compulsory cross-compliance, whereby farm payments would be made conditional on compliance with environmental standards which had been considered back in 1992, was to be introduced[21] . Furthermore, there were plans to abolish the maize silage premium which was had been introduced in 1992.

But the Commission could not gain acceptance for its proposals. The maize silage premium stayed in place and continued to keep the ecologically so important grasslands at a disadvantage while indirectly supporting intensive livestock production systems. The coupling of direct aid payments to social and ecological criteria was not made compulsory, but instead Member States were given leave to introduce modulation pursuant to Articles 3[22] and 4[23] of Reg. 1259/99; the Member States have hardly made use of this option. Germany is one of the few countries to introduce modulation (from 1.1.2003). Finally, the support prices, which had been severely cut as part of the 1992 reform but which are still partly in existence, were cut further while in return the direct payments to farmers were slightly increased.

Therefore it can be established that from the environmental point of view the negotiations on Agenda 2000 involved previously unheard discussions on all three pillars of "sustainability"[24] . However, while after many negotiation rounds an agreement was reached within the Council on a packet of measures for the reorientation of many of the market organisations (economic pillar), most of the Commission's social and environmental considerations were not taken on board[25] .

18 In the context of our project a separate detailed German language publication was prepared, entitled "Von einer Reform (1992) zur nächsten (2000)" (*From one reform (1992) to the next (2000)*) which analyses in more detail the background to the reform considerations and the disputes on the steps to reform. The publication is available from EURONATUR as well as from the *Arbeitsgemeinschaft bäuerliche Landwirtschaft (AbL)* and it also available for download at www.euronatur.org.

19 European Court of Auditors Annual Report 1996, OJ C 348 of 18.11.1997; Par. 3.30, p. 73.

20 The proposal on ceilings was later withdrawn and instead degressive payments were proposed.

21 See the German language publication "Von einer Agenda (2000) zur nächsten (2007)" (*From one Agenda (2000) to the next (2007)*) by Fink-Keßler, Graefe zu Baringdorf, Ribbe and Jasper in "Der kritische Agrarbericht" published by the *Agrarbündnis*, Rheda Wiedenbrück, 2001.

3. The EU Budget in 2002

3.1 The EU General Budget

Revenue

Nowadays it is quite unusual to find a public body or administration that is not in debt. However, the EU is such a body. Its revenue and expenditure are balanced if one considers the balancing from the previous year and the repatriation of unused funds to the Member States.

The actual revenue for 2000 and 2001 as well as the budgetary plans for 2002 are considered under 5 types of expenditure[26] (see Table 3).

Thus the EU's revenue is very much dependent on the economic power of the individual Member States. Based on their gross domestic product as well as their VAT receipts the Member States have to contribute to the EU budget as determined by a clearly defined formula.

Expenditure

For 2002 an EU budget with a total spending volume of € 95,600 million has been adopted; this is the largest budget in the history of the EU to date. The € 95,600 million are divided into a number of sections, each of which is allocated to one of the EU institutions. The planned expenditure for 2002 is shown in Table 4.

The largest share by far of EU expenditure (*i.e.* more than 98%) is concluded by the EU Commission. Within Section III (Commission,

22 Article 3 of Reg. 1259/99 "Environmental protection requirements"

(1) Where agricultural activity within the scope of this Regulation is concerned, Member States shall take the environmental measures they consider to be appropriate in view of the situation of the agricultural land used or the production concerned and which reflect the potential environmental effects. These measures may include:

- support in return for agri-environmental commitments,
- general mandatory environmental requirements,
- specific environmental requirements constituting a condition for direct payments.

(2) Member States shall decide on the penalties that are appropriate and proportionate to the seriousness of the ecological consequences of not observing the environmental requirements referred to in paragraph 1. They may provide for a reduction or, where appropriate, a cancellation of the benefits accruing from the support schemes concerned if such environmental requirements are not respected.

23 Article 4 of Reg. 1259/99 "Modulation"

1. Member States may decide to reduce the amounts of payments which would, but for this paragraph, be granted to farmers in respect of a given calendar year in cases where:

- the labour force used on their holdings during that calendar year, expressed in annual work units, falls short of limits to be determined by the Member States, and/or
- the overall prosperity of their holdings during that calendar year, expressed in the form of standard gross margin corresponding to the average situation of either a given region or a smaller geographic entity, rises above limits to be decided by Member States, and/or
- the total amounts of payments granted under support schemes in respect of a calendar year exceed limits to be decided by Member States. (...).

24 Economic, social, and environmental/ecological issues.

25 The fact that with the second pillar - to which approximately 10% of the agricultural budget is allocated - rural development has been strengthened does not change this general analysis.

26 The figures for 2000 and 2001 were taken from the European Court of Auditors Report 2001. At the time of going to print the report had not yet been published in the Official Journal and the figures were taken from the Internet version of the report. For 2002 figures see: Final adoption of the general budget of the European Union for the financial year 2002, OJ L 29 of 31.1.2002

Table 3: Total revenue of the EU in 2000 - 2002 (implemantation in million €)

	2000	2001	2002
Traditionel own resoureces	**15.267,1 €**	**14.589,2 €**	**15.892,7 €**
Agrariculturel duties	1.198,4 €	1.132,9 €	1.121,7 €
Sugar, Isoglucos levies	1.196,8 €	840,0 €	770,9 €
Customs duties	14.568,3 €	14.237,4 €	15.765,9 €
Collection costs	- 1.696,3 €	- 1.621,0 €	- 1.765,8 €
VAT own resources	**35.192,5 €**	**31.320,3 €**	**36.603,9 €**
VAT own resources of current year	34.187,6 €	30.695,4 €	36.603,9 €
Balance from previous year	1.004,9 €	624,9 €	
GNP own resources	**37.580,5 €**	**34.878,8 €**	**41.147,6 €**
GNP own resources of current year	37.253,2 €	34.460,2 €	41.147,6 €
Balance from previous year	327,3 €	418,6 €	
Budgetary imbalances	- 70,9 €	- 70,3 €	0,0 €
Correction granted to the UK	- 70,8 €	- 72,5 €	
Definite calculation of correction granted to the UK	- 0,1 €	2,2 €	
Miscellaneous revenue	4.755,3 €	13.571,2 €	2.010,5 €
Surpluses available from previous financial year	3.209,1 €	11.612,7 €	1.200,0 €
Refunds to Member states	0,0 €	0,0 €	
Miscellaneous revenue	1.546,1 €	1.958,5 €	810,5 €
Total	**92.724,5 €**	**94.289,2 €**	**95.654,7 €**

see Table 5) the bulk of funding has traditionally gone to the *European Agricultural Guarantee and Guidance Fund* (EAGGF Guarantee Section), followed by expenditure under the Structural Funds.

Table 4: Distribution of EU expenditure on the EU institutions in 2002 (in million €)

		2002	in %
Section I	Parliament	1.035,0 €	1,08%
Section II	Council	401,9 €	0,42%
Section III	**Commission**	**93.865,6 €**	**98,13%**
Section IV	Court of Justice	148,0 €	0,15%
Section V	Court of Auditors	84,8 €	0,09%
Section VI	ESC	78,0 €	0,08%
Section VII	CoR	36,4 €	0,04%
Section VIII A	Ombudsman	3,9 €	0,00%
Section VIII B	Data-protection Supervisor	1,3 €	0,00%
Total		**95.654,76 €**	**100,00%**

3.2 The European Agricultural Guarantee and Guidance Fund (Sub-section B 1)

The European Agricultural Guarantee and Guidance Fund (EAGGF) is divided into two parts. The "Guarantee Section" covers the 'classic' agricultural subsidies, the market organisations (*i.e.* the ongoing supports which are paid out annually based on existing EU regulations). The "Guidance Section" provides investment supports in certain designated regions and is financed under the Structural Funds budget (sub-section B 2)[27] .

Items B 1 - 1 to B 1 - 3 are the **classic market organisations**, also termed the **first pillar of the CAP. Item B 1 - 4 "Rural Development**"

Table 5: Section III (Commission) in 2002 (in million €)

Sub-section		**2002**	***in %***	**2001**	**2000**
A	Administration	3.387,6 €	*3,6%*	3.217,2 €	3.020,7 €
B 1	**EAGGF Guarantee Section**	**44.480,2 €**	***47,4%***	**44.483,7 €**	**40.345,7 €**
B 2	Structural Funds	32.287,1 €	*34,4%*	31.774,0 €	25.523,4 €
B 3	Education, youth, culture, ...	888,2 €	*0,9%*	762,7 €	728,8 €
B 4	Energy, nuclear, environment	189,3 €	*0,2%*	191,2 €	139,5 €
B 5	Consumer protection, TEN	1.124,2 €	*1,2%*	1.036,8 €	847,9 €
B 6	Research, techn. Development	3.751,7 €	*4,0%*	3.610,0 €	3.170,5 €
B 7	External actions	7.387,0 €	*7,9%*	6.532,4 €	4.826,8 €
B 8	Common foreign + secur. policy	35,0 €	*0,0%*	35,0 €	19,6 €
B 0	Guarantees, reserves	335,2 €	*0,4%*	415,3 €	186,3 €
Total		**93.865,6 €**	***100,0%***	**92.058,2 €**	**78.809,0 €**

Table 6: Distribution of funds under EAGGF Guarantee Section in 2002 (in million €)

		2002	***in %***
	1st Pillar:		
B 1 - 1	Plant products	27.349,00 €	*61,5 %*
B 1 - 2	Animal products	10.859,58 €	*24,4 %*
B 1 - 3	Ancillary expenditure	1.426,60 €	*3,2 %*
	2nd Pillar:		
B 1 - 4	Rural development	4.595,00 €	*10,3 %*
B 1 - 6	Monetary reserve	250,00 €	*0,6 %*
B 1	**Total**	**44.480,18 €**	***100,0 %***

27 This is not the subject of detailed analysis in this report. Note: in Objective 1 regions under the Structural Funds (*i.a.* the new German *Länder*) the agri-environmental measures, for example, which are normally funded under the EAGGF Guarantee Section, *i.e.* the 'classic' agricultural budget, are financed under the budgetary sub-section B 2 "Structural Funds". However, this is not relevant in terms of the statements made in this study.

which includes *i.a.* the agri-environmental programmes is termed the **second pillar** of the CAP**.**

The planned detailed breakdown of agricultural expenditure within the two pillars is shown in the following Tables 7 to 10.

At a total of € 17,900 million the expenditure on “Arable crops” under the heading “Plant products” (B 1 - 1) stands out. This is the largest single item in the EU agricultural budget and alone it represents 40.3% of all agricultural expenditure.

There is a similar predominance of a single item under the heading “Animal products” (B 1 - 2), *i.e.* the item “Beef / veal“. It represents approximately three quarters of all expenditure under the heading “Animal products” and 18% of the total EU agricultural expenditure.

A closer inspection of Table 8 shows clearly that the argument that all farmers benefit from the EU coffers does not hold true, as not all products are supported to the same extent. With regard to pigmeat and poultry the influence of the EU agricultural budget on the markets is very limited whereas it is very strong where beef and veal are concerned.

The first pillar also contains “Ancillary expenditure” (B 1 – 3; see Table 9) which is not very significant in terms of its financial volume. Only 3% of the total agricultural expenditure comes under this heading, which is not given further consideration in the context of this study despite the fact that it contains some items of interest to the general taxpayer. For example - in order to strengthen the economic power of the French overseas departments there is an annual estimate of the requirements in terms of the number of subsidised breeding stock for the development of effective livestock production structures to be sent to the Caribbean. Also, twelve hundred purebred rabbits for breeding purposes, each one subsidised to the amount of € 60, started their journey across the Atlantic – financed under item B 1 – 32 of the “Ancillary expenditure”.

With Agenda 2000 the “second pillar of the CAP”, the rural development policy, was newly introduced. In 2002, € 4,590 million representing 10.3% of the total agricultural expenditure, are to be spend on this policy. The planned distribution is shown in Table 10.

It is important to note that EU fully finances expenditure under the first pillar, while expenditure under the second pillar is only co-funded, with the level of co-funding normally being set at 50% of expenditure by the Member States, with the exception of Objective 1 regions where measures are financed from the Structural Funds. In the latter instance the level of co-funding is 75%.

Table 7: Distribution of funds in sub-section B 1 – 1 “Plant Products” in 2002 (in million €)

	Heading	2002	*in %*
B 1 - 10	Arable crops	17.916,0 €	*65,5 %*
B 1 - 11	Sugar	1.401,0 €	*5,1 %*
B 1 - 12	Olive oil	2.366,0 €	*8,7 %*
B 1 - 13	Dried fodder and grain legumes	385,0 €	*1,4 %*
B 1 - 14	Fibre plants and silkworms	956,0 €	*3,5 %*
B 1 - 15	Fruit and vegetables	1.650,0 €	*6,0 %*
B 1 - 16	Products of the vine-growing sector	1.392,0 €	*5,1 %*
B 1 - 17	Tobacco	983,0 €	*3,6 %*
B 1 - 18	Other products	300,0 €	*1,1 %*
B 1 - 1	**Total**	**27.349,0 €**	***100,0 %***

Table 8: Distribution of funds in sub-section B 1 – 2 "Animal products" in 2002 (in million €)

	Heading	2002	in %
B 1 – 20	Milk and milk products	1.912,0 €	*17,6 %*
B 1 – 21	Beef / veal	8.095,0 €	*74,5 %*
B 1 – 22	Sheepmeat and goatmeat	672,0 €	*6,2 %*
B 1 – 23	Pigmeat, eggs, poultry	163,5 €	*1,5 %*
B 1 – 26	Europ. Fisheries Guarantee Fund	17,1 €	*0,2 %*
B 1 – 2	**Total**	**10.859,6 €**	***100,0 %***

Table 9: Distribution of funds in sub-section B 1 – 3 "Ancillary expenditure" in 2002 (in million €)

	Heading	2002	in %
B 1 – 30	Refunds on certain goods obtained by processing	415,0 €	*29,1 %*
B 1 – 31	Food programmes	306,0 €	*21,4 %*
B 1 – 32	Programmes ... outermost regions	239,0 €	*16,8 %*
B 1 – 33	Veterinary / plant health	569,5 €	*39,9 %*
B 1 – 36	Monitoring / preventative measures	57,3 €	*4,0 %*
B 1 – 37	Clearance previous years	- 500,0 €	*-35,0 %*
B 1 – 38	Promotion measures	78,8 €	*5,5 %*
B 1 – 39	Other measures	261,0 €	*18,3 %*
B 1 – 3	**Total**	**1.426,6 €**	**100,0 %**

Table 10: Distribution of funds in sub-section B 1 – 4 "Rural Development" in 2002 (in million €)

Sub-Section		2002	in %
B1 – 400	Investments in agricultural holdings	164,0 €	*3,6 %*
B1 – 401	Setting-up of young farmers	119,0 €	*2,6 %*
B1 – 402	Training	31,0 €	*0,7 %*
B1 – 403	Early retirement	184,0 €	*4,0 %*
B1 – 404	Less-favoured areas	907,0 €	*19,7 %*
B1 – 405	Agri-environmental measures	1.995,0 €	*43,4 %*
B1 – 406	Improving the processing and marketing of agricultural products	210,0 €	*4,6 %*
B1 – 407	Forestry	474,0 €	*10,3 %*
B1 – 408	Promoting the adaptation and development of rural areas	419,0 €	*9,1 %*
B1 – 409	Other	92,0 €	*2,0 %*
B 1 – 4	**Total**	**4.595,0 €**	***100,0 %***

3.3 The Structural Funds of the European Union (B 2)

The EU Structural Funds represent the EU's second largest budgetary item. However, they are not the subject of this study as this project is solely concerned with agricultural expenditure. Nevertheless a short explanation of the objectives of the Structural Funds and their budgetary structure shall be given here.

Expenditure under the Structural Funds is of extreme relevance to the environment. On the one hand the expenditure can be very positive in environmental terms. For example, environmental investments such as the construction of sewage treatment plants can be co-funded by the EU under the Structural Funds. In the Objective 1 regions (see below) the "Rural Development "programmes, described further below are funded from the Structural Funds (and therefore not from the EAGGF Guarantee budget). These programmes can also be environmentally beneficial.

On the other hand substantial amounts of investment capital are being provided, some of which result in profound negative environmental impacts. Major dams, road building projects and river engineering measures often with devastating ecological consequences continue to be supported under the Structural Funds.

Structural Fund spending is targeted at promoting economic and social cohesion amongst the Member States and at reducing (economic) disparities between the regions. The different Structural Funds are therefore economic instruments. The following funds have been established:

- the **European Regional Development Fund** which aims to reduce regional developmental imbalances within the EU,
- the **European Social Fund** which is primarily focused on solving social problems,
- a **Financial Instrument for Fisheries Guidance**, and
- the **Guidance Section** of the **European Agricultural Guidance and Guarantee Fund** which primarily funds investment measures.

Additionally, there is the **Cohesion Fund** which is only open to the Member States Greece, Spain, Portugal and Ireland and which exclusively funds environmental and transport measures.

Three different target areas were classified in the EU for the purposes of structural funding:

- In the **Objective 1 Regions** the aim is to "promote the development and structural adjustments of the regions whose development is lagging behind". Regions of the EU whose average GDP per head is less than 75% of the EU average have been classified as Objective 1 regions. These include, for example, the five new German *Länder* (thus far). Following the accession of the eastern European candidate countries it can be expected that there will be major changes in this category, as the EU average GDP is likely to drop significantly. In turn, the Eastern German *Länder* are likely to find themselves above the 75% mark, loosing their eligibility for funding under the Structural Funds. At present approximately 20% of EU citizens live in Objective 1 regions
- **Objective 2 regions** are regions which also require economic and social change. They are outside of Objective 1 regions, *i.e.* the GDP may be higher in these areas. The Objective 2 status is designed for regions undergoing economic change which cannot cope with this process on their own. Towns and cities with (social) problem areas or rural areas affected by economic decline may fall into this category. Approximately 18% of EU citizens live in areas classified as Objective 2 regions. Within Germany this figure comes to 13%.
- In the areas designated as **Objective 3 regions** the focus is on the development of human resources, with funding being provided, for example, for local employment initiatives and initiatives fighting youth

employment.

In addition to the designation of “Objective areas” there are **4 Community Initiatives**, *i.e.* the programmes:

- **INTERREG** (promoting transnational and interregional cross-border cooperation € 4,800 million are available for the period 2000 – 2006),
- **LEADER** (for the development of rural areas, supporting local action groups € 2,000 million have been made available for the period 2000 – 2006),
- **EQUAL** (for the development of new methods of combating discrimination and inequality of any kind in access to the jobs market € 700 million have been se aside for this programme for the period 2000 – 2006),
- **URBAN** (for the economic and social renewal of urban and suburban areas which are in crisis - the financial appropriations for this programme are € 2,800 million for the period 2000 – 2006).

The planned expenditure from the Structural Funds for the years 2000 – 2006 is a total of € 195,000 million. These will be distributed as follows:

Objective 1 regions:	135,9 Mrd. € (69,7%)
Objective 2 regions:	22,5 Mrd. € (11,5%)
Objective 3 regions:	24,0 Mrd. € (12,3%)
Fisheries Instrument	1,1 Mrd. € (0,5%)
Community Initiatives:	10,3 Mrd. € (5,3%)

The distribution of Structural Funds appropriations between EU Member States for the period 2000 - 2006 is fixed. The figures are shown in Table 11.

In addition to the Structural Funds moneys the Cohesion Fund appropriations are available to the four eligible countries for Cohesion funding, as shown in Table 12.

The distribution of funds is thus based on economic and regional policy criteria. The ‘richer’ regions help the ‘poorer’ regions in their development, as enshrined in the EU’s solidarity principle. The ‘net contributors discussion’ arises out of this situation. The economically stronger countries, such as Germany, make comparatively high contributions to Brussels based on their higher VAT receipts and their higher gross national product, but they receive relatively small amounts out of the budget.

Table 11:
Distribution of appropriations under Structural Funds 2000-2006
(in million €, Objective 1 - 3 incl. Fisheries funds, excl. Community Initiatives)

	Structural funds appropriations	***in %***
DK	745 €	*0,4 %*
B	1.829 €	*1,0 %*
UK	15.635 €	*8,5 %*
NL	2.635 €	*1,4 %*
F	14.620 €	*8,0 %*
EL	20.961 €	*11,4 %*
E	43.087 €	*23,5 %*
D	28.156 €	*15,3 %*
I	28.484 €	*15,5 %*
P	19.029 €	*10,4 %*
IRL	3.088 €	*1,7 %*
S	1.908 €	*1,0 %*
L	78 €	*0,0 %*
A	1.473 €	*0,8 %*
FIN	1.836 €	*1,0 %*
Total	**183.564 €**	***100,0 %***

Table 12: Distribution of appropriations under Cohesion Fund (2000 - 2006 in million €)

Staat	**Cohesion Fund appropritations**		
	Minimum	**Maximum**	***in %***
E	10.980,0 €	11.430,0 €	*61,0 bis 63,5 %*
EI	2.880,0 €	3.240,0 €	*16,0 bis 18,0 %*
P	2.880,0 €	3.240,0 €	*16,0 bis 18,0 %*
Irl	360,0 €	1.080,0 €	*2,0 bis 6,0 %*
Total		**18.000,0 €**	***100,0 %***

4. Observations on the environmental compatibility of certain agricultural expenditures

4.1 Our study brief

In the following sub-chapters we will primarily examine the budgetary items which are of the greatest relevance to farmers in *Germany*. At first we show how EU agricultural expenditure is distributed amongst the individual Member States. Following from that we examine which of the budgetary items are of the greatest relevance in Germany, before we analyse their environmental impact in detail.

Even a cursory examination of the distribution of funds between the first pillar (almost 90% of all agricultural expenditure) and the second pillar (only 10.3% of all agricultural expenditure) indicates that it is necessary to not only consider the second pillar and its impact on the environment but also that primarily the first pillar of the CAP must be critically examined. The environmental impacts of the agricultural sector are influenced primarily by the first pillar.

4.2 The distribution of agricultural funding amongst the individual Member States

In order to show the distribution of agricultural expenditure between the individual Member States we need to resort to the figures for the financial year 2000 for the purposes of this study. This is due to the fact that at the time of going to print the figures for 2001 and 2002 are budget appropriations, *i.e.* planned expenditure. Actual expenditure is only available for 2000 and earlier years.

The distribution of agricultural expenditure between the individual Member States in the year 2000 is shown in Table 13.

This Table shows that the that the Surely large or geographically large Member States such as France, Germany, Spain and the United Kingdom "naturally" receive larger amounts of funds than the smaller states such as Luxemburg or Austria. However, a table like this is not terribly meaningful.

It is much more interesting to analyse how much money in terms of "European agricultural subsidies" flows from Brussels to the individual Member States per hectare of agricultural land. This breakdown is shown in Table 14.

Table 13: Distribution of agricultural expenditure between Member States in 2000

	€ from EAGGF Guarantee	
	in Mio. €	in %
B	957,3	2,4 %
DK	1.309,1	3,2 %
D	5.674,9	14,0 %
GR	2.598,2	6,4 %
E	5.484,4	13,5 %
F	9.005,8	22,2 %
IRL	1.681,3	4,2 %
I	5.042,7	12,5 %
L	51,4	0,1 %
NL	1.441,9	3,6 %
A	1.018,7	2,5 %
P	652,7	1,6 %
SF	727,8	1,8 %
S	798,1	2,0 %
UK	4.061,6	10,0 %
EU (15)	**40.505,9**	**100,0%**

Table 14: Agricultural expenditure by agricultural area in the Member States (in million € in 2000)

	million € from EAGGF Guarantee	Agricult. area (in million ha)	€/ha AA
P	652,7 €	3,88	168,22 €
E	5.484,4 €	25,42	215,75 €
UK	4.061,6 €	15,72	258,37 €
S	798,1 €	2,98	267,82 €
A	1.018,7 €	3,39	300,50 €
F	9.005,8 €	29,86	301,60 €
EU	**40.505,9 €**	**130,39**	**310,53 €**
I	5.042,7 €	15,40	327,45 €
FIN	727,8 €	2,21	329,32 €
D	5.674,9 €	17,06	332,64 €
IRL	1.681,3 €	4,41	381,25 €
L	51,4 €	0,13	395,38 €
DK	1.309,1 €	2,67	490,30 €
EL	2.598,2 €	3,90	666,21 €
B	957,3 €	1,39	688,71 €
NL	1.441,9 €	1,97	731,93 €

If the total agricultural expenditure under the EAGGF Guarantee Section is apportioned to the total agricultural area in Europe, the resulting figure is approximately 310 €/ha as a European average. However, from Table 14 it is obvious that there are extreme differences within Europe. While Portugal and Spain, as two countries which have retained extensive agricultural economic structures in wide areas, receive funding well under the European average, extremely large amounts of funding per ha are notable for the Netherlands, Belgium and also Denmark, all of which are rather well known for their intensive agricultural production systems. It is obvious that there are major disparities in the way the individual Member States benefit from the EU agricultural system.

4.3 The distribution of funds within the agricultural sector[28]

Similar to the disparate distribution of EU funds between Member States (with reference to the agricultural area) the comparison of payments made to individual farmers or holdings shows that these are also very much unbalanced.

On October 1, 2002 the EU Commission published very comprehensive statistics on this matter. According to the statistics approximately 56% of all EU agricultural expenditure in 1999 was in the form of direct aid to farmers, *i.e.* € 22,400 million of the € 39,800 million of funding paid out of the agricultural budget.

Since the direct aid payments actually compensate farmers for price cuts it is understandable that holdings which used to benefit from price supports in a major way also profit from the current system of direct aids. It is interesting to examine how the funds are apportioned between holdings, particularly against the background of the considerations to redistribute funds from the first to the second pillar, and against the background of the Commission proposal to put a ceiling of € 300,000 on annual single farm payments in the context of pending new reforms.

28 Greece was not included in these investigations as the statistical data received from Greece was insufficient. The analyses with regard to the EU and thus the statements made in this sub-chapter therefore relate to the EU (15)(exclusive of Greece.

Table 15: Average direct payments per holding (in million € in 1999)

	million €	holdings	€ per holding
P	380,3 €	251.960	1.509,5 €
I	2.838,3 €	1.581.780	1.794,4 €
NL	167,5 €	63.460	2.638,9 €
A	427,0 €	137.760	3.099,5 €
FIN	265,3 €	71.660	3.701,6 €
E	3.445,2 €	887.400	3.882,4 €
IRL	771,1 €	165.700	4.653,8 €
EU	22.365,6 €	4.459.570	5.015,2 €
B	249,9 €	44.620	5.600,1 €
L	15,6 €	2.130	7.346,5 €
S	504,4 €	64.100	7.868,9 €
F	5.821,6 €	597.900	9.736,8 €
D	3.615,5 €	362.420	9.976,0 €
DK	658,5 €	62.240	10.579,9 €
UK	3.205,4 €	166.460	19.256,2 €

A first indication of major disparities can be seen in Table 15 which shows the average direct aid payment per holding in the individual Member States.

However, these averages only allow for an assessment of the distribution of funds between Member States. The extreme differences within each country are not shown by these figures. A detailed analyses of the Commission statistics (see Annex) shows that in the EU 78.6% of the roughly 4.5 million holdings receive less than 5,000 € per year. These holdings only receive 17.8% of the total payments between them.

At the same time a very small number of holdings benefit in a major way from the funding rules. Only 2.2% of holdings in receipt of direct aid receive more than 50,000 € per year, but between them the moneys received by this 2.2% amounts of almost 40% of the total direct aid payments made. Fewer than 2,000 holdings in the EU (0.04% of all farms) currently receive more than € 300,000 in direct aid with the majority of these holdings (1,260) being located in Eastern Germany.

There are extreme differences between Member States in terms of the distribution of funds between holdings. In Portugal, for example, approximately 96% of the farmers receive less than 5,000 € in direct aid, which means that 96% of the Portuguese farmers would not be affected by the planned 'modulation' proposed in the context of the Mid-Term Review of the CAP, since Brussels provides for a 5,000 € allowance to be excluded from the cuts (see below). These 96% of Portuguese farmers receive approximately 35% of direct payments coming into Portugal from Brussels. Consequently, the remaining 4% of farmers receive 2/3 of all direct payments.

In Germany there are similar extreme differences. Roughly 362,000 holdings are entitled to direct payments. 61.7% of all farmers (c. 224,000 holdings) in receipt of direct payments receive less than 5,000 € per year, *i.e.* they would not be affected by the planned modulation. Almost 80% of all German farmers receive less than 10,000 € per year; it is above this level that from January 1, 2003 national modulation will take effect. Taken together, these 80% of eligible German holdings (more than 280,000 farms) receive roughly 25% of all direct payments flowing into Germany. However, 17.8% of all direct payments are absorbed by the 1,270 farms in receipt of more than 300,000 € in direct aid per year. In statistical terms this means that 0.35% of German holdings are in receipt of nearly 20% of the funds.

4.4 EAGGF funds from Brussels for Germany

Of the € 40,500 million of EU agricultural expenditure in 2002, 5,600 million € flowed into Germany. In order to assess the environmental relevance of these payments it is important to ascertain on what exactly these moneys were spent. Table 16 shows the breakdown of expenditure by budgetary sub-section.

The most important budgetary item for Germany is sub-section B 1 – 10 "Arable crops" (with almost two thirds of all expenditure) followed by the much more minor B 1 – 4 "Rural Development" (12.1%) in the second pillar, and followed by the expenditure for beef and veal (B 2 –1) with 7.5%.

In the following sub-chapters the environmental impact of these three sub-sections of the budget will be assessed.

Table 16: Germany's share in EU EAGGF (Guarantee) receipts in 2000 (in million €)

	Heading	EAGGF funds in D	*in %*
B 1 – 10	Arable crops	3.682,4	*65,3%*
B 1 – 4	Rural development	681,0	*12,1%*
B 1 – 21	Beef/veal	423,3	*7,5%*
B 1 – 11	Sugar	295,1	*5,2%*
B 1 – 20	Milk	249,9	*4,4%*
B 1 – 3	Ancillary expenditure	98,5	*1,7%*
B 1 – 22	Sheep/goat meat	43,7	*0,8%*
B 1 – 23	Pigmeat/eggs/poultry	39,1	*0,7%*
B 1 – 17	Tobacco	36,2	*0,6%*
B 1 – 16	Wine	29,8	*0,5%*
B 1 – 13	Dried fodder	22,4	*0,4%*
B 1 – 18	Other plant sectors	22,2	*0,4%*
B 1 – 15	Fruit and vegetables	13,9	*0,2%*
B 1 – 14	Fibre plants	2,8	*0,0%*
B 1 – 25	Others	1,0	*0,0%*
B 1 – 12	Olives	0,0	*0,0%*
B 1 – 26	Fisheries fund	0,0	*0,0%*
		5.641,9	*100,0%*

4.5 The environmental impacts of expenditure on arable crops (B 1 – 10)

Direct payments are available only for arable crops and not for the ecologically important grasslands

Closer inspection of the titles given to the individual sub-sections in the area of 'plant production' (see Table 7) reveals that one of the 'plant communities', grassland (meadows and pastures), which is particularly important for both agriculture and for nature conservation and environmental protection does *not* feature in the EU's funding policy.

Therefore, from the outset approximately 30% of Germany's agricultural area, *i.e.* the permanent grasslands, are excluded from the normal funding under the EU agricultural policy. This 'discrimination' against grassland as compared to the commodities covered by the market organisations is one of the reasons for the continuous decline of the share of grassland in the agricultural area in Germany as well as in other EU countries, and it is also a reason for the economic difficulties faced by those farmers who farm in grassland regions.

While the share of grassland in the total agricultural area in 1973 amounted to 5.3 million ha or approximately 40% in the old German *Länder,* this figure had dropped to c. 30% or 4.2 million ha by the early 1990s (the last statistics from before German unification). Especially with a view to the catastrophic floods in the summer of 2002 this is a very worrying trend, since grassland areas are known to be important for water retention and – at least in alluvial plains - as floodplains.

Direct payments are not made on all of a farmer's lands but only on those lands which at a certain point prior to the 1992 reform were under crops which were then eligible for guarantee prices. In Germany this covers less than 60% of the agricultural area. To this day grassland is not eligible for funding and neither are potato crops, swedes and turnips, or grass leys. The **reasoning** for this situation can simply and clearly be derived from the logic of the system of direct aids introduced in 1992 (which were actually a compensation system for price cuts) but **ecologically** this system is **counterproductive**: since there were no price supports for grassland, swedes and turnips, or potatoes, it follows that no compensation for price cuts is given in the form of direct aid for these crops.

Maize – never saw price supports, is ecologically problematic, but attracts major subsidies

There is an exception to every rule. Forage maize was never eligible for price supports but maize now attracts the highest premia per hectare. This is obviously one of the reasons for the increase in area under maize in many regions in Germany. Why was such an exception made in the case of maize? One must understand that there is a maize lobby which exerts massive political influence. There is scarcely another crop plant which benefits industry as much as maize. For its production farmers have to purchase seed, fertilizer, pesticides, and harvesting machinery. Operating through the German, Italian and French governments the maize lobby ensured that Europe-wide compensatory payments were introduced against the express wishes of the EU Commission. It is important to recognise that approximately 75% of direct payment for maize went to farmers in these three countries, the total appropriations for 2002 being € 1,600 million (for the EU agri-environmental programmes, discussed in more detail below, a total of € 1,900 million has been made available, *i.e.* not much more than the maize silage premium alone!).

A farmer in, for example, Bavaria who grew maize on eligible land received 475 €/ha in direct payments for the maize, while other grain crops (wheat, barley etc.) would have only attracted 323 €/ha, and grassland would have attracted nil €.

The European Court of Auditors wrote of this matter, "*The encouragement of forage maize production by high levels of Community support, and the lowering of feed prices due to lower cereal prices since 1992, has provided an advantage for intensive raising of livestock indoors, compared to feeding livestock on pasture. The Commission and Eurostat, the European Communities' statistical office, have acknowledged that some 'elements of the 1992 reform had a negative effect on the environment. ... A good example ... was the extension of cereal aid to silage maize ... . This gave an added comparative advantage to intensive cattle rearing, particularly dairy cows, to the detriment of extensive livestock rearing'*."[29] Other subsidies (see below) are then used to give at least basic support to extensive livestock producers[30] , a strategy which is only mildly successful as can very clearly be seen from the increasing concentration of livestock on fewer and fewer holdings and also from the spatial concentration of livestock production in certain regions within Europe.

The system of direct payments introduced in 1992 turned the structure of expenditure for arable crops upside down. While prior to 1992 a major part of the expenditure went on export refunds and storage (see above) this share is very small today. The anticipated structure of expenditure for 2002 is given in Table 17[31].

What are now termed "direct payments" are from a historic point of view clearly compensatory payments for price cuts. The system continues the old logic of price supports. The farmer who produces a lot gains a lot, the farmer who has a large hectarage gains a lot, the farmer who farms in a disadvantaged area is out of luck. He apparently needs less "compensation". Looking at the logic of the system it is understandable that those holdings[32] and regions which are the currently main beneficiaries are those which benefited under the previous price support system. However, after 10 years this system has become twice as expensive as the before and it clearly does not support the essential reorientation of the agricultural sector towards fewer environmental impact and more sustainability, as the payments are not linked to environmental conditions (see below).

At this point the question of the long-term socio-political legitimisation and the accep-

Tabelle 17: Haushaltsansätze B 1 – 10 Ackerkulturen in 2002 (in Mio. €)

Titel	**Bezeichnung**	**2002**	***in %***
B 1 – 100	Exporterstattungen bei Getreide	80,0	*0,4 %*
B 1 – 101	Interventionslagerung Getreide	283,0	*1,6 %*
B 1 – 102	Andere Interventionsmaßnahmen als Lagerung von Getreide	292,0	*1,6 %*
B 1 - 104/105	Direktzahlungen Getreide	13.453,0	*75,1 %*
B 1 - 104/105	Direktzahlungen Ölsaaten	2.157,0	*12,0 %*
B 1 – 106	Flächenstillegung	1.661,0	*9,3 %*
B 1 – 10	Total	17.926,0	*100,0 %*

29 Special report no 14/00 of the European Court of Auditors on Greening the CAP. Par. 25.

30 See the Extensification premia in sub-section B 1 – 21 "Beef/veal" of the budget.

31 A detailed table showing the changes in the structure of agricultural expenditure can be found in the Annex to this publication.

32 Taking the EU as a whole, approximately 40% of all direct payments go to only 3% of farm holdings. Looking at beef premia the biggest beef producer in Mecklenburg-Vorpommern receives as much in premia as all the 900 beef producers in the Federal State with less than 90 bulls together. This has nothing to do with multifunctionality but can only be explained with reference to the old system.

tance of the agricultural payments should be raised. It is moot whether society at large will in the long term continue to accept the price cuts of 1992 as a sufficient reason for providing for an annual pay-out of almost € 20,000 million.

Further problems concern the lack of environmental qualifiers for these payments as well as the increasingly more pressing social issues (see above and *cf.* under 4.3.). In its Special Report No 2/99 on the effects of the CAP reform in the cereals sector the European Court of Auditors stated that "*almost 40 % of the compensatory payments were paid to less than 3 % of the beneficiaries. At the other end of the scale, small farmers with less than 5 ha, who represent 57 % of beneficiaries get only 4,5 %*"[33]. The new system has led to a situation where "*support for cereals continues to be concentrated in regions which may be considered reasonably prosperous.*"[34]

No environmental conditions attached to direct payments

From the above we can conclude that in the arable sector

- The direct payments are not subject to environmental conditions;
- Environmentally questionable crops (such as maize) are being supported while ecologically beneficial crops such as arable feed crop production or grasslands are excluded from the supports,
- Agriculturally advantaged regions are favoured which pressurises farms in disadvantaged regions into greater intensification or into the abandonment of lands.

From the environmental point of view all these developments are rather worrying. The current system of direct payments for arable crops as introduced with the 1992 reform and further developed with Agenda 2000 thus does not (!) implement compulsory cross-compliance whereby farm payments would be made conditional on compliance with environmental and social standards, as proposed by both Commissioners MacSharry and Fischler. Payments are made regardless of both the environmental relevance of production and the social needs of the holdings. The responsibility for the lack of implementation of cross-compliance and of greater social equality in the distribution of the funds lies with the heads of government of the Member States, not with the EU Commission.

The proposals made by the German associations

For the German associations this situation continues to be unsatisfactory. For this sector the coalition of environmental, nature conservation, agricultural, animal welfare, and consumer affairs associations proposed in their joint platform "Towards a New Agricultural Policy in the European Union" that the direct payments to farmers should be given a new basis. The eligibility of areas should no longer be based on the fact that in 1992 and again in 2000 the support prices for certain commodities were reduced. Rather, the associations propose a general single basic premium not linked to particular crops which is payable to farmers who comply with specified environmental and conservation standards going beyond the legal requirements[35]. This proposed basic premium, which would also be payable on unproductive lands (including field margins etc.) would have clear societal legitimacy since it would finance the implementation by the farmers of certain societal demands. Therefore, the rationale for the EU payments would be, "delivery of concrete services as part of the multifunctionality of agriculture", and not, "compensatory payments without a service in return". In this context it is interesting to note that, for example, a farmer's premium may be cut where a hedgerow has been allowed to grow into his tillage field. For the EU inspectors the situation is clear; direct aid is only payable

33 Special Report No 2/99 of the European Court of Auditors on the effects of the CAP reform in the cereals sector. Par. 4.45

34 *Ibid.* Par. 4.43.a

on areas on which the eligible crop is grown, such as cereals, maize, or oilseeds. Hedgerows are not eligible, hence no ‘compensatory payment’ is payable for the area on which it grows. The associations thus take a completely different approach; the payments out of the agricultural budget should not be used to support only what is economically preferable for the farms but should sustainably secure an agricultural sector that is environmentally benign, consumer friendly, and gives due regard to animal welfare.

Commission proposals in the context of the Mid-Term Review

Some of the proposals made by the associations in their joint platform were in principle picked up on by the EU Commission in their reform proposals put forward in the context of the Mid-Term Review of Agenda 2000. In their paper published on July 10, 2002 the Commission proposed no longer linking direct aid payments to the production of certain crops which had been eligible for price supports. The Commission calls this the ‘decoupling’ of payments. This would be an important step forward in the direction proposed by the associations.

However, the planned distribution of funds is difficult and fundamentally different from what the associations envisage. The Commission proposes a single income payment per farm based on historical entitlements. This would mean that the farms and regions which have up to now disproportionately benefited from the system would continue to enjoy this advantage while the discrimination against, for example, grassland regions would not be abolished[36].

The Commission plans to make these decoupled individual farm income payments conditional on the respect of certain number of statutory environmental, food safety and animal health and welfare standards (compulsory cross-compliance; details on exactly what form these conditions would take were not available at the time of going to press). However, it would be difficult to demonstrate why holdings providing the same services to society (*i.e.* the compliance with defined conditions) should receive different levels of payments and why the environmentally disadvantaged grassland regions continue to be disadvantaged, given that they are the most suited to fulfilling demands for more environmental protection or to the aiding of flood prevention.

The farm income payments would be based on an historical calculation which pays no heed environmental criteria. On the contrary, it would continue to support, for example, ecologically damaging crops such as maize more strongly than ecologically benign crops. It is for this

35 In the platform the following demands were made:
- Linking livestock production to area – max. 2 livestock units per hectare.
- Crop rotations should be used on tillage lands, with a single crop comprising not more than 50% of the rotation and with a minimum content of 20% ‘recovery crops’ (including legumes, grass-clover leys, set-aside) in the rotation.
- Landscape elements such as hedgerows, woodland copses, field margins, and watercourses are to comprise a least 5% of a holding’s area (the basic premia would also be payable for these lands).
- Agricultural land use in areas subject to flooding and fenlands is restricted to grassland.
- Genetically modified plants are not allowed on the holding.
- The holding adheres to good agricultural practices and complies with current environmental legislation.

36 Here are some examples for comparisons sake (for cereals a premia of 350 €/ha is used which is a realistic figure): A holding of 100 ha, called “Holding A“, with 90 ha of cereal lands (eligible for premia) and 10 ha of grassland (not eligible for premia) would in future receive a premium of: 90 (ha) x 350 € = 31.500 €. Its future individual entitlement per hectare would thus come to 31.500 € : 100 ha = 315 € per ha. Another 100 ha holding, “Holding B”, with 10 ha of cereal lands (eligible for premia) and 90 ha of grassland (not eligible for premia) would in future receive a premium of: 10 (ha) x 350 € = 3.500 €. Its future individual entitlement per hectare would thus come to 3.500 € : 100 ha = 35 € per ha, i.e. only about 10% of what Holding A would receive.

reason that the European Union environmental associations reject the proposal as immature and environmentally counterproductive[37].

Proposals for the introduction of modulation and payment ceilings

In its Mid-Term Review of Agenda 2000 the Commission made another proposal which apparently has no direct relevance to environmental problems but which has been subjected to intense political debate. It concerns the introduction of "compulsory modulation" as well as a ceiling for direct payments (above a certain allowance per farm[38]). Under this system the Member States would be under an obligation to reduce all direct payments in arithmetic steps of 3 % per year (to reach 20% in total) with the maximum sum paid to a farm (after set allowances) being € 300,000. The funds made available in this way are to be transferred to the second pillar.

The strengthening of the second pillar, for example the extension of the agri-environmental measures and "Rural development" measures, has traditionally been welcomed by the environmental organisations. The October 2002 Council meeting in Brussels had not yet decided how much money would in the future be made available for the second pillar, but the most important source of funds for the strengthening of the second pillar would appear to be the transfer of funds from the first pillar. However, such a redistribution should give due regard to social and environmental criteria. The relatively small number of tillage farms affected by such a payment ceiling[39] are much more likely to be able to cope with such cuts than many family farm holdings which do not greatly benefit from the current system and which will be asked to accept cuts to the relatively modest payments they currently receive.

It is evident that the funds which will not be paid out as a consequence of modulation or the payment ceiling will not be lost to the farming sector. Rather, they are to be invested into policy areas (*i.e.* under the second pillar; see below) which, from the environmental point of view, are regarded as much more positive than the first pillar. It is the first pillar which often causes the actual environmental problems in farming.

Conclusion: The expenditure on arable crops, which constitutes 40% of all EU agricultural expenditure, puts environmentally sound land use (such as grassland or arable forage crops) at a relative disadvantage and favours environmentally unfavourable crops. A coupling of direct payments to environmental conditions going beyond the legal requirements is not evident. Therefore the payments are environmentally counterproductive and not in harmony with the implementation of the European Model of Agriculture.

37 See the "Bonn Consensus - European environmental organisations assess the CAP Mid-Term Review Proposal"; Bonn September 14-15, 2002; available from Euronatur.

38 Allowance of € 5,000 per holding (for up to 2 annual work units) plus € 3,000 for each additional annual work unit.

39 It is estimated that approximately 1,300 holdings in Eastern Germany and a few holdings in Great Britain would be affected.

4.6 The environmental impacts of expenditure on “Rural Development” (B 1 – 4)

The second largest budgetary item in the EU agricultural budget from which Germany benefits is “Rural Development”, *i.e.* the second pillar of the CAP, as introduced under Agenda 2000. Environmental lobbyists generally perceive the second pillar as very progressive and demand its continued extension in the context of future CAP reforms.

Since the term of Agenda 2000 began the budgetary items shown in Table 18 have been established as fixed items of the EU budget.

The € 4,595 million available to the Member States under the second pillar in 2002 represents 10.3% of the total EU agricultural expenditure. However, many of the items as part of the newly created second pillar of the CAP under Agenda 2000 are not as ‘new’ as they seem at first sight.

All the “accompanying measures” introduced with the 1992 CAP reform, *i.e.* ‘Early retirement’, ‘Agri-environmental programmes’, and ‘Forestry’ are now to be found in the second pillar. Similarly, ‘Investments in agricultural holdings’ as well as ‘Less-favoured areas’ attracted quite significant financial support prior to 2000, albeit not from the EAGGF Guarantee Section funds but from the Structural Funds (the then Objective 5a and 5b areas) – in 1999 total expenditure on these five measures (early

Table 18: Distribution of funds under sub-section B1 – 4 “Rural Development”[40] (in million € [41])

Item		2002 (Budget)		2000 (Implementation)	
B1 – 400	Investments in agric. holdings	164,00 €	*3,6%*	52,21 €	*1,3 %*
B1 – 401	Setting-up of young farmers	119,00 €	*2,6%*	53,57 €	*1,3 %*
B1 – 402	Training	31,00 €	*0,7%*	8,14 €	*0,2 %*
B1 – 403	Early retirement	184,00 €	*4,0%*	247,01 €	*6,0 %*
B1 – 404	Less-favoured areas	907,00 €	*19,7%*	674,22 €	*16,5 %*
B1 – 405	Agri-environment	1.995,00 €	*43,4%*	2.258,56 €	*55,1 %*
B1 – 406	Improving the processing and marketing of agricultural products	210,00 €	*4,6%*	28,32 €	*0,7 %*
B1 – 407	Forestry	474,00 €	*10,3%*	533,05 €	*13,0 %*
B1 – 408	Promoting the adaptation and development of rural areas	419,00 €	*9,1 %*	241,82 €	*5,9 %*
B1 – 409	Other	92,00 €	*2,0%*	0,10 €	*0,0 %*
B 1 – 4	Total	4.595,00 €	*100,0%*	4.097,00€	*100,0 %*

40 Note: The figures for ‘implementation’ differ between some tables. This is due to different source material being used by the Commission for different publications. The figure of € 4,097 million as implementation in 2000 was taken from the EU General Budget for 2002 (OJ L 29 of 31.1.2002), while a figure of € 4,176 million is given in the document “*Les details de la procedure budgetaire 2000*” which is available on the Internet. The € 80 million difference arises from a discrepancy in item B 1 – 409 “Others” for which the EU General Budget gives a figure of only € 0.1 million while the other document lists a figure of € 79.5 million.

41 The figures for 2001 and 2002 are appropriations, while the figures for 2000 represent the implementation.

Table 19: Distribution of funds under sub-section B 1 - 4 "Rural Development" on the EU Member States in 2000 (in Mio. €)

	EAGFL-total	of wich B 1 – 4	*in %*
DK	1.304,70 €	34,20 €	*2,62 %*
B	954,60 €	25,40 €	*2,66 %*
UK	4.058,70 €	151,80 €	*3,74 %*
NL	1.396,60 €	59,60 €	*4,27 %*
F	8.981,90 €	474,10 €	*5,28 %*
EL	2.597,20 €	146,80 €	*5,65 %*
E	5.469,00 €	395,40 €	*7,23 %*
EU (15)	**40.330,90€**	**4.176,50 €**	***10,32 %***
D	5.641,90 €	681,60 €	*12,08 %*
I	5.031,30 €	757,30 €	*15,05 %*
P	652,00 €	132,10 €	*20,26 %*
IRL	1.678,30 €	344,40 €	*20,52 %*
S	798,00 €	175,60 €	*22,01 %*
L	20,60 €	6,70 €	*32,52 %*
A	1.018,50 €	459,00 €	*45,07 %*
FIN	727,60 €	332,50 €	*45,70 %*

Table 20: Payments per hectare under the second pillar (implementation)

	million € from EAGGF Guarantee (2nd Pillar)	Agricultural area in million ha	€/ha AA
UK	151,80 €	15,72	9,66 €
DK	34,20 €	2,67	12,81 €
E	395,40 €	25,42	15,55 €
F	474,10 €	29,86	15,88 €
B	25,40 €	1,39	18,27 €
NL	59,60 €	1,97	30,25 €
EU	**4.176,50 €**	**130,39**	**32,02 €**
P	132,10 €	3,88	34,05 €
EL	146,80 €	3,90	37,64 €
D	681,60 €	17,06	39,95 €
I	757,30 €	15,40	49,18 €
L	6,70 €	0,13	51,54 €
S	175,60 €	2,98	58,93 €
IRL	344,40 €	4,41	78,10 €
A	459,00 €	3,39	135,40 €
FIN	332,50 €	2,21	150,45 €

retirement, forestry, agri-environment, Objective 5a, and Objective 5b) amounted to € 4,990 million!

The second pillar constitutes an "offer" to the Member States. It is also evidence for the hypothesis that the Member States clearly have the opportunity to put the emphasis on certain measures within the context of the existing CAP, especially in the environmental field. The Member States exploit this scope to varying degrees as shall be outlined below.

The second pillar in the Member States

Firstly it will be outlined how the funds spent by Brussels under the second pillar are divided amongst the Member States. In principle, this distribution was agreed with the adoption of Agenda 2000. The implementation for 2000 is shown in Table 19.

The € 681 million received by Germany in 2000 constituted approximately 12% of the total payments Germany received out of the EAGGF Guarantee Section funds. The column on the right hand side of Table 19 shows the percentage share of second pillar funding of total EAGGF funding and it clearly shows the great variation in the extent to which Member States make use of rural development funding. It is notable that some of the countries which have many 'agricultural problem regions', *i.e.* those countries which are on the side of the losers in the productivity race on account of their natural conditions and their agricultural structures, use these measures very intensively (for example Austria and Finland) while countries with a very intensive agricultural sector (such as Belgium, the Netherlands, and Denmark) make little use of this instrument.

This pattern becomes even more obvious if the payments for the year 2000 under the second pillar are apportioned to the agricultural areas of the Member States as shown in Table 20.

On average the EU pays out approximately € 32 per hectare agricultural area for measures under the second pillar. The co-financing amounts payable by the individual member states must be added to this. As in the calculation of the distribution of all agricultural expenditure by Member States (see Table 14) there are extreme differences in the receipts under the second pillar. For example, Denmark, the UK, and France receive much less than the average, while Ireland, Finland, and Austria use the measures available under the second pillar quite intensively. Germany is close to the EU average in its receipts.

The fact that the amount of funding spent under the second pillar in the agriculturally intensive regions is relatively low shows that the few measures taken up in such regions can contribute little to tackling or solving the - in places severe - environmental problems in these regions in a systematic fashion. The funds are spent rather on maintaining agricultural activity in the agricultural problem regions. However, these figures only reveal the general trend – they do not say anything about the individual priorities.

The individual measures under the second pillar in the Member States

The second pillar, like no other instrument of the European agricultural policy, gives the Member States much scope in deciding on development priorities, as will be outlined below. This analysis is limited to the budgetary items **B1 – 403 "Early retirement", B1 – 404 "Less-favoured areas", B 1 – 405 "Agri-environmental programmes",** and **B 1 – 407 "Forestry"** which together cover about 90% of all expenditure on "Rural development".

The question as to whether the measures under budgetary item **B1 – 400 "Investments in agricultural holdings"** are in themselves useful from an environmental policy point of view can not be clarified in this study – they can be useful but they are not inherently useful; it depends on what type of investment is supported. There are no clear environmental guidelines as to which type of investment may be supported with the (limited) available funding. The same can be said for the funds allocated to **B 1 – 401 "Setting-up of young farmers"** and **B 1 – 402 "Training"**. Young farmers may be using more environmentally sound farming practices than their predecessors, but this is not always necessarily the case, and the financial support is not conditional upon environmental criteria. Organic farms, for example, find no favour under these measures.

4.6.1 Agri-environmental programmes (B 1 – 405)

In 2000 the EU budget provided € 2,250 million for agri-environmental programmes in the European Union. This constituted well over half of the total expenditure under the second pillar. But again this is only an average figure. Table 21 shows how differently the agri-environmental programmes in the context of spending under the second pillar were funded in the individual Member States.

The agri-environmental programmes support measures which clearly go beyond 'good agricultural practice'. They can include, for

Table 21: The flow of funding for agri-environmental measures from the EU to the Member States in 2002 (million €)

	B 1 - 4 Rural development	**Agri-environ. measures**	**in %**
EL	146,80 €	18,40 €	12,53%
B	25,40 €	5,20 €	20,47%
NL	59,60 €	12,80 €	21,48%
E	395,40 €	120,80 €	30,55%
F	474,10 €	162,00 €	34,17%
DK	34,20 €	13,10 €	38,30%
FIN	332,50 €	159,90 €	48,09%
IRL	344,40 €	167,50 €	48,64%
D	681,60 €	364,30 €	53,45%
EU	**4.176,40€**	**2.258,50 €**	**54,08%**
UK	151,80 €	85,70 €	56,46%
A	459,00 €	306,80 €	66,84%
P	132,10 €	89,40 €	67,68%
I	757,30 €	578,00 €	76,32%
L	6,70 €	5,80 €	86,57%
S	175,60 €	168,80 €	96,13%

example, a reduction in plant protection products or fertiliser use, the conversion to or continuation of organic farming practices, or the delayed mowing of grasslands. Thus, in principle, the agri-environmental programmes can be regarded as positive from the environmental point of view. At least we did not come across any references in our research for this study to ecological damage having resulted directly from agri-environmental measures.

It is more difficult to assess whether the measures actually meet their set objectives. However, an analysis of the 160(!) agri-environmental programmes which have been approved by the EU Commission to date is clearly beyond the scope of this study.

Nevertheless it is essential to take a closer look at the programmes in the individual Member States, or in the case of Germany in the individual *Länder* (in Germany the Federal States, *i.e.* the *Länder* are in charge of the agri-environmental programmes). As part of the overall project financed by the German Federal Environment Ministry (UBA) of which both the "Platform of the Associations" and this study are a part, the question as to whether the programmes achieved the set objectives was assessed for three agri-environmental programmes in Germany. The study outlines weaknesses (in some instances quite stunning flaws) of these programmes which generally receive such positive press[42].

The European Commission in its own evaluation of the agri-environmental programmes has ascertained that the programmes as devised by the Member States have helped to arrest the abandonment of agricultural land use in structurally weak areas. However, if one remembers that there are four main trends which have brought about the environmental problems in the farming sector, *i.e.*

- the intensification of production
- the abandonment of lands previously used in an extensive manner
- the specialisation of holdings, and
- the spatial concentration of production (key word: intensive livestock farming)

it becomes obvious that three of these four trends are largely uninfluenced by the second pillar.

In its Special Report on 'Greening the CAP' the European Court of Auditors came to the conclusion that the implementation of measures under the second pillar is much more dependent on the degree of environmental awareness in a Member State and on the availability of funds for co-financing than on the actual ecological requirements. Table 21 demonstrates how true this assessment is: Greece, for example, makes little use of the agri-environmental programmes while Sweden's, Austria's, and Italy's use of the programmes is above the average.

According to the European Court of Auditors one can find no evidence of a conscious strategic environmental orientation in this EU programme. "*Given the importance which the 5EAP gave to combating the damages inflicted by intensive farming practices, the allocation of Community resources upon the basis of the ability and/or willingness of Member States to provide co-financing, rather than on the basis of an objective assessment of need, represents a fundamentally inefficient approach to aid distribution. ... Uptake of programmes is generally low in highly productive and intensive agricultural areas. Biodiversity in these areas may come under increasing pressure. ... Generally, funding is targeted neither to the zones of greatest environmental priority, nor to the agricultural activities which are most damaging to the environment.*"[43]

42 "*Naturschutz, Landwirtschaft und Agrarumweltprogramme – Beleuchtung des Themenkomplexes im Hinblick auf die Weiterentwicklung der Agrarumweltpolitik in der Agenda 2007*" A study on nature conservation, agriculture, and agri-environmental programmes by Rainer Oppermann, commissioned by EURONATUR and the Arbeitsgemeinschaft bäuerliche Landwirtschaft, Rheinbach/ Hamm 2002, available from EURONATUR, Grabenstr. 23, D- 53359 Rheinbach, Germany and at www.euronatur.org.

The agri-environmental programmes as a principal component of the second pillar have as yet been unsuccessful in combating the 'major trends' which is not only due to the problems outlined above but also results from the effects of other agricultural expenditure - for example continuing to give inappropriate incentives under the first pillar. Currently approximately 17% of the agricultural lands in the EU are covered by agri-environmental agreements but the European Court of Auditors is certainly correct in stating that, "(e)*ven if one hectare in seven is being farmed 'sustainably', if the remaining six hectares are farmed using unsustainable practices, then it will not be possible to achieve the other targets set by 5EAP.*[44]

Conclusion: The agri-environmental programmes need to be further developed and made more effective. It is imperative that coherence between the measures under the first and second pillars is achieved. The measures proposed in the 'Platform of the associations ' point in this direction. The platform proposes that the direct payments be made conditional on certain (environmental) conditions which would effectively turn them into an "agri-environmental programme – light version" within the meaning of the European Model of Agriculture. Building on this basis targeted agri-environmental measures could then be used to solve specific environmental and conservation problems.

4.6.2 "Less-favoured areas" (B 1 – 404)

The second most important sub-section in the second pillar in terms of budget size in 2000 was "Less-favoured areas". The EU spent approximately € 675 million in this area, amounting to 16% of total expenditure under the second pillar.

Table 22: The flow of funding for "Less-favoured areas" from the EU to the Member States in 2002 (in million €)

	B 1 - 4 Rural development	Less-favoured areas	in %
DK	34,20 €	0,00 €	0,00%
NL	59,60 €	0,00 €	0,00%
P	132,10 €	0,00 €	0,00%
B	25,40 €	0,10 €	0,39%
E	395,40 €	1,80 €	0,46%
S	175,60 €	1,80 €	1,03%
I	757,30 €	13,30 €	1,76%
EL	146,80 €	4,50 €	3,07%
L	6,70 €	0,40 €	5,97%
IRL	344,40 €	45,10 €	13,10%
D	681,60 €	109,60 €	16,08%
EU	4.176,50 €	674,10 €	16,14%
A	459,00 €	102,70 €	22,37%
UK	151,80 €	38,90 €	25,63%
FIN	332,50 €	143,70 €	43,22%
F	474,10 €	212,20 €	44,76%

The measures funded under the budgetary item **B 1 – 404 "Less-favoured areas"** have proven to be particularly relevant from the environmental point of view. Pursuant to Article 13 of the relevant Regulation 1257/99 the measures are designed to provide support for less-favoured areas and areas with environmental restrictions. In Germany, for example, this programme part is of particular importance for the maintenance of agricultural land use in mountain regions (such as the Black Forest for instance); thus extensive farming practices in such regions receive a degree of support. Unfortunately sites which are designated under the EU Habitats Directive or the EU Birds Directive are not *per se* covered by the definition of "less-favoured area" (LFA). If that were the case many conflicts arising between farming and conservation could be solved.

43 Court of Auditors Special Report No 14/2000, *op. cit.*, par. 40, 41, 51.

44 Court of Auditors Special Report No 14/2000, *op. cit.*, par. 35.

Table 23: The flow of funding for "Forestry" from the EU to the Member States (in million €)

	B 1 - 4 Rural development	Forestry	in %
L	6,70 €	0,00 €	0,00%
S	175,60 €	0,10 €	0,06%
FIN	332,50 €	5,70 €	1,71%
A	459,00 €	8,80 €	1,92%
B	25,40 €	0,50 €	1,97%
F	474,10 €	14,60 €	3,08%
NL	59,60 €	2,50 €	4,19%
D	681,60 €	63,70 €	9,35%
EL	146,80 €	17,20 €	11,72%
EU	4.176,50 €	533,00 €	12,76%
DK	34,20 €	4,90 €	14,33%
I	757,30 €	117,90 €	15,57%
UK	151,80 €	23,70 €	15,61%
IRL	344,40 €	55,30 €	16,06%
P	132,10 €	37,30 €	28,24%
E	395,40 €	180,80 €	45,73%

As is the case with other budgetary items, the individual Member States prioritise "Less-favoured areas" measures quite differently. While Denmark, the Netherlands, and Belgium do not use funds provided under this sub-section (on account of their structures these small countries do not have LFAs), Finland and France make intensive use of this funding opportunity (comprising more than 40% of their respective funding receiving under the second pillar). Spain however which hosts the climatically and structurally extremely disadvantaged Extremadura region does not use this programme for two reasons: firstly on account of the forestry lobby which targets the EU forestry payments (see below), and secondly because of a lack of co-financing opportunities in the regions in which the disadvantaged areas are located[45].

4.6.3 "Forestry" (B 1 – 407)

The third most important package of measures in terms of its budget size are the "Forestry programmes" with more than € 500 million or approximately 13% of the total spending under the second pillar. These measures can lead to severe conflicts with conservation and environmental objectives. In Austria such problems have been observed on a number of occasions. Funding was made available to Austrian farmers under the agri-environmental programmes and under the "Less-favoured areas" measures in order to stabilise grassland farming in the uplands. For the participating farmers however, it was simply a question of mathematics whether they would avail of the funds for the maintenance of the socio-politically and environmentally desirable land use or whether they would avail of the competing funds provided for the afforestation of the relevant lands. Another example is Spain where in many regions afforestation measures were implemented using unsuitable tree species which brought about extensive forest fires.

The question as to whether afforestation is ecologically beneficial or not can not be answered *per se.* This depends on the region, the site conditions and the choice of tree species. However, under no circumstances should this programme part simply be labelled "ecologically safe".

As for other budgetary items the individual Member States prioritise forestry measures quite differently as is shown in Table 23.

The very high share of spending on forestry measures under the second pillar in Spain is

45 See the project by Matthias Meissner on the implementation of Agenda 2000 in Spain "*Umsetzung der Agenda 2000 in Spanien – Landwirtschaft, Agrarpolitik und die Umsetzung der Berliber Beschlüsse zur Agenda 2000 in Spanien*", carried out as part of this UBA project; available from EURONATUR, Grabenstr. 23, D- 53359 Rheinbach, Germany and at www.euronatur.org

notable. As a consequence these funds are clearly unavailable for *e.g.* agri-environmental measures or for supports in disadvantaged areas.

4.6.4 "Early retirement" (B 1 – 403)

Last but not least we will take a look at the early retirement programmes which comprised 6% of funding under the second pillar in 2000 The share of this budgetary item will be smaller in 2002.

It would be huge assumptions to assign positive environmental impacts to the early retirement programmes. The relevant EU Regulations do indeed contain the possibility of using these programmes for achieving environmental objectives. For example, lands which are withdrawn from production as a result of early retirement measures could be used for conservation projects. However, in the ten years these programmes have been in existence hardly any use has been made of such provisions. In only one Member State, Ireland, has the area of nature reserves been extended in this way – by all of 54 ha![46]

Normally the early retirement programmes are used to make it easier for older farmers to retire from farming and to make the lands available to younger farmers in order to enlarge their holdings. The EU does not regulate the extent to which the holding receiving the lands must be managed sustainably or in an environmentally friendly manner. Theoretically these programmes could also be of benefit to organic farms, but a truly strategic approach to using the early retirement programmes for environmental benefit is not discernable.

With regard to the differences between Member States Table 24 shows that Austria, Sweden, the UK and Germany make no use of the early retirement programmes, while Greece allocated more than 40% of funds under the second pillar to this measure.

Conclusion: From the environmental point of view most of the spending under the second pillar can generally be seen as much less problematic than the spending under the first pillar. Measures under the second pillar clearly differ from those under the first pillar which can directly be held responsible for generating environmental problems. However, the measures under the second pillar can not generally be given a 'green label' as some of these can clearly result in negative environmental impacts.

The Member States differ greatly in the way they use the measures available

Table 24: The flow of funding for "Early retirement" from the EU to the Member States (in million €)

	B 1 - 4 Rural development	Early retirement	in%
L	6,70 €	0,00 €	0,00%
NL	59,60 €	0,00 €	0,00%
A	459,00 €	0,00 €	0,00%
S	175,60 €	0,00 €	0,00%
UK	151,80 €	0,00 €	0,00%
D	681,60 €	0,20 €	0,03%
I	757,30 €	4,10 €	0,54%
DK	34,20 €	1,50 €	4,39%
P	132,10 €	7,70 €	5,83%
EU	4.176,50 €	246,90 €	5,91%
FIN	332,50 €	21,50 €	6,47%
F	474,10 €	37,70 €	7,95%
E	395,40 €	33,30 €	8,42%
IRL	344,40 €	75,00 €	21,78%
B	25,40 €	5,80 €	22,83%
EL	146,80 €	60,10 €	40,94%

46 1 Court of Auditors Special Report No 14/2000, *op. cit.*, par. 32.

under the second pillar. Some of the Member States give priority to the agri-environmental programmes in order to directly improve their environmental situation while others favour the forestry and early retirement programmes which are not necessarily environmentally beneficial or can even be detrimental.

It is obvious that the current agri-environmental programmes have not been able to arrest or reverse the negative environmental trends caused by intensive farming practices in any significant way. It would appear that all the measures under the second pillar could be and should be greatly improved in terms of their environmental benefits. It is also imperative that coherence between these measures and other EAGGF spending be achieved. In its Mid-Term Review of the CAP the Commission announced that the funds which would become available as a result of modulation and the ceiling on direct payments are to be used to extend the second pillar and that a greater number of measures would be financed than is currently the case. These would include, for example, support for livestock systems fulfilling the welfare requirements of the animals, and support for quality assurance.

4.7 The environmental impacts of expenditure on "Beef / veal" (B 1 – 21)

With total appropriations of € 10,859 million the budgetary item "Animal products" (B 1 – 2) comprises about 24.4 % of all EAGGF Guarantee spending in 2002. The appropriations for beef/veal (B 1 – 21) are particularly significant as they comprise approximately three quarters of the total appropriations for "Animal products".

Since cattle rearing is of great importance in German farming it is not surprising that this budgetary item is also of particular relevance to German farmers. Germany receives € 423 million per year from Brussels under this heading, comprising 7.5% of all EAGGF payments to Germany. After payments for "Arable crops" (B 1 – 10) and the "Rural development" programme (B 1 – 4) this is the third most important item.

The EU-wide breakdown of expenditure on the beef sector is shown in Table 25.

As with the arable sector, the beef sector has seen drastic changes in recent years. Direct price supports have been cut significantly and direct payments to farmers have been introduced. Today the price support takes the form of a basic 'safety net'. Public intervention has largely disappeared and public sector storage has been replaced by funding options provided for private sector storage[47].

Table 25: Breakdown of expenditure under sub-section B 1 – 21 "Beef/veal" (in million €)

	Heading	**2002**	***in %***	**2001**	**2000**
B 1 – 210	Refunds on beef/veal	488,0 €	*6,0%*	572,0 €	661,3 €
B 1 – 211	Intervention storage	522,0 €	*6,4%*	237,0 €	- 82,7 €
B 1 – 2120	Suckler-cow premiums	1.880,0 €	*23,2%*	1.736,0 €	1.565,9 €
B 1 – 2121	Additional premiums for suckler cows	97,0 €	*1,2%*	102,0 €	62,5 €
B 1 – 2122	Special premiums (bulls/steers)	1.788,0 €	*22,1%*	1.619,0 €	1.299,3 €
B 1 – 2123	Deseasonalisation premiums	- €	*0,0%*	- €	2,6 €
B 1 – 2124	Slaughter premiums	1.184,0 €	*14,6%*	716,0 €	8,3 €
B 1 – 2125	Extensification premiums	891,0 €	*11,0%*	757,0 €	715,5 €
B 1 – 2126	Exceptional support measures	390,0 €	*4,8%*	346,0 €	292,5 €
B 1 – 2127	Compulsory slaughter programme	75,0 €	*0,9%*	13,0 €	20,9 €
B 1 – 2128	Additional payments	322,0 €	*4,0%*	161,0 €	- €
B 1 – 2129	Other intervention	466,0 €	*5,8%*	733,0 €	1,6 €
B 1 – 219	Other	- 8,0 €	*- 0,1%*	- 14,0 €	- 8,2 €
B 1 – 21	**Total**	**8.095,0 €**	***99,9%***	**6.978,0 €**	**4.539,5 €**

47 The recent increases in storage costs are due to the breakdown of consumer confidence in beef as a result of the BSE crisis.

Today the direct payments to farmers in this sector comprise

- Special beef/ bull premia
- Sucker cow premia
- Slaughter premia

The **“Special premia”** are only payable for male bovine animals, *i.e.* steers or bulls. For bulls the premium may be claimed once in the lifetime of the animal after the animal is nine months old. For steers, which grow more slowly, farmers can claim the premium twice in the lifetime of the animals, once after the animal reaches nine months, and once after it reaches 21 months of age.

The payment rate for this premium from 2002 is € 210 per eligible bull (payable once) and € 150 per eligible bullock (payable twice)[48]. The individual Member States have been allocated quotas for the purposes of these premia payments in order to prevent budget breaches. Germany, for example, holds annual premia rights for 1,782,700 bulls and steers.

From the environmental point of view it is interesting to note that in contrast to direct payments in the arable sector there is a certain degree of linkage between these premia and social and environmental criteria. With regard to the **social component**, Article 4 of the relevant Regulation 1254/99 specifies that the “*special premium ... shall be granted in the form of an annual premium per calendar year and per holding … for not more than 90 animals…*”; therefore there is, in principle, a ceiling. However, paragraph 5 of the same Article ‘dilutes’ this provision: Member States may “*on the basis of objective criteria, which they determine, change or waive the headage limit of 90 animals …*”. This provision was included in the Regulation as the result of a German intervention. During the relevant negotiations the German government highlighted the special situation of the beef cattle producers in Eastern Germany and vehemently opposed the “90 head limit”. Hence, there is now no “90 head limit” in Germany. This in turn has led to a situation where, for example, in the *Land* Mecklenburg-Vorpommern with currently 912 beef fatteners the “Ferdinandshof” as the largest beef producer receives the premium for approximately 15,000 (!) steers per year. This holding receives as much in premia payments as all those 838 holdings combined which are under the “90 head limit” in Mecklenburg-Vorpommern! (see the Table in the Appendix). As is the case with arable crops, where 3% of the farmers receive 40% of the funds, there are great discrepancies in terms of premia distribution in the beef sector[49].

From the **ecological point of view** the provisions for the special premia for male bovines contain at least positive approaches. In their reasoning for Regulation 1254/99 the Commission states that “*given the trend towards intensification of beef and veal production, premiums for stockfarming should be limited with regard to the forage capacity of each holding in relation to the numbers and species of animals held. … (T)o avoid excessively intensive types of production, the grant of such premiums should be subject to compliance with a maximum stocking density on the holding*.” Article 12 of Regulation 1254/99 rules accordingly that *“(t)he total number of animals qualifying for the special premium and the suckler cow premium shall be limited by the application of a stocking density on the*

48 In 2000 the payment rate for the bull premium was € 160 and it was increased to € 185 in 2001 and € 210 in 2002 but it will remain at that level over the coming years.

49 The following calculation shall verify the above: Premia for 15,000 head at € 210 each equals € 3.15 million for the Ferdinandshof with its 132 employees. This equals € 23,900 per employee (in premia payments alone). The 838 holdings applying for the premia for less than 90 animals per year, applied for premia on a total of 14486 animals. Assuming an average of 1.3 workers per holding, the total premia payments (14,486 x € 210 = € 3.04 million) divided by 838 x 1.3 = 1090 workers equal only € 2,790 per worker. Therefore it is clear that there are major discrepancies with regard to the support provided per worker.

holding of two livestock units (LU) per hectare and calendar year."

In order to receive the special beef premium a farmer therefore needs to prove the availability of the relevant amount of forage area. For the purposes of calculating the forage area for the cattle, areas on the holding which are, for example, used to grow crops not suitable for the feeding of cattle (such as potatoes or sugar beet) or which qualify for the support system laid down for the producers of certain arable crops must not be included. Maize fields for instance would fall into this category. Therefore a farmer must consider whether he should apply for the maize silage premium under sub-section B 1 –10 "Arable crops" for this crop or whether he declares them as forage area for the purposes of applying for the special beef premium under B 1 – 21.

However, this link between production and area appears better at first glance than it is in reality: Even a farmer who does not have sufficient forage area and keeps perhaps three or even four livestock units per hectare can still avail of the premium, albeit only for the number of animals for which he can show sufficient forage area. It is therefore quite possible that a farmer can receive the premia only for some of his animals. The 2.0 LU/ha limit specified in Regulation 1254/99, which was later lowered to 1.8 LU/ha, does not constitute an exclusion criterion for premia payments but only a limiting criterion which greatly reduces the positive environmental potential of these provisions.

The 'Platform of the German associations' contains a call for making the payment of all premia conditional on an environmentally sound link between livestock production and forage area.

From the environmental policy point of view the **"Suckler cow premium"**[50] can generally regarded as a positive measure. The suckler cow premium is in principle restricted to producers who do not supply milk to dairies[51], *i.e.* the calves are reared naturally on their mothers. As such herds are mostly kept on grassland the suckler cow premium can be said to contribute to the support of extensive grass-based production.

As is the case with the beef premia, there are national ceilings for the number of animals to be supported. In Germany no more than 639,535 suckler cow premia payments are allowed. From 2002 onwards the payment rate for the suckler cow premium is at € 200 per animal[52].

Since 2002 the **"Slaughter premia"** have gained in importance as can be seen in the budget breakdown. For bulls, steers, cows (including dairy cows which thus far are not covered by either the special beef or the suckler cow premia), and heifers[53] of eight months and over a slaughter premium of € 80 [54] per head is payable while calves between one and seven months attract € 50 [55]. The payments are not environmentally relevant or conditional upon environmental criteria.

From the environmental policy point of view, in principle, the **"Extensification premia"** can clearly regarded as a positive measure. Holdings with a stocking density of 1.4 LU/ha or

50 For the purposes of the Regulation a suckler cow is defined as "a cow belonging to a meat breed or born of a cross with a meat breed, and belonging to a herd intended for rearing calves for meat production". The calves from these herds are later sold to beef fatteners.

51 Again there exceptions to the rule. For example, holdings which supply milk directly from the holding to the consumer can also receive this premium, as can holdings producing not more than 120,000 kg milk per year (at an average of 6,000 kg per cow this equates to a small holding with approximately 20 dairy cows).

52 In 2000 the payment rate was € 163, in 2001 € 182, and as for the special premium for male bovines the rates will remain at the 2002 level until such time as the Regulation is amended.

53 For non-farmers: a heifer is a female bovine animal from the age of eight months which has not yet calved.

54 € 27 in 2000, € 53 in 2001, € 80 in 2002 (and thereafter)

55 € 17 in 2000, € 33 in 2001, € 50 in 2002 (and thereafter)

less qualify for an additional € 100 per special premium and suckler cow premium granted. Extensively farmed holdings thus receive direct support.

However, in a new Special report[56] the European Court of Auditors comes to the conclusion that the premium has not provided an incentive to intensive farmers to switch to more extensive and sustainable methods. As is the case with the agri-environmental programmes, the extensively farming holdings take this premium as a windfall but a re-orientation in the intensively farmed regions is not evident as a consequence and this strongly limits the effectiveness of these programmes for the reform of European farming.

The Commission's plans in the context of the Mid-Term-Review

In the context of its Mid-Term Review the Commission plans to completely abolish the existing rules. All currently payable livestock premia are to be included in the new single farm payment. From the ecological point of view it must be pointed out that there may be a danger that the grazing of certain lands will be discontinued. The Commission does however explain that farmers will have to meet land management obligations so as to avoid the neglect of land. There are as yet no concrete details available as to the exact nature of these obligations. From the environmental point of view it is of the utmost importance to ensure that farmers will not simply be allowed to collect the single farm payment without providing a service in return such as, for example, maintaining extensive grazing regimes.

Conclusion: In contrast to the arable sector a number of environmentally sensible approaches to providing direct payments have actually been integrated into the relevant Regulation covering the beef sector. These include the link between production and forage area, the extensification premium, and, as a social criterion, the 90 head limit for steers and bulls. However, the positive ecological and environmental impacts of these approaches are marginal as:(a) exceeding the specified livestock numbers per unit area does not normally preclude farmers from receiving payments, (b) the 90 head limit has *de facto* been abolished in the most important country (Germany), and (c) the extensification premium has not really provided an incentive to intensive farmers to switch to truly extensive methods. There may now even be a danger that the planned integration of the livestock premia into a single farm payment will lead to the (further) abandonment of marginal lands which would truly be ecologically damaging.

56 Court of Auditors Special Report No 5/2002; see Agence Europe No. 8309 of 2.10.02, p.14

4.8 The environmental impacts of expenditure on “Milk” (B 1 – 20)

Germany receives approximately € 250 million annually under budgetary item **B 1 – 20 “Milk and milk products”** representing about 4.4% of the total EAGGF funds received by Germany in 2000. Unlike the direct payments in the form of area payments or livestock premia described so far, these funds do not go directly to the farmers but instead go predominantly to the processing industry. There are no environmental conditions attached in terms of the way the milk ought to be produced.

As can be seen in Table 26 about half of the budgetary funds are spent on export subsidies, and a further € 450 million are spent on a number of measures in relation to skimmed milk with the bulk going on skimmed-milk *powder*. Until 1999 the use of liquid skimmed milk by the farmers was also supported. The return delivery of liquid skimmed milk has historically been customary as part of a cyclical economic process; farmers delivered full-fat milk to the creameries which then returned skimmed milk to the farmers to be used, for example, for the feeding of calves or pigs. To this day quite substantial amounts of skimmed milk are fed to calves but the EU now only subsidises skimmed-milk powder. Thus the use of liquid skimmed milk continues to decline. Nowadays the skimmed milk is first dried consuming large amounts of energy and then on the farms the water is mixed back in before it is fed to livestock. What a waste of energy! Unfortunately we have not come across any studies in the course of our research on the total amount of energy used for this process. The general mechanism however is similar to the one applying to dried feedstuff (see next sub-Chapter). It is the EU subsidy which renders this energy-intensive and thus environmentally detrimental type of use attractive.

Conclusion: There are as yet no direct payments in the dairy sector. Expenditure is limited to the traditional instruments such as export refunds and promotion of consumption. No environmental conditions are attached to these payments and some instruments clearly have a negative environmental impact, for example, by encouraging extremely high energy consumption (skimmed-milk powder production). Within the dairy sector there is an urgent need for the support of grass-based milk production. The German Federal Government has made announcements suggesting as much as part of the coalition agreement without, however, giving any details as to the nature of these instruments. The EU Commission has not put forward any concrete proposals as part of the Mid-Term Review of the CAP. It has outlined four different options without, however, assessing and outlining the environmental impacts of these options in any detail.

Table 26: Distribution of funds in sub-section B 1 – 20 “Milk and milk products

	Heading	2002	2001	2000
B 1 – 200	Refunds on milk and milk products	977,0 €	1.266,0 €	1.671,0 €
B 1 – 201	Interv. storage of skimmed-milk powder	- €	- 2,0 €	- 282,8 €
B 1 – 202	Aid for skimmed milk	451,0 €	563,0 €	697,0 €
B 1 – 203	Intervention storage of butter and cream	3,0 €	44,0 €	81,7 €
B 1 – 204	Other measures relating to butterfat	450,0 €	480,0 €	449,1 €
B 1 – 205	Intervention for other milk products	74,0 €	75,0 €	85,1 €
B 1 – 207	Financial contribution by milk producers	- 36,0 €	- 89,0 €	- 161,3 €
B 1 – 209	Other	- 7,0 €	8,0 €	- 7,8 €
B 1 – 20	**Total**	**1.912,0 €**	**2.345,0 €**	**2.532,0 €**

4.9 Other environmentally questionable budgetary items:

4.9.1 "Dried fodder and grain legumes" (B 1 – 13)

According to the European Court of Auditors the example of the unreformed regime which supports the production of dried fodder is perhaps best suited to illustrate "*(t)he limited extent to which environmental considerations have been integrated into parts of the CAP*"[57]. This regime (payable from sub-section **B 1 – 13 "Dried fodder and grain legumes"**) provides for two rates of aid: a low rate for fodder dried naturally by the sun (currently € 38.64 / t) and a high rate for machine-dried fodder (currently € 68.83 / t), the rationale for the latter being that it compensates for the extra fuel costs. This differentiation in aid rates has had a big impact on how fodder is dried, as explained by the Court of Auditors using the example of Spain; at the time of Spain's accession to the Community in 1986 only 61,000 tonnes of fodder was dried artificially each year but ten years later 1,414,000 tonnes were dried in this way as the higher rate of aid made it more profitable for the producers. "*The annual energy consumption of this regime in Spain alone is sufficient to meet the annual electricity needs of a town the size of Alicante (285 000 citizens). More than 200 000 hectares of forest are needed to absorb the additional carbon dioxide produced by the drying process*[58] .

In the course of the Mid-Term Review the Commission proposed the elimination of this discrepancy and the replacement of the current arrangements with a support scheme for the processing industry with a reduced payment of € 33 / t for dehydrated and sun-dried fodder and the provision of a total of € 160 million as part of the new single farm payment. From the environmental point of view this is clearly a very positive step.

4.9.2 "Sheepmeat and goatmeat" (B 1 – 22)

Budgetary item **B1 – 22 "Sheepmeat and goatmeat"** is another rather drastic example of negative environmental consequences of the EU agricultural subsidies under the first pillar. A total of € 672 million was earmarked for this item in 2002. The establishment of the market organisation covering the sheep and goat sector in 1980 "*led to a substantial increase in livestock numbers: from 81 million in 1970 to 113 million in the EU-12 of 1990. The introduction of individual farmer quota restrictions in 1991 stabilised the size of flocks, but at levels which are unsustainable in some localities. The consequence is overgrazing—i.e. uprooting and destruction of vegetation—which results in loss of biodiversity and soil erosion. Overgrazing is still problematic in parts of Greece, Ireland and the United Kingdom"* writes the European Court of Auditors in its Special report no 14/00 on "Greening the CAP" [59].

57 Court of Auditors Special Report No 14/2000, *op. cit*., par. 30.

58 *Ibid*.

59 Court of Auditors Special Report No 14/2000, *op. cit*., par. 23.

4.10 Conclusion of the assessment

Despite the agricultural policy reforms of 1992 and 2000 the bulk of agricultural expenditure is still not linked to environmental conditions. The direct payments to farmers, which currently comprise more than 50% of all agricultural expenditure, must still be regarded as compensatory payments. They are designed to compensate farmers for the losses suffered as a result of the price cuts. Environmentally important land uses and crops, such as grassland and arable feed crop production, are excluded from the direct payment regimes. As a result their share in the agricultural area has continuously declined in past years. The rising cost of flood protection is just one of the results of the ensuing environmental problems. 'Classic' nature conservation suffers in a major way from the loss of grasslands and from the push for the intensification of grassland management which is still evident. The minor efforts made in the context of direct payments to farmers to encourage extensification, for example by supporting more extensive management in the beef sector, have as yet not provided an incentive to intensive farmers to switch to more extensive methods.

Even the measures under the second pillar, to which currently about 10.3% of total agricultural expenditure is allocated, are not well suited to compensating for the negative impacts arising from the payments made under the first pillar. While the abandonment of agricultural land use in problem regions has partly been arrested there is as yet no evidence that the measures have contributed to keeping the effects of further specialisation, spatial concentration, and intensification at bay.

5 Summary

As part of a project funded by the German Federal Environment Ministry a broad alliance of environmental, agricultural, animal welfare, and consumer associations as well as the German Trade Union for Construction, Agriculture and Environment presented a catalogue of demands in the autumn of 2001 outlining joint ideas for "Agenda 2007", *i.e.* for the reform of the agricultural policy after the end of the current financing period. In the context of this project the task was set of examining the extent to which current agricultural policy and specifically the EU agricultural budget meets the demands for more compatibility with the objectives of environmental protection and nature conservation.

Approximately 50% of the total European Union expenditure is spent agricultural measures. This study examines the extent to which the structure and distribution of funding has changed over the past decades as well as the environmental consequences arising from these changes.

There are major discrepancies in the way the funds for the agricultural sector are distributed. The extent to which the individual Member States, regions, and holdings benefit from the current system varies tremendously. The importance of the 'traditional' instruments *i.e.* price support, intervention storage / surplus destruction, and export subsidies, some of which have been the subject of intense criticism, is in steady decline. Financial difficulties, as well as problems with complying with the former GATT and current WTO agreements, forced changes in agricultural policies. In the meantime the direct payments to farmers have achieved major importance. These payments were introduced in 1992 as compensatory allowances and today comprise more than half of the total agricultural expenditure. However, such payments are only provided for those crops which used to be subject to price supports prior to 1992. Grasslands and arable feed crop production, which are very ecologically important, are excluded from the support system of the

Common Agricultural Policy (CAP). The massive decline in the area of grassland, by more than 25% over the past 20 years, which Germany has seen is due in part to these policies. It can therefore be stated that CAP funding under the first pillar clearly provides the wrong incentives from the environmental point of view – it does not support diversity or production methods which are particularly environmentally sound and have societal acceptance. It perpetuates the old logic of price supports using different measures.

A further difficulty is that the farm payments are not conditional upon the compliance with stricter environmental standards. The relevant proposals made by the Commission were rejected by the Member States in 1999. However, the Commission has again presented similar proposals as part of their Mid-Term Review of the CAP.

The bulk of funds under the first pillar is spent on plant production (61% of funds) with “Arable crops” attracting most of the payments. Contrary to the general principle of providing direct payments only for crops which received price supports prior to 1992 the maize lobby was successful (against the express wishes of the Commission) in achieving the introduction of direct payments for silage maize even though maize had never before been eligible for price support payments. This demonstrates the continued strength of the lobby which over the years has exerted an extremely strong influence by virtually co-designing an environmentally damaging agricultural policy. The EU currently spends € 1,500 million annually on the environmentally damaging production of silage maize which is almost as much as the funds provided for all the EU agri-environmental programmes together (€ 1,900 million).

In the context of a greening of the financial policy, a comprehensive reform of the agricultural policy and especially of the allocation of funds is indispensable in the areas of both plant and animal production under the first pillar in order to prevent further damage to nature and the environment.

The payments made under the second pillar of the agricultural policy (“Rural development”) currently amount to approximately 10.3% of the total agricultural expenditure. In environmental policy terms these payments are much less problematic than the measures financed under the first pillar which can clearly be held responsible for many environmental and conservation problems. However, second pillar funding is not inherently compatible with environmental objectives. About half of this funding is currently spent on agri-environmental programmes with a total of 160 such programmes across the EU having been notified to the Commission. While the agri-environmental programmes have contributed to maintaining extensive production methods in many of the agricultural problem regions, the general negative trends associated with intensification, specialisation, and spatial concentration of agricultural production have neither been arrested nor reversed.

The extent to which the individual Member States use the measures available under the second pillar varies considerably. Those Member States, or farms, which can be characterised by intensive and quite environmentally problematic agricultural systems (such as the Netherlands, Belgium, or the very productive regions in Germany) draw on second pillar funding to a very limited extent, while the “structurally weak” Member States such as Austria or Finland make strong use of these funds. Within the context of the second pillar some countries (*e.g.* Greece) focus substantial amounts of funding on promoting structural change in the farming sector (early retirement programmes) with no inherent environmental benefits. Other Member States (*e.g.* Spain) strongly focus on afforestation measures which lead to conflicts with nature conservation objectives. Clearly, second pillar funding is not truly being used in a strategic manner to solve known environmental problems resulting from agricultural land use in the wider countryside. Therefore modifications to the second pillar are also required.

6 Appendicies

Total revenue of the EU, 2000 bis 2002

(2000, 2001 implementation, 2002 initial budget in million €)

		2000	2001	2002
Traditional own resources		**15.267,1 €**	**14.589,2 €**	**15.892,7 €**
	Agricultural duties	1.198,4 €	1.132,9 €	1.121,7 €
	Sugar, Isoglucose levies	1.196,8 €	840,0 €	770,9 €
	Customs duties	14.568,3 €	14.237,4 €	15.765,9 €
	Collection costs	-1.696,3 €	-1.621,0 €	-1.765,8 €
VAT own resources		**35.192,5 €**	**31.320,3 €**	**36.603,9 €**
	VAT own resources of current year	34.187,6 €	30.695,4 €	36.603,9 €
	Balance from previous year	1.004,9 €	624,9 €	
GNP own resources		**37.580,5 €**	**34.878,8 €**	**41.147,6 €**
	GNP own resources of current year	37.253,2 €	34.460,2 €	41.147,6 €
	Balance from previous year	327,3 €	418,6 €	
Budgetary imbalances		**-70,9 €**	**-70,3 €**	**0,0 €**
	Correction granted to the UK	-70,8 €	-72,5 €	
	Definite calculation of correction granted to the UK	-0,1 €	2,2 €	
Miscellaneous revenue		**4.755,3 €**	**13.571,2 €**	**2.010,5 €**
	Surpluses available from previous financial year	3.209,1 €	11.612,7 €	1.200,0 €
	Refunds to Member states	0,0 €	0,0 €	
	Miscellaneous revenue	1.546,1 €	1.958,5 €	810,5 €
Total		**92.724,5 €**	**94.289,2 €**	**95.654,7 €**

EU General Budget

in million €

		2002	*in %*	2001	2000	1999	1998	1997
Section I	Parliament	1.035,0 €	*1,06%*	987,8 €	972,8 €	917,5 €	905,2 €	865,6 €
Section II	Council	401,9 €	*0,41%*	377,1 €	349,7 €	333,4 €	317,2 €	311,8 €
Section III	Commission	93.865,6 €	*96,12%*	92.058,2 €	78.809,1 €	78.617,0 €	79.016,8 €	78.798,2 €
Section IV	Court of Justice	148,0 €	*0,15%*	141,9 €	129,4 €	123,1 €	119,0 €	122,1 €
Section V	Court of Auditors	84,8 €	*0,09%*	73,4 €	66,3 €	63,9 €	57,5 €	53,7 €
Section VI	ESC	78,0 €	*0,08%*	78,0 €	75,8 €	127,6 €	99,9 €	90,9 €
Section VII	CoR	36,4 €	*0,04%*	34,9 €	32,1 €			
Section VIII A	Ombudsman	3,9 €	*0,00%*	3,9 €	3,2 €	3,5 €	2,7 €	
Section VIII B	Data-protection Supervisor	1,3 €	*0,00%*					
Total		97.656,8 €	100,0%	95.756,2 €	82.438,4 €	82.185,1 €	82.516,3 €	82.239,3 €

Notes:

up to 2000: Budget implemantation

2001, 2002: Initial budget based on general budget for 2002 (OJ L 29 of 31.1.02)

From the financial year 1999 onwards the budgets for the Economic and Social Committee (ESC) and the Committee of the Regions (CoR) were separated.

Section III - Commission

in millioin €

Sub-section		2002	*in %*	2001	2000	1999	1998	1997
A	Administration	3.387,6 €	*3,6%*	3.217,2 €	3.020,7 €	2.881,5 €	2.760,3 €	2.759,9 €
B 1	EAGGF Guarantee Sec.	44.480,2 €	*47,4%*	44.483,7 €	40.345,7 €	39.771,0 €	38.748,1 €	40.674,9 €
B 2	Stuctural Funds	32.287,1 €	*34,4%*	31.774,0 €	25.523,4 €	26.863,2 €	28.556,3 €	26.294,7 €
B 3	Education, youth, culture	888,2 €	*0,9%*	762,7 €	728,8 €	615,5 €	581,1 €	723,9 €
B 4	Energy, nuclear, environment	189,3 €	*0,2%*	191,2 €	139,5 €	161,6 €	165,3 €	179,7 €
B 5	Consumer protection, TEN	1.124,2 €	*1,2%*	1.036,8 €	847,9 €	881,0 €	776,7 €	713,9 €
B 6	Research techn. Development	3.751,7 €	*4,0%*	3.610,0 €	3.170,5 €	2.446,5 €	2.999,1 €	2.957,2 €
B 7	External actions	7.387,0 €	*7,9%*	6.532,4 €	4.826,8 €	4.558,6 €	4.033,4 €	3.971,3 €
B 8	Common foreign + secur. policy	35,0 €	*0,0%*	35,0 €	19,6 €	27,6 €	25,1 €	24,6 €
B 0	Guarantees, reserves	335,2 €	*0,4%*	415,3 €	186,3 €	300,1 €	371,4 €	498,1 €
Total		**93.865,6 €**	*100,0%*	**92.058,2 €**	**78.809,0 €**	**78.506,6 €**	**79.016,8 €**	**78.798,2 €**

B 1- EAGGF Guarantee ('classic' agricultural budget)

in million €

		2002	*in %*	2001	*in %*	2000	*in %*
1st Pillar:							
B 1 - 1	Plant products	27.349,00 €	*61,5%*	27.348,00 €	*61,5%*	25.807,20 €	*64,0%*
B 1 - 2	Animal products	10.859,58 €	*24,4%*	11.129,70 €	*25,0%*	9.263,38 €	*23,0%*
B 1 - 3	Ancillary expenditure	1.426,60 €	*3,2%*	1.011,00 €	*2,3%*	1.178,09 €	*2,9%*
2nd Pillar:							
B 1 - 4	Rural development	4.595,00 €	*10,3%*	4.495,00 €	*10,1%*	4.096,99 €	*10,2%*
B 1 - 6	Monetary reserve	250,00 €	*0,6%*	500,00 €	*1,1%*	0,00 €	*0,0%*
Total B 1		44.480,18 €	*100,0%*	44.483,70 €	*100,0%*	40.345,66 €	*100,0%*

B 1 - EAGGF Expenditure by Member States

Budget Implementation B 1 - EAGgF Guarentee section in million €

Year	B	DK	D	GR	E	F	IRL	I	NL	A	P	SF	S	GB	EU 15 (incl L)
1988	721,50	1.212,40	4.904,40	1.318,80	1.887,20	6.209,70	1.081,30	4.349,70	3.831,50	0,00	157,20	0,00	0,00	1.992,80	27.687,30
in % total	2,61%	4,38%	17,71%	4,76%	6,82%	22,43%	3,91%	15,71%	13,84%	0,00%	0,57%	0,00%	0,00%	7,20%	100,00%
1989	585,80	1.015,10	4.188,70	1.650,90	1.903,20	4.810,50	1.241,20	4.621,80	3.749,90	0,00	174,40	0,00	0,00	1.917,00	25.872,90
in % total	2,26%	3,92%	16,19%	6,38%	7,36%	18,59%	4,80%	17,86%	14,49%	0,00%	0,67%	0,00%	0,00%	7,41%	100,00%
1990	873,70	1.113,70	4.355,20	1.949,70	2.120,80	5.142,20	1.668,40	4.150,30	2.868,70	0,00	214,20	0,00	0,00	1.975,90	26.453,50
in % total	3,30%	4,21%	16,46%	7,37%	8,02%	19,44%	6,31%	15,69%	10,84%	0,00%	0,81%	0,00%	0,00%	7,47%	100,00%
1991	1.468,50	1.220,30	5.234,50	2.211,20	3.314,30	6.394,40	1.731,10	5.353,40	2.679,30	0,00	315,60	0,00	0,00	2.391,30	32.385,90
in % total	4,53%	3,77%	16,16%	6,83%	10,23%	19,74%	5,35%	16,53%	8,27%	0,00%	0,97%	0,00%	0,00%	7,38%	100,00%
1992	1.379,80	1.174,40	4.593,50	2.231,70	3.567,70	6.858,60	1.350,00	5.139,30	2.178,70	0,00	423,50	0,00	0,00	2.314,00	31.234,30
in % total	4,42%	3,76%	14,71%	7,15%	11,42%	21,96%	4,32%	16,45%	6,98%	0,00%	1,36%	0,00%	0,00%	7,41%	100,00%
1993	1.298,80	1.332,30	4.862,00	2.718,50	4.188,20	8.167,70	1.606,40	4.773,30	2.299,40	0,00	479,10	0,00	0,00	2.679,00	34.423,30
in % total	3,77%	3,87%	14,12%	7,90%	12,17%	23,73%	4,67%	13,87%	6,68%	0,00%	1,39%	0,00%	0,00%	7,78%	100,00%
1994	1.174,40	1.287,90	5.271,60	2.723,50	4.426,90	8.048,80	1.527,10	3.481,40	1.935,90	0,00	713,30	0,00	0,00	3.001,90	33.605,40
in % total	3,49%	3,83%	15,69%	8,10%	13,17%	23,95%	4,54%	10,36%	5,76%	0,00%	2,12%	0,00%	0,00%	8,93%	100,00%
1995	1.623,40	1.403,60	5.385,10	2.425,50	4.575,00	8.423,30	1.419,70	3.390,70	1.944,60	87,50	708,10	63,30	76,50	2.955,90	34.497,70
in % total	4,71%	4,07%	15,61%	7,03%	13,26%	24,42%	4,12%	9,83%	5,64%	0,25%	2,05%	0,18%	0,22%	8,57%	100,00%
1996	1.152,70	1.358,40	6.050,40	2.801,70	4.054,60	9.572,10	1.700,10	4.231,10	1.536,20	1.214,20	646,00	649,30	624,10	3.470,10	39.080,90
in % total	2,95%	3,48%	15,48%	7,17%	10,37%	24,49%	4,35%	10,83%	3,93%	3,11%	1,65%	1,66%	1,60%	8,88%	100,00%
1997	983,40	1.235,70	5.778,40	2.730,80	4.605,60	9.149,00	3.024,00	5.090,80	1.757,30	861,30	656,90	570,60	747,60	4.399,70	40.623,20
in % total	2,42%	3,04%	14,22%	6,72%	11,34%	22,52%	7,44%	12,53%	4,33%	2,12%	1,62%	1,40%	1,84%	10,83%	100,00%
1998	859,70	1.155,00	5.556,70	2.557,40	5.304,60	9.014,30	1.633,70	4.183,20	1.374,70	843,20	639,60	576,40	770,90	4.322,60	38.810,00
in % total	2,22%	2,98%	14,32%	6,59%	13,67%	23,23%	4,21%	10,78%	3,54%	2,17%	1,65%	1,49%	1,99%	11,14%	100,00%
1999	1.004,00	1.258,30	5.793,80	2.573,30	5.243,00	9.445,90	1.723,50	4.675,10	1.301,50	844,40	653,90	560,00	734,80	3.933,70	39.780,30
in % total	2,52%	3,16%	14,56%	6,47%	13,18%	23,75%	4,33%	11,75%	3,27%	2,12%	1,64%	1,41%	1,85%	9,89%	100,00%
2000	957,30	1.309,10	5.674,90	2.598,20	5.484,40	9.005,80	1.681,30	5.042,70	1.441,90	1.018,70	652,70	727,80	798,10	4.061,60	40.505,90
in % total	2,36%	3,23%	14,01%	6,41%	13,54%	22,23%	4,15%	12,45%	3,56%	2,51%	1,61%	1,80%	1,97%	10,03%	100,00%

Source: Research by EURONATUR, various annual reports by the European Court of Auditors, and various issues of „The Agricultural Situation in the Community" (1993 report)

Summary of the 2002 EU Agricultural Budget

EAGGF Guarantee
B 1 = 44.480,2 million € (100,0 %)

Plant products *B 1 - 1 = 27.349,0 million € (61,5%)*	**Animal products** *B 1 - 2 = 10.859,6 million € (24,4%)*	**Ancillary expenditure** *B 1 - 3 = 1.426,6 million € (3,2%)*	**Rural development** *B 1 - 4 = 4.595,0 million € (10,3%)*
Arable crops B 1 - 10 = 17.916 million € (40,3%)	**Milk and milk products** B 1 - 20 = 1.912,0 million € (4,3%)	**Refunds for processing products** B 1 - 30 = 415,0 million € (= 0,93%)	**Investments in ag. holdings** B 1 - 400 = 164,0 million € (0,37%)
Sugar B 1 - 11 = 1.401,0 million € (3,2%)	**Beef / veal** B 1 - 21 = 8.095,0 million € (= 18,20%)	**Food programmes** B 1 - 31 = 306,0 million € (= 0,69%)	**Setting-up of young farmers** B 1 - 401 = 119,0 million € (0,27%)
Olive oil B 1 - 12 = 2.366,0 million € (5,3%)	**Sheepmeat and goatmeat** B 1 - 22 = 672,0 million € (= 1,51%)	**Programmes outermost regions** B 1 - 32 = 239,0 million € (= 0,54%)	**Training** B 1 - 402 = 31,0 million € (= 0,07%)
Dried fodder + grain legumes B 1 - 13 = 385,0 million € (0,9%)	**Pigmeat, eggs, poultry** B 1 - 23 = 163,5 million € (= 0,37%)	**Veterinary / plant health** B 1 - 33 = 569,0 million € (= 1,28%)	**Early retirement** B 1 - 403 = 184,0 million € (0,41%)
Fibre plants and silkworms B 1 - 14 = 956,0 million € (2,2 %)	**Europ. Fisheries Guarantee Fund** B 1 - 26 = 17,1 million € (= 0,04%)	**Monitoring / preventative meas.** B 1 - 36 = 57,3 million € (= 0,13%)	**Less-favoured areas** B 1 - 404 = 907,0 million € (2,04%)
Fruit and vegetables B 1 - 15 = 1.650,0 million € (3,7%)		**Clearance previous years** B 1 - 37 = -500,0 million € (= -1,12%)	**Agri-environment** B 1 - 405 = 1.995,0 million € (4,49%)
Products vine-growing sector B 1 - 16 = 1.392,0 million € (3,1%)		**Promotion measures** B 1 - 38 = 78,8 million € (= 0,18%)	**Processing and marketing** B 1 - 406 = 210,0 million € (0,47%)
Tobacco B 1 - 17 = 983,0 million € (=2,2%)		**Other measures** B 1 - 39 = 261,0 million € (= 0,58%)	**Forestry** B 1 - 407 = 474,0 million € (1,07%)
Other products B 1 - 18 = 300,0 million € (=0,7%)			**Rural development** B 1 - 408 = 419,0 million € (0,94%)
1st Pillar			**2nd Pillar**

B 1 - 1 Plant products (= 61,5% of agricultural expenditure)

in million €

	Heading	2002		2001	2000	1999
B 1 - 10	Arable crops	17.916,0 €	*65,5%*	17.848,0 €	16.663,1 €	17.865,9 €
B 1 - 11	Sugar	1.401,0 €	*5,1%*	1.704,0 €	1.910,2 €	2.112,8 €
B 1 - 12	Olive oil	2.366,0 €	*8,7%*	2.473,0 €	2.210,1 €	2.079,6 €
B 1 - 13	Dried fodder and grain legumes	385,0 €	*1,4%*	384,0 €	381,3 €	376,4 €
B 1 - 14	Fibre plants and silkworms	956,0 €	*3,5%*	831,0 €	991,4 €	1.027,1 €
B 1 - 15	Fruit and vegetables	1.650,0 €	*6,0%*	1.647,0 €	1.546,1 €	1.454,1 €
B 1 - 16	Vine-growing sector	1.392,0 €	*5,1%*	1.153,0 €	765,5 €	614,6 €
B 1 - 17	Tobacco	983,0 €	*3,6%*	1.000,0 €	989,4 €	908,2 €
B 1 - 18	Other products	300,0 €	*1,1%*	308,0 €	350,0 €	277,7 €
B 1 - 1	**Total**	**27.349,0 €**	***100,0%***	**27.348,0 €**	**25.807,2 €**	**26.716,5 €**

B 1 -10 Arable crops (= 40,3% of agriculturel expenditure)

in million €

		Prior to reform of agricultural policy				After the 1992 agricultural policy reform							Agenda 2000	
Item	Heading	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
B 1 - 100	Refunds on cereals	2.443,40	3.601,50	3.139,70	2.788,80	1.513,20	1.092,70	312,70	532,30	429,40	877,00	823,57	261,00	80,00
	of total	31,2%	38,9%	30,7%	26,3%	12,0%	7,3%	1,9%	3,0%	2,4%	4,9%	4,9%	1,5%	0,4%
B 1 - 101	Intervention													
	storage of cereals	1.251,40	1.419,40	2.497,40	2.723,80	186,70	62,70	-46,40	71,50	1.083,90	650,00	464,17	367,00	283,00
	of total	16,0%	15,3%	24,4%	25,7%	1,5%	0,4%	-0,3%	0,4%	6,0%	3,6%	2,8%	2,1%	1,6%
B 1 - 102	Intervention, other stan storage, of cereals*	760,90	980,80	918,60	958,20	400,50	356,70	304,60	300,70	300,70	276,00	377,06	334,00	292,00
B 1 - 102	Other intervention oilseeds**	3.436,50	3.472,10	4.006,30	14,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	Total	4.197,40	4.452,90	4.924,90	972,20	400,50	356,70	304,60	300,70	300,70	276,00	377,06	334,00	292,00
	of total	53,6%	48,1%	48,2%	9,2%	3,2%	2,4%	1,9%	1,7%	1,7%	1,5%	2,3%	1,9%	1,6%
B 1 - 104/105	Per hectare aid for arable crops	0,00	0,00	0,00	0,00	5.540,40	8.166,60	10.559,90	11.604,70	11.783,50	11.547,52	11.006,72	12.723,00	13.453,00
B 1 - 104/105	Per hectare aid for oilseeds***	0,00	0,00	0,00	2.866,20	2.549,10	2.289,50	2.976,10	3.060,70	3.115,30	3.076,33	2.149,01	2.609,00	2.157,00
B 1 - 106	Set-aside	21,20	76,90	147,60	426,80	1.712,90	2.412,60	2.271,10	1.903,60	1.262,60	1.283,84	1.858,50	1.564,00	1.661,00
	Total	21,20	76,90	147,60	3.293,00	9.802,40	12.868,70	15.807,10	16.569,00	16.161,40	15.907,69	15.014,22	16.896,00	17.271,00
	of total	0,3%	0,8%	1,4%	31,0%	77,5%	85,7%	96,5%	94,9%	90,1%	89,0%	90,1%	94,7%	96,4%
B 1 - 10	Total****	7.834,50	9.259,00	10.218,30	10.610,70	12.652,30	15.018,20	16.372,20	17.462,00	17.945,20	17.865,90	16.663,06	17.848,00	17.916,00

Notes:

** = relates to items B 1 - 1042/ 1052 (soya beans, rape seed and sunflower seed), 1043/ 10 (peas, field beans and sweet lupines) 1044/ 1054 (flax seed and of flax and hemp grown for fibre)

**** = The total diverges somewhat from the individual items listed as not all expenditure is shown here, including the co-responsibility levy.
Figures for up to and including 2000: implementation; figures for 2001 and 2002 = initial budget

Quellen:

Figures for up to and including 1999: 1996 Annual report of the European Court of Auditors of 18.11.97, page 67
Figures for 1996: EU Budget 1998, OJ L 44 of 16.2.98
Figures for 1997: EU Budget 1999, OJ L 39 of 12.2.99
Figures for 1998: EU Budget 2000, OJ L 40 of 14.2.2000
Figures for 1999: EU Budget 2001, OJ L 56 of 26.2.2001
Figures for 2000 to 2002: EU Budget 2002, OJ L 29 of 31.1.02

B 1 - 2 Animal products (= 24,4 % of agriculturel expenditures)

in million €

	Heading	2002		2001	2000	1999
B 1 - 20	Milk and Milk products	1.912,0 €	*17,6%*	2.345,0 €	2.532,0 €	2.510,1 €
B 1 - 21	Beef / veal	8.095,0 €	*74,5%*	6.978,0 €	4.539,6 €	4.578,6 €
B 1 - 22	Sheepmeat and goatmeat	672,0 €	*6,2%*	1.620,0 €	1.735,6 €	1.894,3 €
B 1 - 23	Pigmeat, eggs, poultry	163,5 €	*1,5%*	170,0 €	446,8 €	449,2 €
B 1 - 26	Europ. Fisheries Guarantee Fund	17,1 €	*0,2%*	16,7 €	9,4 €	7,8 €
B 1 - 2	**Total**	**10.859,6 €**	*100,0%*	**11.129,7 €**	**9.263,4 €**	**9.440,1 €**

B 1 - 20 Milk (= 4,3 % of agricultural expenditure)

in million €

	Heading	2002	in %	2001	2000
B 1 - 200	Refunds on milk and milk products	977,0 €	*51,1%*	1.266,0 €	1.671,0 €
B 1 - 201	Intervention storage of skimmed-milk powder	- €	*0,0%*	- 2,0 €	- 282,8 €
B 1 - 202	Aid for skimmed milk	451,0 €	*23,6%*	563,0 €	697,0 €
B 1 - 203	Intervention storage of butter and cream	3,0 €	*0,2%*	44,0 €	81,7 €
B 1 - 204	Other measures relating to butterfat	450,0 €	*23,5%*	480,0 €	449,1 €
B 1 - 205	Intervention for other milk products	74,0 €	*3,9%*	75,0 €	85,1 €
B 1 - 207	Financial contribution by milk producers	- 36,0 €	*- 1,9%*	- 89,0 €	- 161,3 €
B 1 - 209	Other measures	- 7,0 €	*- 0,4%*	8,0 €	- 7,8 €
B 1 - 20	Total	1.912,0 €	*100,0%*	2.345,0 €	2.532,0 €

B 1 - 21 Beef / veal (= 18,2 % of agricultural expenditure)

in million €

	Heading	2002	*in %*	2001	2000
B 1 - 210	Refunds on beef/veal	488,0 €	*6,0%*	572,0 €	661,3 €
B 1 - 211	Intervention storage of beef/veal	522,0 €	*6,4%*	237,0 €	- 82,7 €
B 1 - 2120	Suckler-cow premiums	1.880,0 €	*23,2%*	1.736,0 €	1.565,9 €
B 1 - 2121	Additional premiums for suckler cows	97,0 €	*1,2%*	102,0 €	62,5 €
B 1 - 2122	Special premiums (bulls/bullocks)	1.788,0 €	*22,1%*	1.619,0 €	1.299,3 €
B 1 - 2123	Deseasonalisation premiums	- €	*0,0%*	- €	2,6 €
B 1 - 2124	Slaughter premiums	1.184,0 €	*14,6%*	716,0 €	8,3 €
B 1 - 2125	Extensification premiums	891,0 €	*11,0%*	757,0 €	715,5 €
B 1 - 2126	Exceptional support measures	390,0 €	*4,8%*	346,0 €	292,5 €
B 1 - 2127	Compulsory slaughter programme	75,0 €	*0,9%*	13,0 €	20,9 €
B 1 - 2128	Additional payments	322,0 €	*4,0%*	161,0 €	- €
B 1 - 2129	Other intervention	466,0 €	*5,8%*	733,0 €	1,6 €
B 1 - 219	Other	- 8,0 €	*- 0,1%*	- 14,0 €	- 8,2 €
B 1 - 21	**Total**	**8.095,0 €**	***100,0%***	**6.978,0 €**	**4.539,5 €**

The '90 head limit' for bulls and steers

Structural data from Germany

	Saxony	in %	Saxony-Anhalt	in %	Branden-burg	in %	Meck-Pomm	in %	Thuringia	in %
No. of applicants	2.205		779		2.206		912		1651	
wich of										
less than 90 animals	2.141	*97,1%*	743	*95,4%*	1.970	*89,3%*	838	*91,9%*	1583	*95,9 %*
more than 90 animals	64	*2,9%*	36	*4,6%*	236	*10,7%*	74	*8,1%*	68	*4,1%*
less than 200 animals	2.180	*98,9%*							1626	*98,5%*
Total premia	27.373		22.461		36.721		40.684			
wich of										
less than 90 animals	9.994	*36,5%*	6.415	*28,6%*	13.071	*35,6%*	14.486	*35,6%*		
more than 90 animals	17.379	*63,5%*	16.046	*71,4%*	23.650	*64,4%*	26.198	*64,4%*		
less than 200 animals	15.428	*56,4%*								

Notes: Distribution 1999, as of 26.3.01 Source: Research carried out by Deutscher Bauernbund with ministries

Meck-Pomm: the Ferdinandshof alone with c.15,000 steers p.a. receives as much in premia as all holdings < 90 steers together

Saxony-Anhalt: biggest applicant: Rindermast Klein Wanzleben (8.388 steers = almost as many as all < 90 together)

Summary

	Old *Länder*	*in %*	new *Länder*	*in %*
No. of applicants	89.939		7.428	
of wich				
less than 90 animals	87.526	*97,3%*	7.050	*94,9%*
more than 90 animals	2.413	*2,7%*	378	*5,1%*
Total premia	1.397.058		160.325	
of wich				
less than 90 animals	1.084.010	*77,6%*	42.526	*26,5%*
more than 90 animals	313.048	*22,4%*	117.799	*73,5%*

Source: AgE 31/01, 30.7.2001

B 1 - 3 Ancillary expenditure (= 3,2% of agricultural expenditure)

in million €

	Heading	2002	*in %*	2001	2000	1999
B 1 - 30	Refunds on certain goods obtained by processing	415,0 €	*29,1%*	415,0 €	572,2 €	573,4 €
B 1 - 31	Food programms	306,0 €	*21,4%*	323,0 €	309,1 €	645,1 €
B 1 - 32	Programms ... outermost regions	239,0 €	*16,8%*	252,0 €	232,1 €	231,3 €
B 1 - 33	Veterinary / plant health	569,5 €	*39,9%*	165,5 €	102,5 €	0,3 €
B 1 - 36	Monitoring / preventative measures ...	57,3 €	*4,0%*	72,0 €	77,4 €	29,7 €
B 1 - 37	Clearance previous years	- 500,0 €	*- 35,0%*	- 700,0 €	- 1.077,9 €	- 606,2 €
B 1 - 38	Promotion measures	78,8 €	*5,5%*	66,5 €	58,7 €	52,7 €
B 1 - 39	Other measures	261,0 €	*18,3%*	417,0 €	904,1 €	100,2 €
B 1 - 3	Total	1.426,6 €	100%	1.011,0 €	1.178,1 €	1.026,5 €

B 1 - 4 Rural development (= 10,3% of agricultural expenditure)

in million €

		Agenda 2000			prior to Agenda 2000		*Legal basis*
Item		**2002**	**2001**	**2000**	**1999**	**1998**	
B1 - 400	Investments in agricultural holdings	164,00 €	112,00 €	52,21 €			*Reg. 1257/99 Art 4 - 7*
B1 - 401	Setting-up of young farmers	119,00 €	142,00 €	53,57 €			*Reg. 1257/99 Art 8*
B1 - 402	Training	31,00 €	5,00 €	8,14 €			*Reg. 1257/99 Art 9*
B1 - 403	Early retirement						
B1 - 4030	new system	52,00 €	240,00 €	13,94 €			*Reg. 1257/99 Art 10 - 12*
B1 - 4031	former system	132,00 €	30,00 €	233,06 €	271,00 €	*208,93 €*	*Reg. 2079/92*
	Total	184,00 €	270,00 €	247,01 €			
B1 - 404	Less-favoured areas	907,00 €	780,00 €	674,22 €			*Reg. 1257/99 Art 13 - 21*
B1 - 405	Agri-environment						
B1 - 4050	new system	1.463,00 €	1.670,00 €	405,64 €			*Reg. 1257/99 Art 22 -24*
B1 - 4051	former system	532,00 €	545,00 €	1.852,92 €			*Reg. 2078/92*
	Total	1.995,00 €	2.215,00 €	2.258,56 €	1.848,00 €	1.282,90 €	
B1 - 406	Improving the processing and marketing of agricultural products	210,00 €	209,00 €	28,32 €			*Reg. 1257/99 Art 25 - 28*
B1 - 407	Forestry						
B1 - 4070	new system	200,00 €	445,00 €	42,14 €			*Reg. 1257/99, part. Art. 31*
B1 - 4071	former system	143,00 €	p.m.	80,75 €			*Reg. 1257/99, part. Art. 30+32*
B1 - 4072	Afforestation	131,00 €	75,00 €	410,16 €	458,00 €	327,47 €	*Reg. 2080/92*
	Total	474,00 €	520,00 €	533,05 €	458,00 €	327,50 €	
B1 - 408	Promoting the adaptation and development of rural areas	419,00 €	217,00 €	241,82 €			*Reg. 1257/99 Art. 33*
B1 - 409	Other	92,00 €	25,00 €	0,10 €	30,00 €	30,50 €	
	for information only: Obj. 5a				*957,30 €*	*948,50 €*	
	for information only: Obj. 5b				*1.435,30 €*	*1.084,00 €*	
B 1 - 4	**Total**	**4.595,00 €**	**4.495,00 €**	**4.096,99 €**	**4.999,60 €**	**3.882,33 €**	

B 1 - 4 Rural development (= 10,3% of agricultural expenditure)

Initial budget, and implementation in the first year (2000), in million €

Item		2000 (Budget)	2000 (Implem.)
B1 - 400	Investments in agricultural holdings	109,00 €	52,21 €
B1 - 401	Setting-up of young farmers	131,00 €	53,57 €
B1 - 402	Training	5,00 €	8,14 €
B1 - 403	Early retirement		
B1 - 4030	new system	238,00 €	13,94 €
B1 - 4031	former system	35,00 €	233,06 €
Total		273,00 €	247,01 €
B1 - 404	Less-favoured areas	552,00 €	674,22 €
B1 - 405	Agri-environment		
B1 - 4050	new system	1.569,00 €	405,64 €
B1 - 4051	old system	589,00 €	1.852,92 €
Total		2.158,00 €	2.258,56 €
B1 - 406	Improving the processing and marketing of agricultural products	160,00 €	28,32 €
B1 - 407	Forestry		
B1 - 4070	new	395,00 €	42,14 €
B1 - 4071	new		80,75 €
B1 - 4072	Afforestation	104,00 €	410,16 €
Total		499,00 €	533,05 €
B1 - 408	Promoting the adaptation and development of rural areas	167,00 €	241,82 €
B1 - 409	Other	30,00 €	0,10 €
B 1 - 4	Total	4.084,00 €	4.096,99 €

Share of Direct Payments in Total Payments under EAGGF Guarantee

Impementation 1999, in million €

	B1 EAGGF Total	of wich are direct payments	in %
NL	1.301,50	167,46	*12,9%*
B	1.004,00	249,88	*24,9%*
L	35,10	15,65	*44,6%*
IRL	1.723,50	771,14	*44,7%*
FIN	560,00	265,26	*47,4%*
A	844,40	426,99	*50,6%*
DK	1.258,30	658,49	*52,3%*
EU	39.780,30	22.365,63	*56,2%*
P	653,90	380,34	*58,2%*
I	4.675,10	2.838,31	*60,7%*
F	9.445,90	5.821,62	*61,6%*
D	5.793,80	3.615,49	*62,4%*
E	5.243,00	3.445,22	*65,7%*
S	734,80	504,40	*68,6%*
UK	3.933,70	3.205,39	*81,5%*
EL	2.573,30	k.A.	

Direct payments

Distribution of funds in 1999 in the EU

(not including Greece)

	in million €	Holdings	€ / Holding
P	380,3 €	251.960	1.509,5 €
I	2.838,3 €	1.581.780	1.794,4 €
NL	167,5 €	63.460	2.638,9 €
A	427,0 €	137.760	3.099,5 €
FIN	265,3 €	71.660	3.701,6 €
E	3.445,2 €	887.400	3.882,4 €
IRL	771,1 €	165.700	4.653,8 €
EU	22.365,6 €	4.459.570	5.015,2 €
B	249,9 €	44.620	5.600,1 €
L	15,6 €	2.130	7.346,5 €
S	504,4 €	64.100	7.868,9 €
F	5.821,6 €	597.900	9.736,8 €
D	3.615,5 €	362.420	9.976,0 €
DK	658,5 €	62.240	10.579,9 €
UK	3.205,4 €	166.460	19.256,2 €

Source: EU Commission DG Agri, MEMO/02/198 of 1.10.02

B1 - All Direct Payments

Implementation 1999

	To the holdings receiving .... in direct payments											
	0 - 1.250 €		1.250 - 5.000 €		5.000 - 10.000 €		10.000 - 50.000 €		50.00-300.000 €		über 300.000 €	
	belong ......% of all **Holdings**	they receive ... % of all **Payments**	belong ......% of all **Holdings**	they receive ... % of all **Payments**	belong ......% of all **Holdings**	they receive ... % of all **Payments**	belong ......% of all **Holdings**	they receive ... % of all **Payments**	belong ......% of all **Holdings**	they receive ... % of all **Payments**	belong ......% of all **Holdings**	they receive ... % of all **Payments**
A	44,6%	8,4%	37,8%	32,3%	11,3%	25,5%	6,1%	30,8%	0,1%	3,0%	0,00%	0,74%
B	20,5%	2,4%	43,2%	22,6%	20,6%	24,8%	15,0%	47,2%	0,2%	3,0%	0,00%	0,00%
D	24,3%	1,5%	37,4%	11,4%	16,6%	12,1%	19,5%	36,4%	1,9%	21,0%	0,35%	17,95%
DK	12,2%	0,8%	31,5%	8,7%	22,0%	14,9%	32,2%	61,1%	2,0%	14,2%	0,00%	0,38%
E	54,6%	5,8%	26,9%	18,4%	9,1%	16,7%	8,6%	40,7%	0,7%	16,7%	0,04%	1,81%
EU (14)	53,8%	4,3%	24,8%	13,4%	9,2%	13,0%	10,9%	43,8%	2,2%	21,2%	0,00%	4,24%
F	36,5%	1,0%	19,7%	6,1%	13,2%	10,1%	27,7%	61,9%	2,9%	20,9%	0,00%	0,10%
FIN	28,0%	5,2%	49,2%	36,2%	15,6%	29,2%	7,1%	29,1%	0,0%	0,4%	0,00%	0,00%
I	73,0%	16,1%	19,6%	27,1%	4,3%	16,5%	2,9%	29,4%	0,2%	9,5%	0,00%	1,36%
IRL	35,9%	3,0%	34,1%	21,1%	17,4%	26,4%	12,2%	44,7%	0,5%	4,7%	0,00%	0,22%
L	13,2%	1,1%	33,3%	14,5%	30,5%	29,5%	23,0%	53,0%	0,5%	1,9%	0,00%	0,00%
NL	41,7%	9,9%	49,4%	53,0%	5,6%	14,9%	3,2%	20,1%	0,1%	1,8%	0,00%	0,03%
P	83,8%	18,6%	12,1%	19,1%	1,8%	8,1%	1,9%	27,0%	0,4%	25,7%	0,00%	1,50%
S	24,7%	1,8%	35,0%	12,6%	17,9%	16,1%	20,7%	52,0%	1,7%	17,0%	0,00%	0,52%
UK	24,8%	0,7%	22,3%	3,3%	13,3%	4,9%	29,1%	36,1%	10,2%	49,6%	0,23%	5,46%

Source: EU Commission DG Agri, MEMO/02/198 of 1.10.02

Notes: as part of their the Mid-Term Review the Commission has proposed to 'modulate' payments above a threshold of 5,000 €, i.e. to cut payments above this level by 3% annually (until a total cut of 20% has been achieved). The aim is to make these funds available for rural development measures. A majority of farmers - as can be seen from the table - would not be effected by such a rule.

Direct payments in Germany

Implementation in 1999

	Holdings		Payments (million €)		Holdings		Payments
	total	in %	total	in %	total	in %	in %
up to 1.250 €	87.940	*24,28%*	53,51 €	*1,48%*			
1.250 - 2.000 €	36.500	*10,08%*	58,74 €	*1,62%*	124.440	*34,35%*	*3,10%*
2.000 - 5.000 €	99.010	*27,33%*	344,17 €	*9,52%*			
5.000 - 10.000 €	60.130	*16,60%*	437,64 €	*12,10%*	159.140	*43,93%*	*21,62%*
10.000 - 20.000 €	48.600	*13,42%*	677,44 €	*18,74%*			
20.000 - 50.000 €	22.070	*6,09%*	637,50 €	*17,63%*	70.670	*19,51%*	*36,37%*
50.000 - 100.000 €	3.900	*1,08%*	267,04 €	*7,39%*			
100.000 - 200.000 €	1.950	*0,54%*	276,42 €	*7,64%*	5.850	*1,61%*	*15,03%*
200.000 - 300.000 €	870	*0,24%*	214,57 €	*5,93%*			
300.000 - 500.000 €	790	*0,22%*	301,03 €	*8,33%*			
over 500.000 €	470	*0,13%*	347,68 €	*9,62%*	2.130	*0,59%*	*23,88%*
Total	362.230	*100,00%*	3.615,74 €	*100,00%*	362.230	*100,00%*	*100,00%*

78,5% of all holdings in Gemany **receive less than 10.000 €** in direct payments; **taken together they receive 24,7%** of all payments.

2,2 % of all Holdings in Germany **receive more than 50.000 €** in direct payments; **taken together they receive almost 40%** of all payments.

Source: EU Commission DG Agri, MEMO/02/198 of 1.10.02

Germany's Share in EU EAGGF Receipts

Implementation in 2000, in million €

		EAGGF	Share D	D share in %
B 1 - 10	Arable crops	16.663,1	3.682,4	22,1%
B 1 - 11	Sugar	1.910,2	295,1	15,4%
B 1 - 12	Olives	2.210,1	0,0	0,0%
B 1 - 13	Dried fodder	381,3	22,4	5,9%
B 1 - 14	Fibre plants	991,4	2,8	0,3%
B 1 - 15	Fruit and vegetables	1.551,3	13,9	0,9%
B 1 - 16	Wine	765,5	29,8	3,9%
B 1 - 17	Tobacco	987,7	36,2	3,7%
B 1 - 18	Other plant sectors	350,0	22,2	6,3%
B 1 - 1	Total	25.810,6	4.104,8	15,9%
B 1 - 20	Milk	2.544,3	249,9	9,8%
B 1 - 21	Beef/veal	4.539,6	423,3	9,3%
B 1 - 22	Sheep/goat meat	1.735,6	43,7	2,5%
B 1 - 23	Pigmeat/eggs/poultry	435,2	39,1	9,0%
B 1 - 25	Others	11,7	1,0	8,5%
B 1 - 26	Fisheries fund	9,4	0,0	0,0%
B 1 - 2	Total	9.275,8	757,0	8,2%
B 1 - 3	Ancillary expenditure	1.099,8	98,5	9,0%
B 1 - 4	Rural development	4.176,4	681,0	16,3%
B 1 Total		40.362,60	5.641,90	14,0%

Germany's Share in EU EAGGF Receipts ...

Implementation in 2000, in million €

		EAGGF-funds in D	in %
B 1 - 10	Arable crops	3.682,4	65,3%
B 1 - 4	Rural development	681,0	12,1%
B 1 - 21	Beef/veal	423,3	7,5%
B 1 - 11	Sugar	295,1	5,2%
B 1 - 20	Milk	249,9	4,4%
B 1 - 3	Ancillary expenditure	98,5	1,7%
B 1 - 22	Sheep/goat meat	43,7	0,8%
B 1 - 23	Pigmeat/eggs/poultry	39,1	0,7%
B 1 - 17	Tobacco	36,2	0,6%
B 1 - 16	Wine	29,8	0,5%
B 1 - 13	Dried fodder	22,4	0,4%
B 1 - 18	Other plant sectors	22,2	0,4%
B 1 - 15	Fruit and vegetables	13,9	0,2%
B 1 - 14	Fibre plants	2,8	0,0%
B 1 - 25	others	1,0	0,0%
B 1 - 12	Olives	0,0	0,0%
B 1 - 26	Fisheries fund	0,0	0,0%
		5.641,90	100,0%

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Other reports of this project:

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Gemeinsame Plattform von Verbänden aus Umwelt- und Naturschutz, Landwirtschaft, Tierschutz und Verbraucherschutz. Oktober 2001

Naturschutz, Landwirtschaft und Agrarumweltprogramme
Beleuchtung des Themenkomplexes im Hinblick auf die Weiterentwicklung der Agrarumweltpolitik in der Agenda 2007. Januar 2002

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Landwirtschaft, Agrarpolitik und die Umsetzung der Berliner Beschlüsse zur Agenda 2000 in Frankreich. April 2002

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Landwirtschaft, Agrarpolitik und die Umsetzung der Berliner Beschlüsse zur Agenda 2000 in Spanien. Oktober 2002

Von einer Agenda (2000) zur nächsten (2007)
Über Landwirtschaft, Umwelt, verpasste Chancen und neue Gelegenheiten zur Agrarwende in Europa. Sonderdruck aus: Landwirtschaft *2001* - Der Kritische Agrarbericht. Januar 2001