Support Policy for Organic Farming in Germany

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Summary

Organic agricultural policy has developed very dynamically over the past few years. A broad range of support measures is now offered by the Federal Government and Federal States (*Länder*) throughout the entire supply chain to the consumer. A comprehensive overview of policy support from the Federal Government and the *Länder* in the area of organic farming had not been available until a recent study was undertaken by the Institute of Farm Economics.[1] The objective of this study was to make financial support measures for organic farming in Germany more transparent, and to place the German situation into an international perspective. This paper presents the most important results of the study. The analysis of support policy reveals that, despite a significant expansion in the spectrum of policy measures, area-based organic payments remain the dominant means of financial support. From the international perspective, the policy environment in other EU countries shows that support to the organic sector has now become an established element of agricultural policy throughout the EU. Analysis of the role of financial support in Germany indicates that, from the perspective of most organic farmers, policy support for organic farming, particularly area-based payments, is of considerable significance. Comparison of different support budgets in the agricultural sector makes clear that the specific support for organic farming does not substantially stand out from comparable domestic and foreign expenditures.

Keywords: Organic Farming, Support Measures, Agricultural Policy, Federal Organic Farming Scheme

Zusammenfassung

Staatliche Förderung des ökologischen Landbaus in Deutschland

Das Politikfeld ökologischer Landbau hat sich in den letzten Jahren sehr dynamisch entwickelt. Inzwischen wird von Bund und Ländern eine breite Palette an Fördermaßnahmen angeboten, die sich auf die gesamte Wertschöpfungskette bis hin zum Verbraucher erstreckt. Ein umfassender Überblick über die Förderpolitik des Bundes und der Länder im Bereich ökologischer Landbau lag bislang nicht vor. Ziel einer am Institut für Betriebswirtschaft der Bundesforschungsanstalt für Landwirtschaft erstellten Studie war es deshalb, Transparenz über die von Bund und Ländern durchgeführten Fördermaßnahmen zur Ausweitung des ökologischen Landbaus in Deutschland zu schaffen und die deutsche Situation in eine internationale Perspektive einzuordnen. In diesem Beitrag werden die wichtigsten Ergebnisse dieser Studie vorgestellt. Die Analyse der Förderpolitik zeigt, dass die flächenbezogene Förderung trotz der deutlichen Erweiterung des Förderspektrums nach wie vor die finanziell dominierende Fördermaßnahme darstellt. Die internationale Perspektive auf die Politik für den ökologischen Landbau in anderen EU-Ländern offenbart, dass die Förderung des Ökosektors inzwischen EU-weit ein etablierter Gegenstand der Agrarpolitik ist. Aus den Analysen zum Stellenwert der Förderung in Deutschland geht hervor, dass aus Sicht der meisten Ökolandwirte die Förderung des ökologischen Landbaus – speziell die flächenbezogene Ökoprämie – einen hohen Stellenwert hat. Der Vergleich der verschiedenen Förderbudgets im Agrarbereich verdeutlicht, dass die spezifische Förderung des Ökolandbaus nicht besonders aus dem Umfeld vergleichbarer Ausgaben im In- und Ausland herausragt.

Schlüsselworte: Ökologischer Landbau, Förderung, Agrarpolitik, Bundesprogramm Ökologischer Landbau

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1 Introduction

Organic farming has been promoted through national public funding in Germany since 1989. From 1989 to 1992, this support was based on the EC's extensification scheme, with organic farming being just one of various extensification measures. At that time, it was only conversion to organic farming which was supported financially. Since 1994, both the introduction and maintenance of organic farming have been supported within the framework of agri-environmental programmes which were developed by the *Länder* ministries. The promotion of marketing and processing also has a long tradition and, by 1990, special support for organic producer groups had already been introduced. Over the past ten years, the spectrum of government assistance has increased significantly and a wide range of measures has been offered by the Federal Government and the *Länder*, targeted at supporting organic farms or the entire organic supply chain.

Initially, the main objective of financial organic support within the EC extensification scheme was market relief (the reduction of production surpluses). Today, environmental goals are the primary aim of government support. In addition, the contribution of organic agriculture to rural development, consumer satisfaction and the exploitation of market opportunities are also seen as relevant and worthy of financial support (see, for example, Miller, 2001; BMELV, 2006; EU Commission, 2006).

Significant variation in the diversity and design of organic support can be observed between the *Länder*, explained by the fact that a large part of structural and agri-environmental policy measures fall under their jurisdiction. The Federal Government is only involved in those *Länder* measures that are co-financed within the framework of the 'Joint Task for the Improvement of Agricultural Structure and Coastal Protection (GAK[2])'. The following measures are of most significance in this context: promotion of market and site-adapted land management (including organic farming practices); encouragement of the processing and marketing of organically-produced farm products; and support in the area of market structural improvements, as well as the promotion of farm investments. The Federal Government co-finances these measures if they are implemented by the *Länder* in line with the various GAK principles. Although it is possible for the *Länder* to design measures outside of the GAK framework, the consequence of using this option is loss of Federal co-funding.

The Federal Government itself has opportunities to shape its own funding measures within areas of the Common Agricultural Policy (CAP), public relations, consumer education and research, as well as through providing moral support for the organic food industry.

Both at the Federal and state levels, major changes in the promotion of the organic food sector have been observed over time – for example, in response to the BSE (Bovine Spongiform Encephalopathy) crisis. The consequences of the crisis, and the policy changes linked to it at the beginning of 2001, have led to a unique debate on organic farming, particularly at the national level. The goal of achieving a 20 % organic share of total farmed area in Germany by the year 2010 was included in the national 'Sustainability Strategy' (Bundesregierung, 2002), and several measures for improving the framework conditions of organic farming have been implemented. In this respect, the introduction of the national Eco-label and the creation of the Federal Organic Farming Scheme are particularly worth mentioning.[3]

The Federal structure of Germany, the wide scope of policy design in the *Länder* and the extremely dynamic development of the organic sector over the past few years have led to a rather unclear picture of present policy support. Against this background, the aim of this synopsis is to provide a comprehensive overview of support for the organic food sector in Germany. A distinction is made between measures in the area of production, processing and marketing, out-of-home[4] consumption and consumer education, as well as cross-cutting measures (i.e., research and development, regional development). A discussion of organic farming support policies in Germany in comparison with those of selected EU countries, together with an analysis of the relative value of organic support compared to other selected agricultural measures, completes the overview.

2 Methods

The main emphasis of this contribution is a detailed description of support measures for organic farming. An evaluation of the different measures is not the subject of this paper.[5]

The assessment of financial support for organic farming was limited to agricultural ministries at Federal and *Länder*

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2 Gemeinschaftsaufgabe Verbesserung der Agrarstruktur und des Küstenschutzes (GAK).

3 The Scheme, introduced by the BMELV in October 2001, allocated about 35 million Euros for each of the years 2002 and 2003. For the years 2004 to 2006, about 20 million Euros would be available annually. According to current planning, the Scheme will be continued from 2007 to 2010 with lower budgets.

4 Out-of-home consumption: consumption in restaurants, cafes, pubs, public canteens (e.g. in schools, hospitals), etc.

5 In order to evaluate the different policy measures for organic farming, their effectiveness and efficiency in achieving targeted objectives would have to be analysed. Such an analysis was not possible within this synopsis and remains the topic of further research.

levels. Due to the short length of the project, it was not possible to survey the possible financial support available through other ministries and departments (for example, environmental conservation, science). However, it can be assumed that the share of policy support through non-agricultural funding – if available at all – is comparably low.

Unless otherwise stated, funding measures presented for the *Länder* are based on several surveys in the *Länder* ministries responsible. The first survey of financial support for organic farming was carried out by the Institute of Farm Economics of FAL in 1998 and data were updated in two subsequent surveys undertaken in 2001 and 2002. For a further update, in 2005 a questionnaire was sent to all *Länder* ministries which contained data already available. The *Länder* were requested to check their data and to identify their support measures in organic farming for the years 2003 and 2004. Overall, the survey covered the support period 1996 to 2004, with some areas covered for 2005 and 2006.

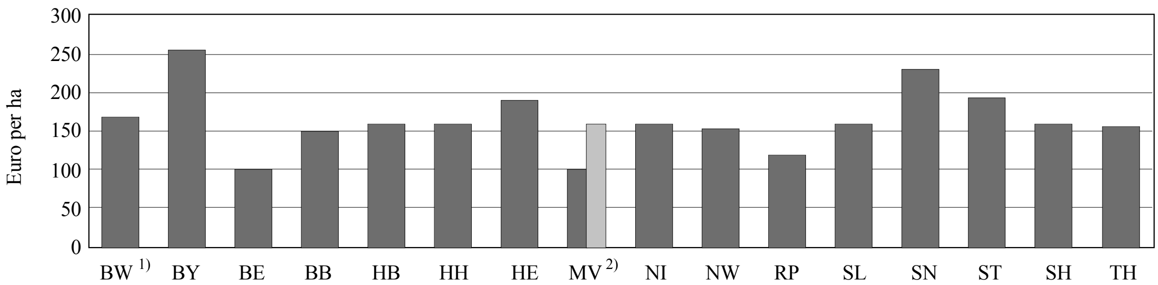
In order to examine financial measures at the Federal level, the Institute cooperated with those departments responsible in the German Federal Ministry for Food, Agriculture and Consumer Protection (BMELV[6]), as well as with the offices of the Federal Organic Farming Scheme and the 'Active Regions' Federal Programme. Information available on the Internet was also used in the presentation of both Federal schemes.

3 Promotion of Organic Farming in Germany

In the following section, the policy measures designed to promote organic farming in Germany are identified. Here, a distinction is made between measures for organic food production at the farm level (Chapter 3.1); measures for processing and marketing organic foods (Chapter 3.2); measures for out-of-home consumption (Chapter 3.3) and consumer information (Chapter 3.4). The section closes with a description of cross-cutting measures (i.e., research and development, regional development) in Chapter 3.5.

3.1 Support Measures for Organic Food Production at Farm Level

Area-based payments for the introduction and maintenance of organic farming play a dominant role in organic farming support. Funding for organic conversion was first introduced in Germany in 1989, within the framework of the EC extensification scheme. Since 1994, not only the introduction, but also the maintenance of organic farming has been supported by the *Länder*, within the framework of agri-environmental programmes; since 2000, most *Länder* have also offered a control cost supplement. Due to the fact that actual implementation within each EU support framework lies within the jurisdiction of individual Federal states, there are major differences in the design of measures and levels of payment between the *Länder*. At the time of the study, payments were highest in Bavaria and Saxony, and limited to conversion payments only also in North Rhine-Westphalia and Hamburg. Lowest payments were received by organic farmers in Berlin, Rhineland-Palatinate and, to some extent, in Mecklenburg-Pomerania. As an example of the strong variation in the level of payments within Germany, the area-based payments for the maintenance of organic farming in arable crops are presented in Figure 1.



BW = Baden-Wuerttemberg, BY = Bavaria, BE = Berlin, BB = Brandenburg, HB = Bremen, HH = Hamburg, HE = Hesse, MV = Mecklenburg-Western Pomerania, NI = Lower Saxony, NW = North Rhine-Westphalia, RP = Rhineland-Palatinate, SL = Saarland, SN = Saxony, ST = Saxony-Anhalt, SH = Schleswig-Holstein, TH = Thuringia

1) BW: Maximum payment limit 40 000 Euro per farm and year.
2) MV: left column: Extensification guideline 2000; right column: Extensification guideline 2002.

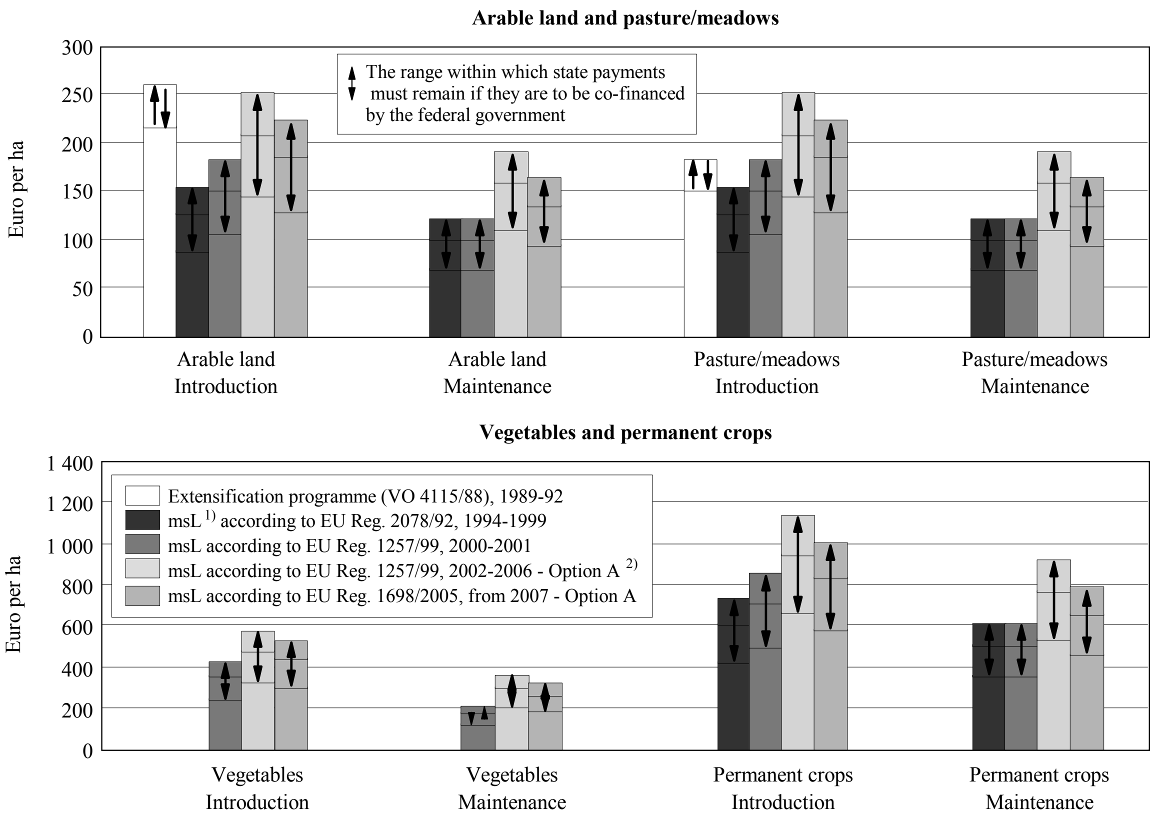
Source: Data from *Länder* ministries, own compilation.

Figure 1:
Area-based payments for the maintenance of organic farming in Germany – payments for arable land in 2006

6 Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz (BMELV).

Although differences in payment levels reflect, in part, different average levels of conversion costs in individual *Länder*, in some cases the variance is so great, that the possibility of competitive distortions cannot be excluded. Ultimately, it should be noted that the level of payment does not alone determine the attractiveness of conversion. In the framework of the Programme for Rural Development, other agri-environmental measures are also supported financially and thus the relative preference for organic farming is affected by the difference in payment levels for organic farming versus other agri-environmental measures.

During the past few years, conditions of financial support, as well as levels of support, have been adapted several times within the framework guidelines of the Federal Government (see Figure 2), and within the different *Länder*. Following the closure of the extensification scheme, payments were reduced, particularly because of the argument that production prices should no longer be placed under pressure by support-induced stimulation of supply. Under the impression of the BSE crisis, above all in the years 2001 and 2002, conversion/introduction and maintenance payments were increased significantly in most *Länder*. In 2005, due to the uncertain transitional period[7], Baden Wurttemberg, Brandenburg, Saxony and Schleswig Holstein decided not to enter into any new obligations relating to agri-environmental measures (no approval of new applications). In 2006, this also applied in almost all *Länder*, with the exceptions of Bavaria, Hamburg, Lower Saxony and Thuringia. As a consequence of the changed EU funding framework and reduction of public funds in both the EU and national context, payment levels in all *Länder* are expected to fall in part significantly, as of 2007.



1) msL: Payments according to the federal guidelines of 'market and site adapted land management' in the framework of the 'Joint Task for the Improvement of Agriculture Structure and Coastal Protection' (GAK).

2) The states (Länder) can choose between two options.
Option A: the payment level during the first five years is constant (no payment differentiation during the introduction phase).
Option B (not diagrammed here): increased payment level in the first two years of the introduction phase.

Source: Nieberg and Strohm-Lömpcke (2001) and BMELV (GAK framework plans, diverse years); own compilation.

Figure 2:
Development of payment levels for organic farming in the Federal framework guidelines

7 End of the programme planning period and start of the new funding period for the Rural Development Programmes, starting in 2007.

In 2004, funds amounting to 120 million Euros were provided by the EU, the Federal Government and the *Länder* for the area-based organic payments. Accordingly, the average payment per organically-farmed hectare amounted to 156 Euros. The specific organic share of total agri-environmental expenditure within the framework of Programmes for Rural Development in Germany was 16 %, on average, in the years 2003 and 2004. *Länder* with a much stronger focus on organic farming in their agri-environmental programmes were Brandenburg, Hesse, Mecklenburg-Pomerania, Lower Saxony and Schleswig-Holstein. In these states, about one third of expenditure on agri-environmental measures was accounted for by organic farming support.

The **promotion of farm investments** is a firmly established means of supporting a competitive, sustainable, environmentally-friendly, animal appropriate and multifunctional agriculture. Principally, conventional and organic farms are treated equally. Since 2002, levels of support for investments in organic farming, as well as investments in farm diversification and for animal and environmental protection, have been somewhat improved through an additional allowance for the 'Fulfilment of particular requirements by agriculture and in diversification' ('Special Allowances'). The agreement expires with the current funding period during 2006, and will be limited to investments for the improvement of animal protection and animal hygiene as of 2007.

Since their introduction in 2002, public expenditure on 'Special Allowances' has risen by one third up to 2004, while expenditure on 'Special Allowances' specific for organic farms has almost doubled over the same time period. In 2004, a total of 5.5 million Euros of public funding was used in 'Special Allowances' for organic farm investments, representing about 3 % of total public expenditure for the promotion of investments on agricultural holdings. Differentiated on the basis of *Länder*, the share of such funding was minimal in most *Länder*; only in Baden-Wurttemberg and Hesse did organic farms participate to a significantly larger extent than elsewhere.

Indirect contributions to improved framework conditions for the organic sector are made through the financial support of **training and education in organic farming**. In this context, activities also vary considerably due to the fact that education policy is the responsibility of the *Länder*. Overall, the provision of training and education for organic farming has experienced continual expansion over the past 15 years. This is true for training in both vocational and technical schools, as well as for academic provision in technical colleges and universities. Consequently, most participants receive at least a single module in organic farming. Specialised certificates can be obtained at organically-oriented technical schools in Bavaria, North Rhine-Westphalia, Schleswig-Holstein and Thuringia. Individual academic courses on organic farming and food production are offered by the University of Kassel (location Witzenhausen), the technical college Eberswalde and the University of Hohenheim.

Within the framework of the Federal Organic Farming Scheme, new teaching and information materials were created in order to supplement courses in agricultural vocational and technical schools. In this manner, the quantity and quality of available learning materials concerning organic agriculture has improved significantly over recent years.

The **continuing education and information measures** targeted at farmers, for example, information events on organic farming, organic stalls at trade fairs or networks of organic demonstration farms, must also be highlighted. Current activities, which have been carried out on a small scale by some *Länder* in the past, have been strengthened through the Federal Organic Farming Scheme.

An important area of support for organic production is **advice and consultancy in organic farming** which has changed significantly, both in organisation and structure during the past decade. Beginning with purely private consultancies, since the mid 1990s most *Länder* have provided increasing resources for specialist organic advice (see Table 1). In some *Länder*, the BSE crisis led to a significant – although in most cases not sustainable – expansion of state

Table 1:

State funded advisory provision for organic farm managers in Germany (Status: 2004)

State	Consultants for organic farming in government agencies	State (co)-financed consultancy services
Baden-Wuerttemberg	x	x
Bavaria	x	x
Berlin	–	–
Brandenburg	–	–
Bremen	–	x
Hamburg	–	x
Hesse	x	–
Meckl.-Western Pomerania	–	x
Lower Saxony	–	x
North Rhine-Westphalia	–	x
Rhineland-Palatinate	x	x
Saarland	–	x
Saxony	x	–
Saxony-Anhalt	–	(x) [1]
Schleswig-Holstein	–	x
Thuringia	–	–

1) Saxony-Anhalt provided subsidies for the use of private consultants by farms. Since 2004, these subsidies have been limited to debt consultants.

Source: Information from state ministries, own compilation.

co-financed organic farm consultancy services. In Lower Saxony and the Rhineland-Palatinate, professional centres of organic farming were established. In Bavaria in 2002, the number of organic consultants based in the Government agencies for agriculture and food virtually doubled. At present, almost all *Länder* support advisory services for organic farming. Only Berlin, Brandenburg, Saxony Anhalt and Thuringia do not provide state organic farming advisory services nor do they support such providers. However, neither do these four states provide support for general agricultural extension work. It can be seen that other *Länder* are also following this example and will withdraw from state-funded extension work and, thus, also from support for organic consultancy (Kuhnert and Nieberg, 2006).

In order to promote the use of consultancy, and due to the lack of services in some *Länder*, an advisory service for organic conversion has been financially supported by the Federal Organic Farming Scheme since 2003. The scheme pays up to 60 % of consultancy costs up to a maximum of 1000 Euros per farm. Additional funds to enable existing consultants to qualify have also been allocated through the Federal Organic Farming Scheme. Here, the national trainee programme for college and university graduates, as well as courses in continuing education for specialist consultants, veterinarians and leaders of regional working groups can be named.

In addition to the means already described, there are **further measures** at the national and state levels that contribute to the promotion of domestic organic production, including the 'Organic Farming Prize' from BMELV, which was first awarded in 2001. A total prize of 25000 Euros is awarded to those farms showing exemplary achievement in areas which contribute to the development of organic farming and its public image. Another measure requiring no public funds is the leasing of state-owned land in Hesse, Hamburg and Lower Saxony to organic farmers.

3.2 Measures in the Area of Processing and Marketing Organic Foods

Since 1990, within the framework of the GAK, there has been financial support to **organic producer groups as well as processing and marketing firms** or individual enterprises working with these groups, based on the 'Principles Encouraging the Processing and Marketing of Organically-Produced Agricultural Products'. Eligible are the organisational costs of the formation and start-up of producer groups, expansion costs, costs of the creation and implementation of marketing concepts and the introduction of quality and environmental management systems, as well as investments by the producer group and the processing and marketing enterprises which work with them, under contract.

The funding policies and conditions have been adapted several times in the past ten years. In the version valid through 2006, organically-focused producer groups and the trade and processing enterprises under contract with them receive somewhat higher support in comparison to generally accessible market support measures. Uptake of this funding option has been much lower than expected in all *Länder*. There are several reasons for limited involvement, particularly the need to process at least 40 % of raw materials of organic origin, and to work with organic raw materials for at least five years. Furthermore, a high level of bureaucracy may have hindered applications. As a consequence, expenditure on this measure has been low, amounting to 4.6 million Euros in total, between 2002 to 2004. This represents a share of 1.6 % of the total budget for the Joint Task in all measures for market structure improvement. The highest shares are observed in Schleswig Holstein with 7 %, North Rhine-Westphalia (4.5 %) and Rhineland-Palatinate (4 %). It would be interesting to determine whether or not organic processors and other enterprises wishing to enter into organic processing would be likely to participate in market structure schemes other than those designed specifically for organic promotion, or whether they would completely forego state subsidies due to the extensive obligations.

As of 2007, there will be no separate measure specifically encouraging the processing and marketing of organic products. The different measures, mainstream and organic, will be pooled into the scheme 'market structure improvement' and adjusted in broad parts.

In addition to these national measures, a number of projects have been **sponsored by the *Länder*** within **marketing promotion**, including the participation of enterprises in trade fairs and exhibitions, projects for market development, the opening of new markets, the introduction of new product lines and quality assurance, direct marketing activities and other pilot and model projects in the area of processing and marketing. From 1996 to 2004, a further 11.1 million Euros were spent by the *Länder*, in addition to the promotion within the GAK, for promoting the processing and marketing of organically-produced foods – an average of about 1.23 million Euros per year. Much more than average was spent against the background of the BSE crisis in 2002 with 1.74 million Euros, and in 2003 with 1.44 million Euros. Particularly active in this area, with above average expenditure, were the *Länder* Saxony, Lower Saxony, North Rhine-Westphalia, Bavaria and Baden-Wurttemberg.

There was virtually no information available for this study concerning **training and education provision in the area of processing and marketing** organic foods. Based on the statements of experts interviewed, it can be assumed that there has been hardly any professional training in the specialist requirements of organic food processing and marketing. Training possibilities comparable to those available for farm managers do not exist at present. Organic food issues are element of only some training curricula, e.g. those for bakers, but often only on the sideline. At the supra-enterprise level, such as, for example, continuing education at professional schools, there are now some attractive courses in the organic area but present provision is largely based on individual activity.

The Federal Organic Farming Scheme has placed emphasis in these areas over the past few years. In the period from 2002 to 2005, the creation and distribution of extensive information material on organic processing (including for training and continuing education purposes), information events for the food industry and food trade, continuing education measures for food retailers and exhibitions on the processing of organic products at major trade shows were promoted with a budget of about 4.5 million Euros.

In comparison with the agricultural sector, little state-financed provision is available through which processing and other trade enterprises can inform themselves about questions relating specifically to the organic sector, not only in the area of training and continuing education but also in consultancy.

As an **indirect promotional measure of processing and marketing** the ‘Innovation Prize for Organic Food Processing’ must also be mentioned. The prize was financed within the Federal Organic Farming Scheme and awarded to food industry enterprises from 2003 to 2005. The measure aimed, primarily, at improving the image of organically-produced foods. At the *Länder* level, Thuringia launched the ‘Thuringia Organic Product of the Year’ award in 2002.

3.3 Measures in the Area of Out-of Home Consumption of Organic Foods

So-called **out-of-home consumption**[8] has been of increasing importance in the food consumption patterns of German consumers for several years although the organic sector takes only a small share of this market. For this reason, different measures have been targeted towards extending the organic market share, with North Rhine-Westphalia and Saxony showing above average activity in the development of this sector. Some associations and organisations, for example, the CMA[9], have carried out a number of projects (i.e., the ‘Nature on Your Plate’ and ‘Bio for My Sake’ campaigns) but, overall, *Länder* expenditures in this area are comparatively low.

Alongside the Federal Organic Farming Scheme measures to develop out-of home consumption of organic products, the sector has grown significantly. Information measures for ‘large-scale consumers’, such as canteens, were supported with a budget of about 3 million Euros from 2002 to 2005, including the presentation of convenience products of organic origin at gastronomy trade exhibitions; concepts for school lunch programmes; and pilot, model or demonstration projects relating to out-of home consumption for children and teenagers. In 2003, there was also a one-off competition for the best organic chefs or facilities in this sector.

3.4 Measures in the Area of Consumer Information on Organic Foods

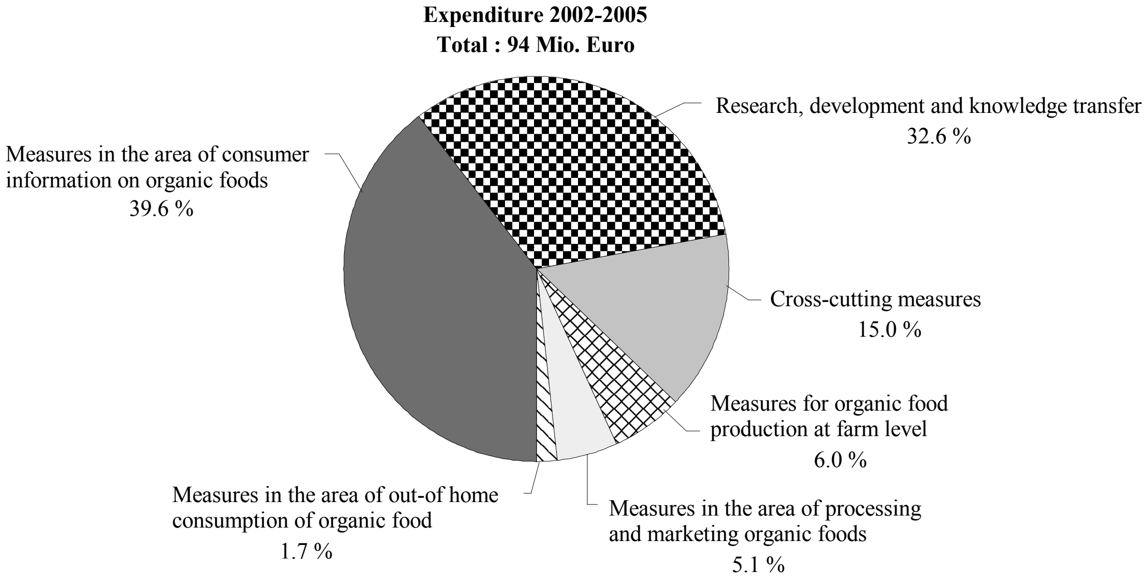
Consumer awareness and the promotion of sales of organically-produced foods to consumers have only recently entered the policy sphere. While, during the 1990s, available government funds were almost exclusively directed to supporting the supply side, consumer education and information have gained increasing importance in more recent years. A significant measure in this area has been the creation of national labels for organic products. The first *Länder* to establish regional organic labels in the 1990s were Saxony, Bavaria and Thuringia. A unified national logo was first introduced with the national Eco-label in 2001. By the end of March 2006, 1589 enterprises had applied for the Eco-label for 31718 products. The introduction of this nationwide label was accompanied by an extensive publicity campaign.

Currently, the central promotional instrument in the area of consumer awareness is the Federal Organic Farming Scheme, which focuses strongly on communication measures to different target groups. Thus, in the years 2002 to 2005, a total of 37 million Euros were invested in consumer information, amounting to 40 % of total expenditures under this Federal programme (see Figure 3). In this context, a broad selection of awareness campaigns, public relations events and media projects concerning organic farming and organic produce were promoted, as well as the organisation of touring exhibitions and organic presentations at main consumer shows, such as the ‘International Green Week’ in Berlin. For this purpose, themes and public relations materials were developed for manufacturers and traders, and for national activities. In addition, special measures for the specific target group of children and teenagers (for example, the creation of information material on organic farming for school lessons and competitions) were also implemented for the first time.

For some time, many *Länder* have implemented their own communications and sales promotion measures for

8 Consumption in restaurants, cafes, pubs, public canteens (e.g. in schools, hospitals) etc.

9 CMA = Centrale Marketing-Gesellschaft der deutschen Agrarwirtschaft mbH (German Agricultural Marketing Board)



Source: Information from the Office of the Federal Organic Farming Scheme; own calculations and presentation.

Figure 3
Percentage of total expenditure for various measures by the Federal Organic Farming Scheme from 2002 to 2005

organically-produced foods. In addition to the creation of guides on the regional purchase of organic produce, information and advertising material and promotional activities, the best known events are the so-called 'Experience Organic Food Days'. These have taken place with state funding in Bavaria, North Rhine-Westphalia, Lower Saxony, Rhineland-Palatinate, Saxony and Thuringia, in some cases for many years. In relation to total expenditure in this area, North Rhine-Westphalia, Baden-Wurttemberg, Bavaria and Saxony are the leaders.

3.5 Cross-cutting Measures to Promote Organic Farming

Central to the cross-cutting measures designed to promote organic farming is the financial support of **research, development and knowledge transfer**. The latter is especially important for the further development of the sector which, in the long term, is extremely dependent on how successful organic farming will be in terms of improving its competitiveness, not least by means of technical and market innovations.

Expenditure on organic research, and the budget available, have increased considerably in recent years at both the national and *Länder* levels. Thus, both the number and types of institutions active in organic farming research have expanded noticeably. In addition, the stronger integration of organic research can now be observed in institutes that focus primarily on conventional food production. Since 2002, government grants of several million Euros per year (about 31 million Euros between 2002 to 2005) have been made available for the first time through the Federal Organic Farming Scheme. Among the *Länder*, Bavaria and Lower Saxony have extended their support for specific organic projects noticeably, since 2002. In the coming years, however, a reduction in the extent of support can be expected due to budget limitations.

Traditionally, research into organic farming is dominated by questions of plant production. Although, in general terms, an examination of projects supported by both the Federal Organic Scheme and the *Länder* show that a broad spectrum of questions and issues are covered by funded projects, production topics and crop themes continue to dominate very strongly, as in the past. A surprisingly small number of research projects in the areas of processing and food quality exist, especially in the light of current and future challenges for the organic food sector and its market.

Under the auspices of various **schemes for regional or rural development**, a number of different measures and projects have been introduced that support organic farming, either directly or indirectly. Of particular interest are the Objective 5b and Objective 1 Programmes, LEADER, Interreg, and the Federal Programme, 'Active Regions – Shaping Rural Futures', in addition to various *Länder* measures. Organic actors are also notable participants in a number of projects to build up regional marketing structures or tourism projects. However, due to lack of, or incomplete, data, it is not possible to determine the volume of funds flowing into the organic sector from these sources. There are, nevertheless, signs that regional programmes for the implementation of individual projects are of particular importance. From a quantitative perspective, funds available through the framework of these schemes have been used to only a limited extent by organic actors. Within the 'Active Regions' Federal Programme, the share of the budget for projects targeted towards the organic sector is 7.5 % which is likely well above average in comparison with other regional development programmes.

In addition to the support measures mentioned above, there are a large number of cross-cutting measures that cannot be assigned to any particular topic. These include, among others, the creation of the 'Central Organic Farming Internet Portal' (www.oekolandbau.de) and the production of film reports on leading enterprises in the organic field, both financed by the Federal Organic Farming Scheme. At the *Länder* level, payments to organic farming associations and the launch of advisory councils with organic representatives from state institutions should also be mentioned.

4 International Perspective: Promotion of Organic Farming in Europe

In order to place organic agricultural policy in Germany into the European perspective, the extent and type of policy measures used for organic farming in other EU countries were also examined. Overall, it can be said that the promotion of the organic sector is now an established element of agricultural policy in the entire EU and many member governments have set policy objectives to expand the organically-farmed area in their countries (see Table 2).

Analysis of the state funding of organic farming in selected western and eastern European countries shows that, since the mid 1990s, a growing number of EU countries have created so-called 'Action Plans' to promote organic farming. In general, a common feature of all these action plans is the presentation of several objectives relating to the development of organic farming or the whole organic supply chain

Table 2:

Significance of organic farming in different EU countries in terms of land area in 2004, and policy targets for the expansion of organically-farmed land

Country	Organic land area 2004 in ha UAA	Share of total farmland in %	Change of organic land area from 2001 to 2004 in %	Objectives stated in national action plans for the organic land area
Western Europe				
Sweden[1)]	462 438	14.8	+21.1	20 % share of total farmland until 2005
Austria	344 916	10.6 [2)]	+24.8	-
Italy	954 361	7.3	-22.9	-
Finland	162 024	7.2	+9.5	10 % in 2006
Greece	267 159	6.7	+758.5	-
Denmark	156 881	5.9	-6.8	-
Portugal	206 526	5.5	+191.5	7 % share of total farmland in 2007
Germany	767 891	4.5	+21.5	20 % share of total farmland in 2010 [3)]
United Kingdom	674 506	4.2	-0.8	-
Spain	733 182	2.9	+51.1	-
Luxembourg	3 100	2.4	+54.5	-
Netherlands	48 155	2.4	+34.2	10 % share of total farmland in 2010
France	534 037	1.9	+27.2	1 000 000 ha in 2005
Belgium	23 563	1.7	+5.1	10 % share of total farmland in 2010[4)]
Ireland	30 670	0.7	+2.2	-
Eastern Europe				
Czech Republic	263 799	7.3	+20.9	10 % share of total farmland in 2010
Estonia	46 016	5.8	+123.9	-
Slovenia	23 280	4.8	+115.0	20 % share of total farmland in 2013
Hungary	128 690	3.0	+62.5	-
Slovakia	53 091	2.5	-9.6	4–6 % share of total farmland in 2010
Lithuania	42 000	1.7	+549.3	5 % share of total farmland in 2006
Poland	82 730	0.6	+113.6	-

1) Certificated and non-certificated land area; the certificated area was 222 065 ha (7.1 % of UAA) in year 2004.
2) 13.5 % of UAA without mountain/alpine pasture.
3) Stated in the national 'Sustainability Strategy' of the German Federal Government.
4) Stated in the Belgium 'Federal Plan for Sustainable Development 2002–2004'.

Source: Lampkin, Padel and Lowman (2006), Tuson and Lampkin (2006), Hrabalova et al. (2005); own compilation.

and, accordingly, the policy measures necessary to achieve these objectives. The differences between action plans include, for example, the political legitimisation and methods of implementation for proposed measures, as well as the extent of financial means provided. The German Federal Organic Farming Scheme can be described as a relatively broadly-applied, well-financed and well-administered programme in comparison to other national programmes or action plans.

The vast majority of EU countries use further measures to promote organic farming in addition to area-based organic payments. This observation is to a large extent based on the nature of the action plans drawn up in many countries. Following area-based support, research and development, agricultural extension services and continuing education and training measures for producers, as well as processing and marketing projects, are the most common areas of government funding. Furthermore, organic farming associations are supported financially in about half of the countries studied. With regard to the actual scope of support measures, Germany, Austria, Denmark and the Netherlands play a leading role.

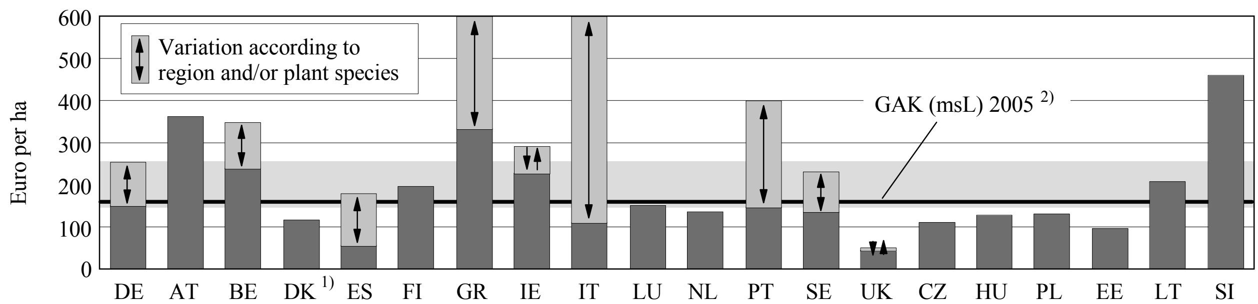
Measured on the basis of the share of expenditure, area-based organic payments are the most important financial means of support in the majority of EU countries, as well as in Germany. The level of organic payments varies between EU countries, sometimes significantly, and there are also large regional differences to be found in many countries. In order to illustrate the strong variation in payment rates, area-based payments for the maintenance of organic farming in arable crops in different EU countries are presented in Figure 4.

With regard to payment levels for permanent crops and for pasture/meadows, Germany is in the top third of EU countries; in comparison, payment levels for arable crops and vegetables can be considered as average. In the case of average organic expenditure (per supported hectare), Germany occupies a middle ground in relation to western EU countries (see Figure 5). This also holds true for the share of organic farming in the total expenditures of agri-environment programmes.

5 Importance of Organic Farming Support in Germany

In the light of the great importance of area-based support payments as a means of expanding organic farming, and in comparison with other financial transfers for the organic sector, the significance of organic payments on individual farms was analysed. As shown by the results of a pan-German survey of 218 organic farmers, the significance of these payments for overall farm viability is regarded as relatively high. More than 80 % of the farm managers surveyed are convinced that organic payments are either important or even very important for the economic viability of their farms. Furthermore, 56 % of farm managers consider that current maintenance payments are adequate; 4 % consider them more than adequate; and 40 % regard organic payments as too low (Rahmann et al., 2004).

The analysis of data from the German Farm Accountancy Network (FADN) reveals that organic and comparable conventional farms produced about the same levels of profit in 2004/2005 (see Nieberg and Offermann, 2006). Without organic payments, however, the family farm income plus wages per agricultural work unit on the organic



DE = Germany, AT = Austria, BE = Belgium, DK = Denmark, ES = Spain, FI = Finland, GR = Greece, IE = Ireland, IT = Italy, LU = Luxembourg, NL = Netherlands, PT = Portugal, SE = Sweden, UK = United Kingdom, CZ = Czech Republic, HU = Hungary, PL = Poland, EE = Estonia, LT = Lithuania, SI = Slovenia

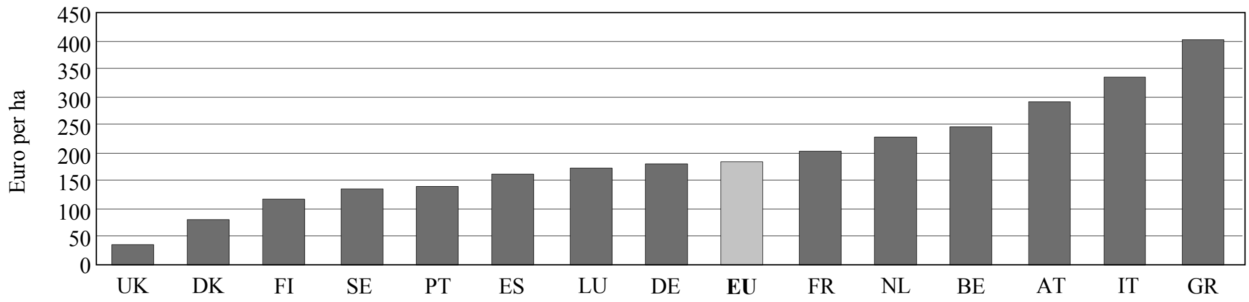
1) DK has not offered specific organic farming maintenance payments since 2004. Instead, an alternative agri-environmental support measure was introduced, in which mainly organic farms participate. The number presented here belongs to this measure.

2) Payment level according to the federal guidelines of market and site-adapted land management in the framework of GAK.

Source: Tuson and Lampkin (2006), Hrabalova et al. (2005), Norfelt (2005), Nieberg (2005); own compilation and calculations.

Figure 4:

Level of area-based support for the maintenance of organic farming in different countries of the European Union: payment rates for arable crops, 2004/2005



UK = United Kingdom, DK = Denmark, FI = Finland, SE = Sweden, PT = Portugal, ES = Spain, LU = Luxembourg, DE = Germany, FR = France, NL = Netherlands, BE = Belgium, AT = Austria, IT = Italy, GR = Greece

1) The average payment is calculated by dividing the sum of the 2003 expenses by the area under contract (supported organic land area). Only the expenses for the contracts within the framework of EU Reg. 1257/99 are considered.

Source: European Union (2006); own presentation.

Figure 5:
Average payments for organic farming in the framework of EU Regulation 1257/99 in different countries of the European Union, 2003[1)]

farm, ceteris paribus, is about 25 % less than that of the comparable conventional farms. The organic arable farms of FADN would be in a particularly poor position without the organic payments and would achieve an income level significantly lower (34 % less) than that of comparable conventional farms. On grazing livestock farms, income levels are 19 % less, on average.

Further analysis shows that organic farms profit significantly less than conventional farms from the EU's common market organisations. Up until now, they have not only received less in direct payments from the first pillar (2004/2005: 11 % less = -25 Euro/ha UAA); organic farms also receive less subsidies via price support due to their lower production levels (about 20 - 25 % less = -130 Euro/ha UAA in the year 2000; see Häring et al., 2004). Due to the focus of their farms, organic producers receive more money from the CAP's second pillar than comparable conventional farms – particularly from the agri-environmental programmes (+ 146 Euro/ha UAA in 2004/2005). According to first estimates, these payments, made as remuneration for ecological achievements, compensate for only the relatively lower payments from the EU common market organisation (direct payments from the first pillar and expenditure on price support) (see Nieberg and Offermann, 2006).

At the time of writing, no comprehensive studies are available to enable a well-founded judgement as to the efficiency of public funds for supporting the organic food sector. Since an evaluation of the different measures would have gone beyond the scope of this paper, an attempt is made only to place the state funds for organic farming over recent years into the wider perspective of agricultural support. Through this, it can be shown that specific support to the organic sector does not substantially stand out from comparable domestic and foreign expenditures analysed:

- In the years 2003 and 2004, the proportion of funds paid specifically to the organic sector amounted to 16 % of total expenditure on agri-environment measures; somewhat less than 2 % of total expenditure in the area of marketing promotion; and 3 % of total expenditure for farm investment support.

- Expenditure under rural development programmes, LEADER and operational programmes specifically directed to the organic sector amounted to 103.4 million Euros per year on average, based on the years 2000 to 2004, resulting in a promotional share of 4.5 %.

- The share of funds for area-based organic payments in total expenditure on the most important direct payments[10] of the EU's common market organisations was 2.2 % in the year 2004.

- Expenditure levels for the Federal Organic Farming Scheme and for the promotion of renewable resources, a programme which also relates to special production methods, have been similar over recent years.

- The levels of funding for research, development and transfer of knowledge provided at the Federal and state levels in the area of organic farming are comparable to other European countries such as Denmark or Switzerland.

10 Area payments for arable crops, payments for obligatory set-aside, dairy premium and additional payments, slaughter premium and additional payments for bovine animals, suckler cow premium, special premium for male bovine animals, deseasonalisation premium, extensification payments, ewe and goat premium.

6 Conclusions

Given the results described above, it becomes clear that specific support to the organic sector does not stand out considerably from comparable domestic and foreign expenditures for agriculture support analysed here. The question of whether the sector receives too much or too little state support cannot be answered conclusively, since the evaluation of current funding is dependent, above all, on social and political priorities, the objectives set for organic farming and, ultimately, the effectiveness and efficiency of the support measures. However, a glance at the German Sustainability Strategy with its goal of '20 % organically-farmed land by the year 2010' might indicate that, in the light of low growth rates, too little money is being spent in order to reach this goal. In terms of relating individual support measures for the organic food sector with specific aims (such as the achievement of environmental objectives), the question of whether the organic sector is promoted too much or too little remains almost completely open. In most cases, the effectiveness of measures for promoting organic farming is unquestionable. However, questions of efficiency, for example, whether targeted environmental goals could be achieved at lower cost through different policy design or completely different measures, cannot be answered conclusively. The fact that arguments are voiced in the policy debate that current levels of organic support are inappropriate is a consequence of differing value judgements relating to organic farming. Such differences arise from different preferences and priorities of different actors and their perspectives on organic production. Where there is high value placed on organic agriculture and its contribution to achieving societal goals, there is often also strong support for extensive state support of the organic sector (see Kuhnert et al., 2005).

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