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Against the dominance of large scale agro-business in North-Eastern Germany - Why small and medium sized farms are a better option for agriculture, rural development, and regional economy

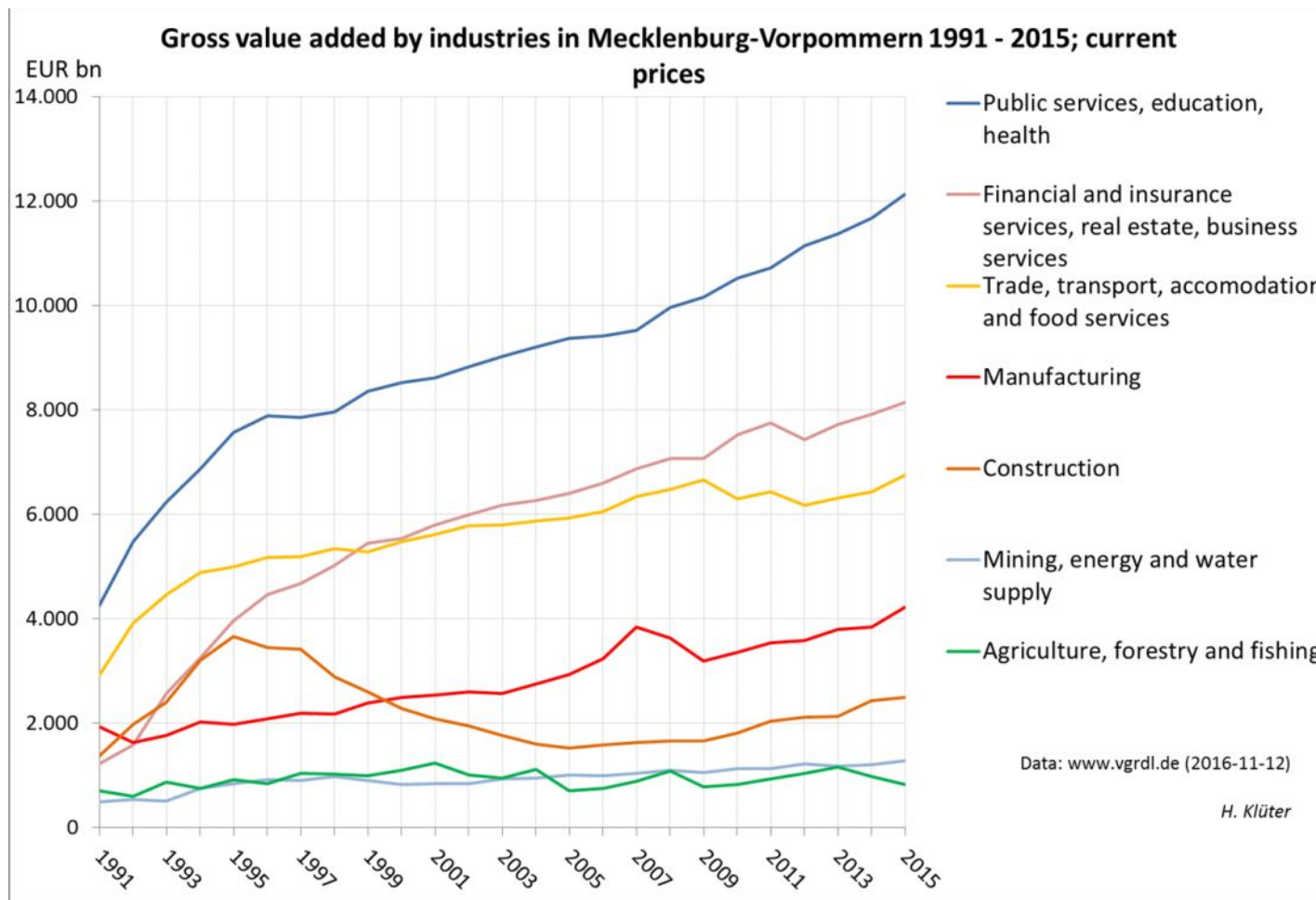
Access to land for farmers in the EU.
Challenges and solutions in the context of
increasing land concentration,
Brussels, 2016-12-07

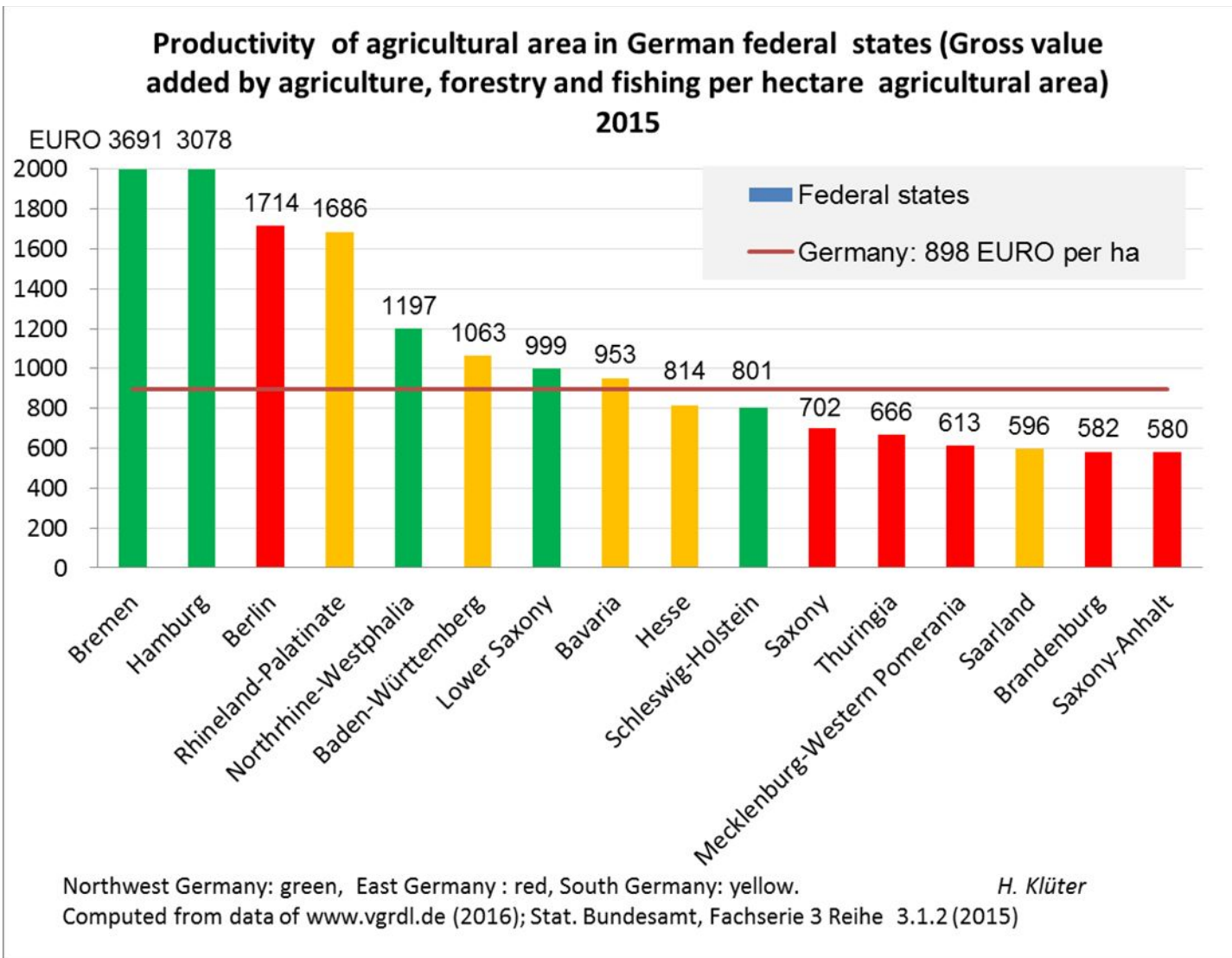
Economic
Macro-
regions
of
Germany



Agriculture in Mecklenburg-Vorpommern

In Mecklenburg-Vorpommern gross value added by agriculture is 2.3 per cent. This is the highest share among German Federal States (Ø Germany: 0.6 per cent). Nevertheless agriculture is the only industry of Mecklenburg-Vorpommern that had no growth during the last 20 years.

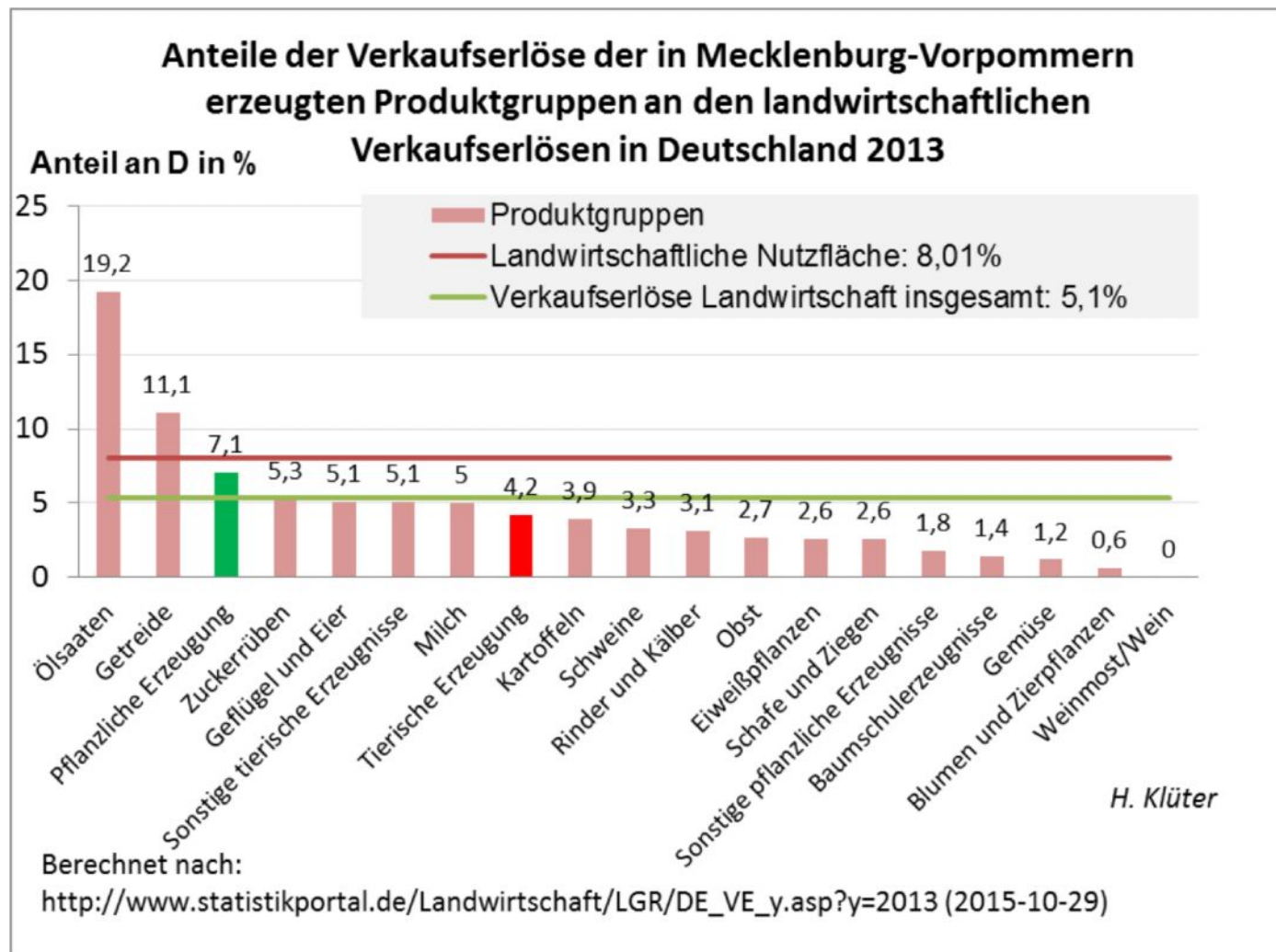




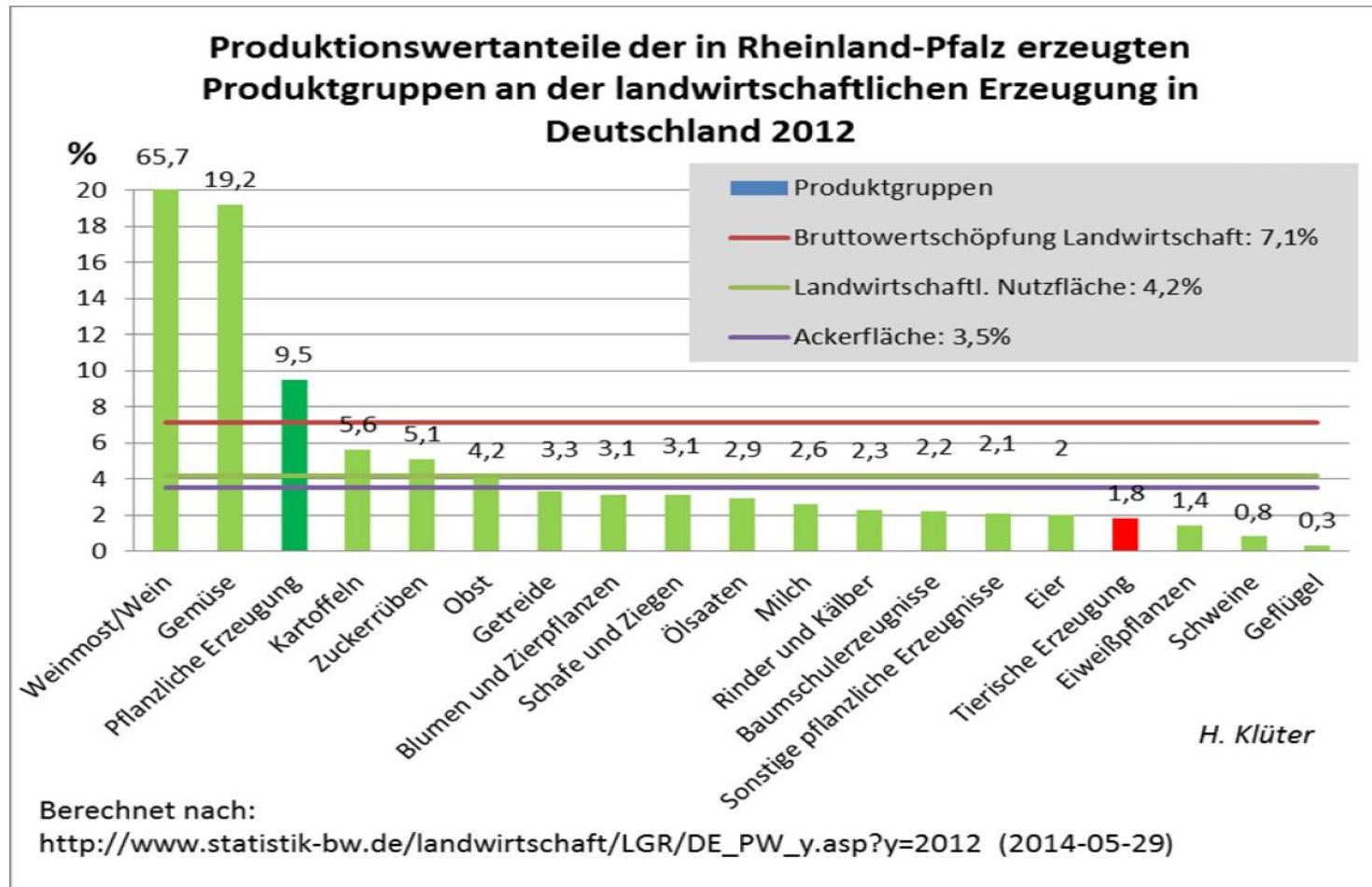
Productivity of Mecklenburg-Western Pomeranian agricultural area stagnates on low level of 613 EURO per hectare, i.e. 31.7 per cent below German average.

Saxony-Anhalt, the region including the best soils of Germany showed the lowest agricultural area productivity in 2015.

Agriculture in Mecklenburg-Vorpommern is strong when it comes to cheap mass products, but weak when it comes to specialised and high-priced products. Accordingly, only 5.1% of German sales revenues were generated on 8% of the German agricultural area in 2013. The present period is the first in Mecklenburg-Vorpommern history, during which agriculture is not able to supply the own population. We are forced to import food from West Germany.



In the family farm dominated federal states of West Germany this relation is inverse. In Rhineland-Palatinate on 4.1 per cent of German utilised agricultural area were processed 7.1 per cent of German agricultural sales. In agriculture small Rhineland-Palatinate ist stronger than large Mecklenburg-Vorpommern.

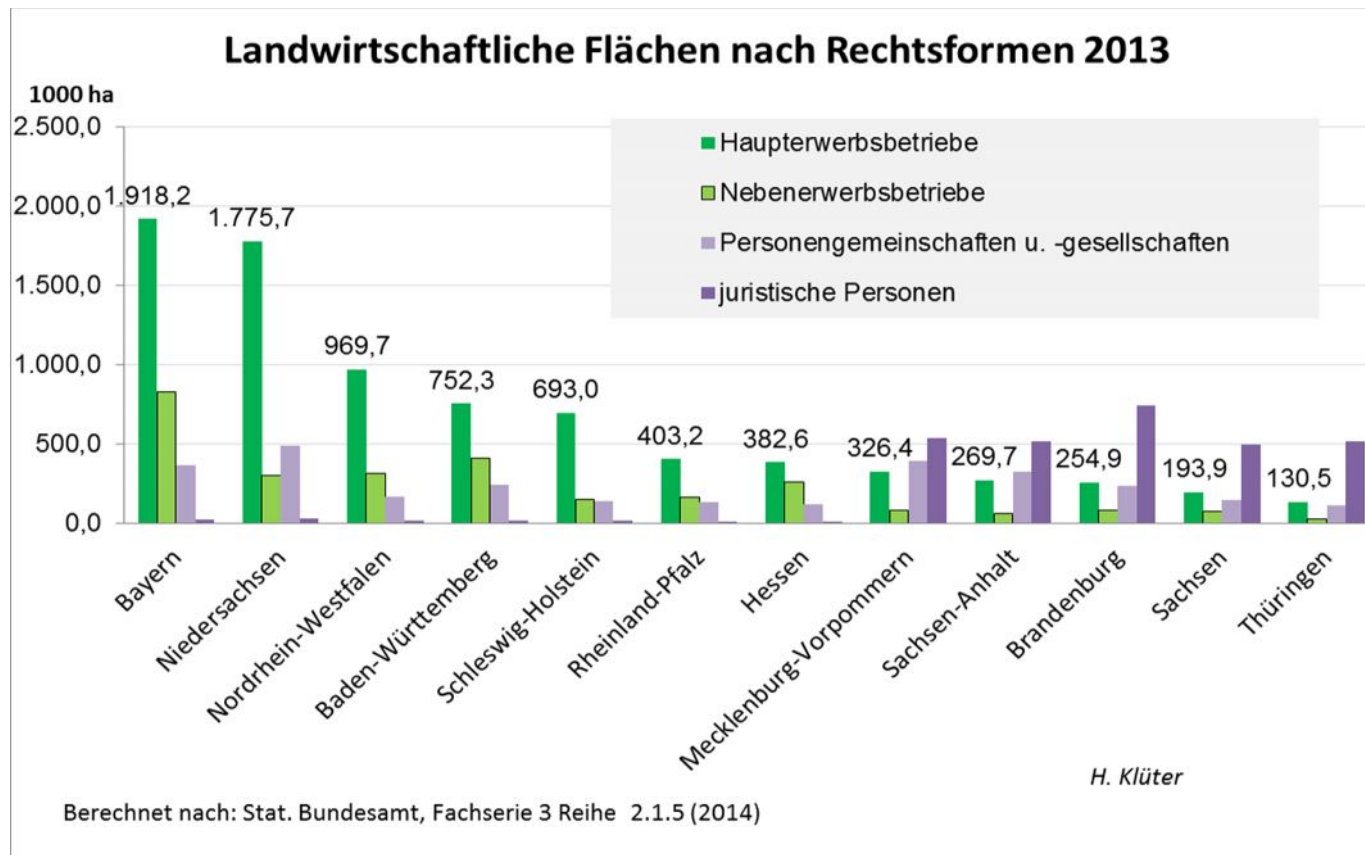


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Ländervergleich

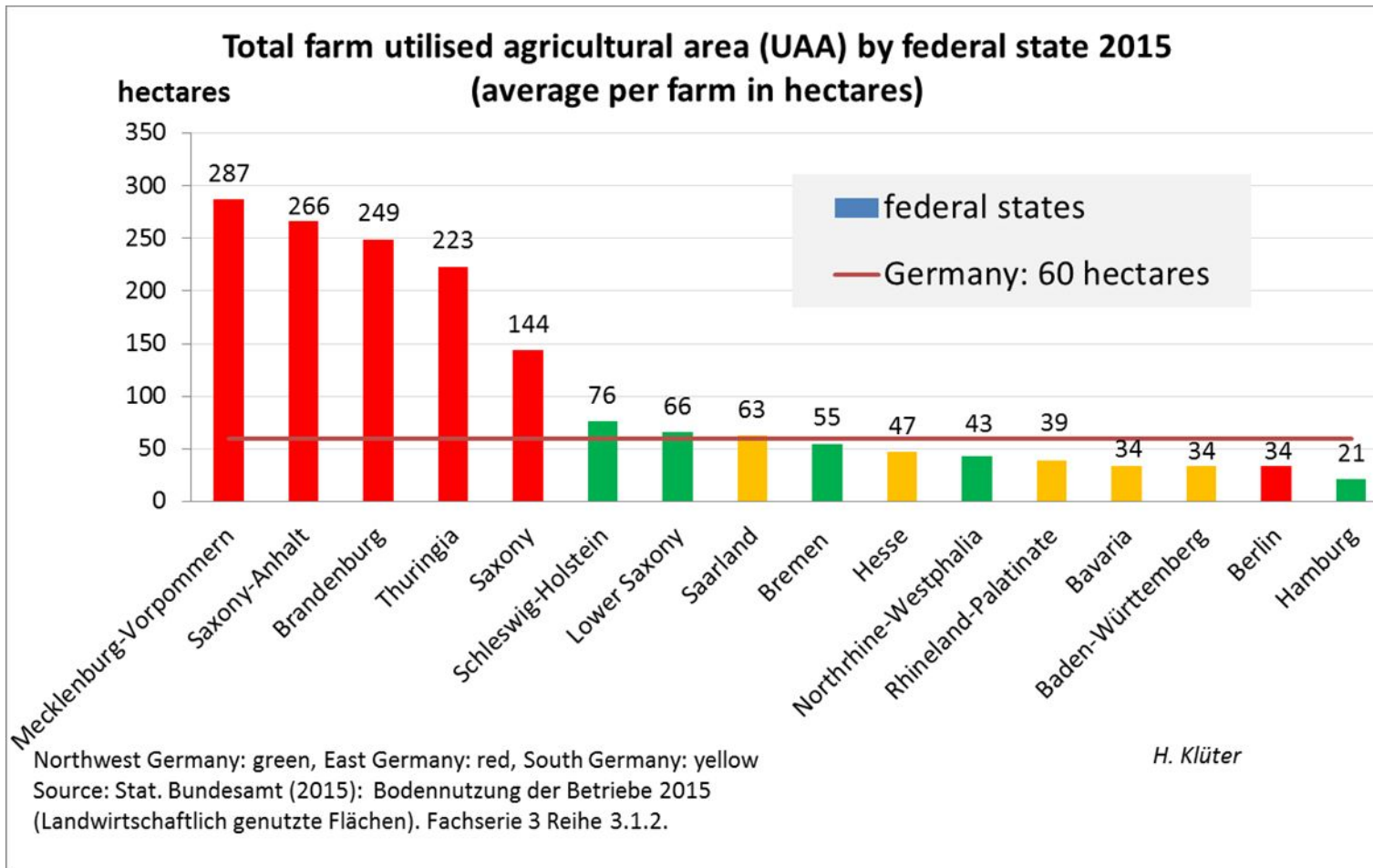
Who controls the German agricultural land?

West Germany: agricultural land is controlled mostly by family farms

East Germany: land is controlled mostly by legal entities, cooperatives and shareholder companies

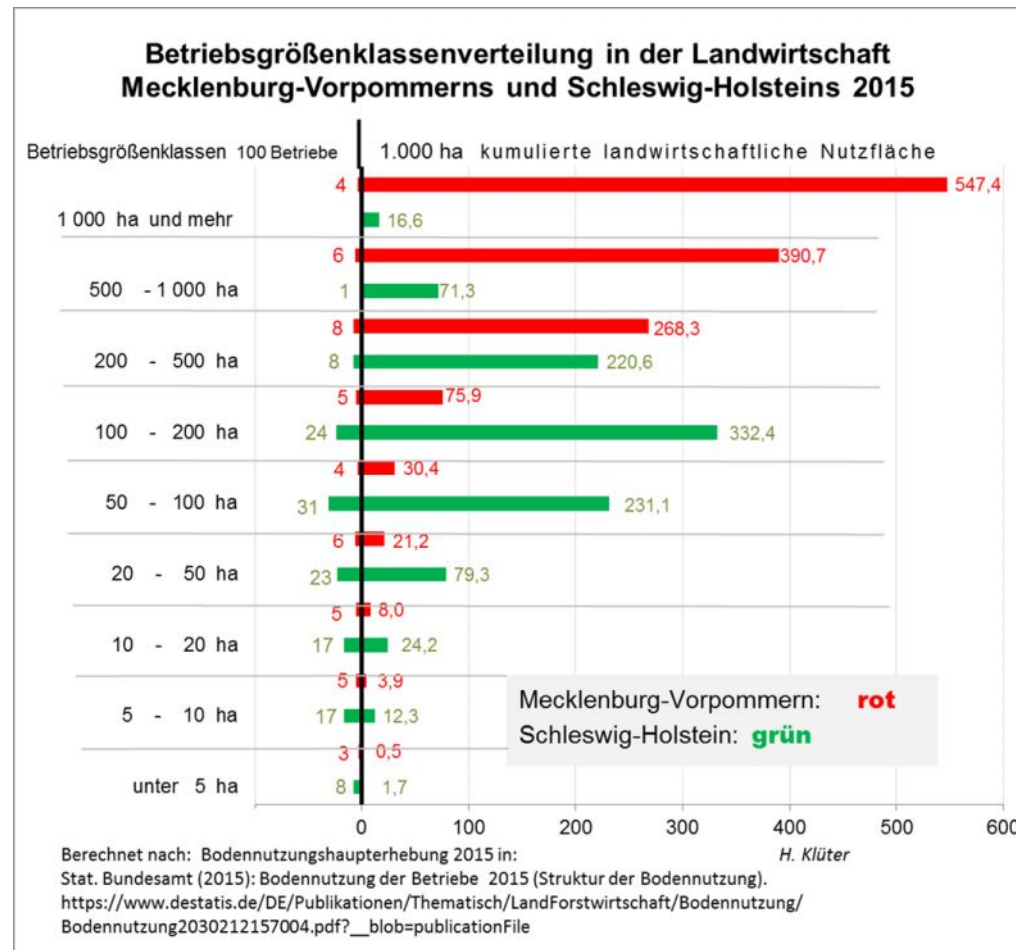


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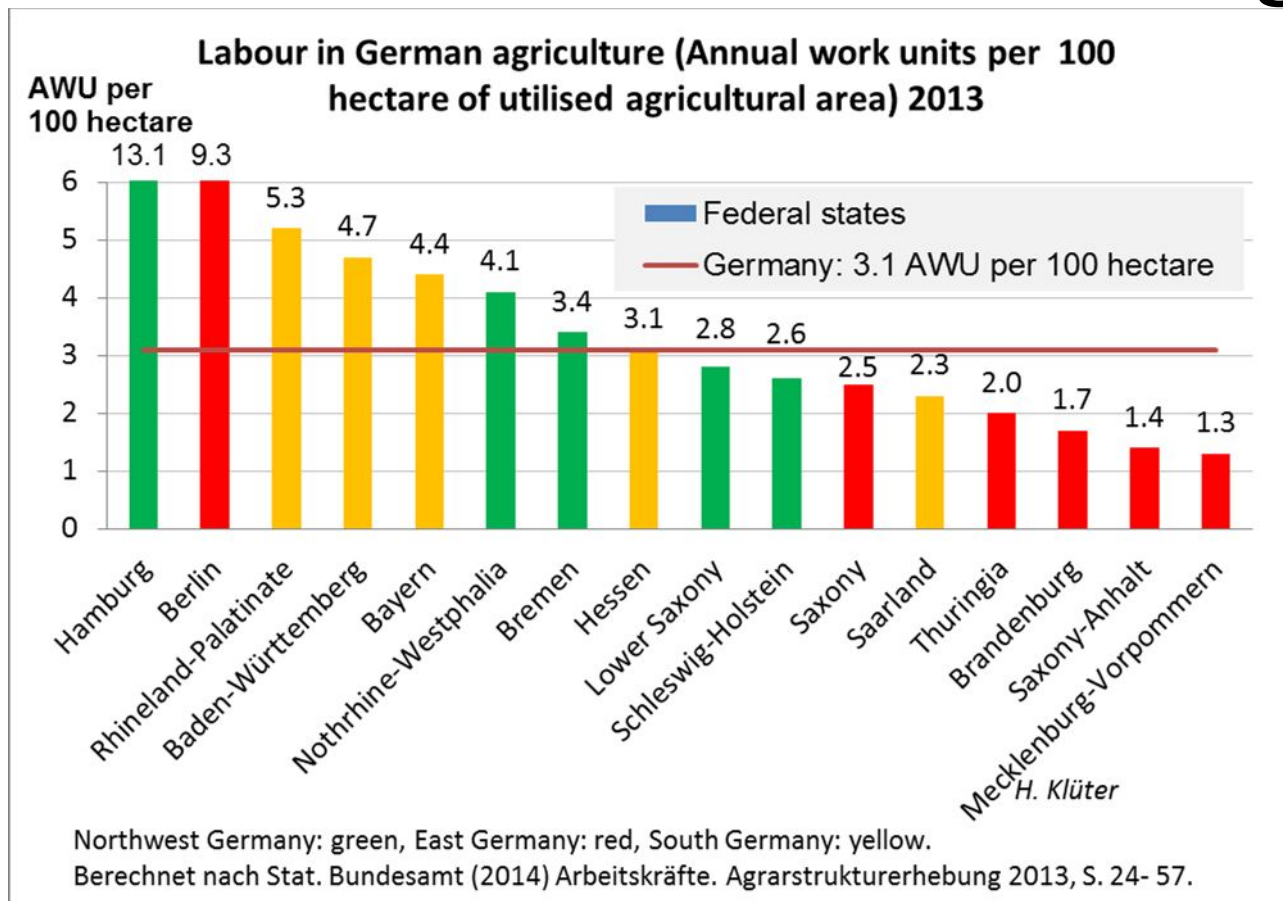
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Land tenure structures in Mecklenburg-Vorpommern, in contrast to West Germany, are shaped like a bottom-up pyramid. This resembles tenure structures of late feudalism and can therefore be called „neo-feudal“.



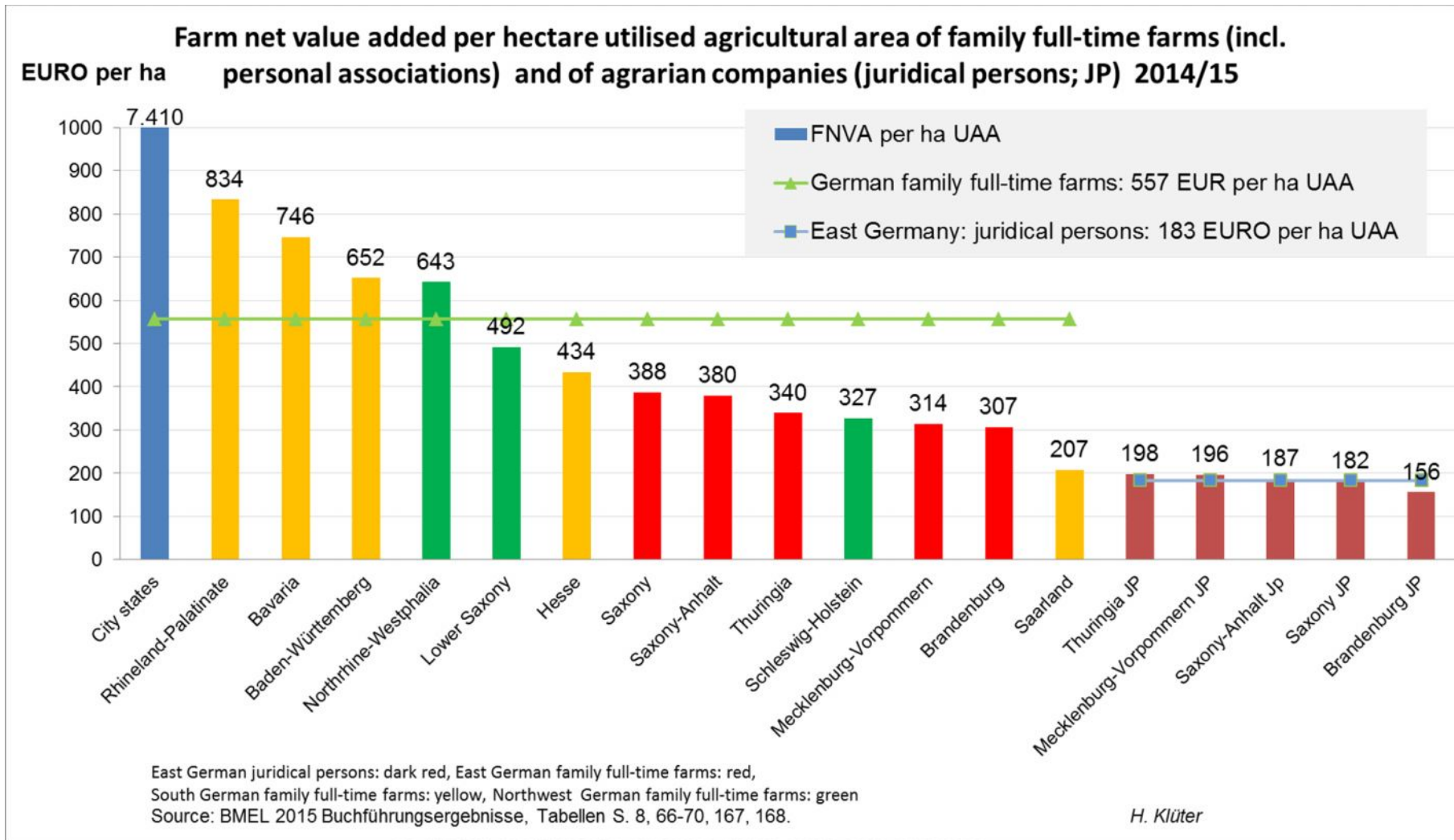
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Some effects of the dominance of industrial farming



In the poor regions of East Germany the labour input in agriculture is rather low. It is lowest in Mecklenburg-Vorpommern. In the richer federal states of West Germany labour input is much higher.

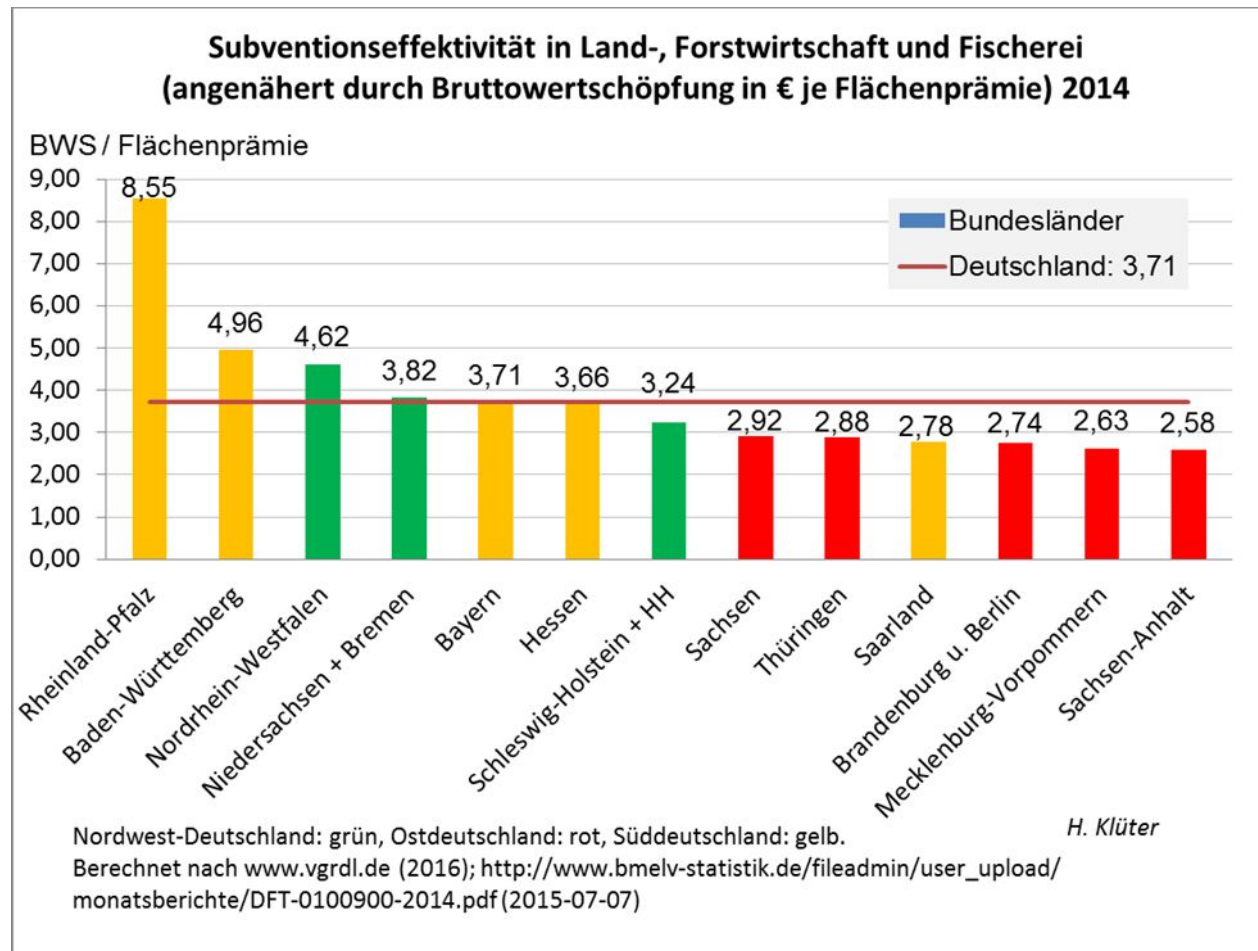
Family farms perform a higher output per UAA than large agrarian companies. In industrial farming companies output is lower than the amount of direct payment. That means that the average company of this kind can only survive on EU money. Under real market conditions industrial farming companies would fail.



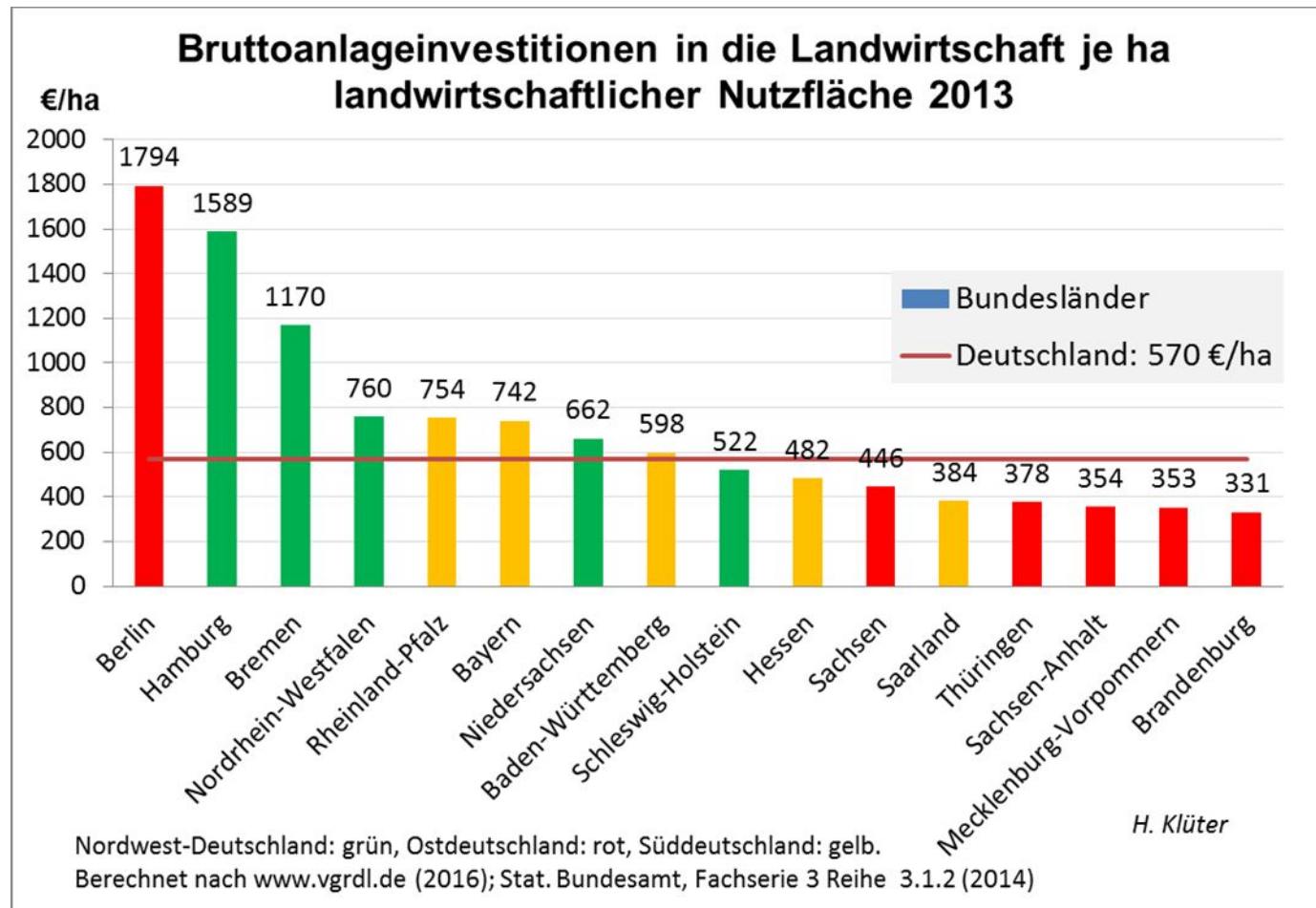
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Effectivity of EU subsidies by federal state, indicated by value added per direct payment.

In Mecklenburg-Vorpommern 2.63 EUR of value added is generated by 1 EURO of direct payment. German average is 3.71 EURO, West German Rhineland-Palatinate average is 8.55 EURO per 1 EURO direct payment.

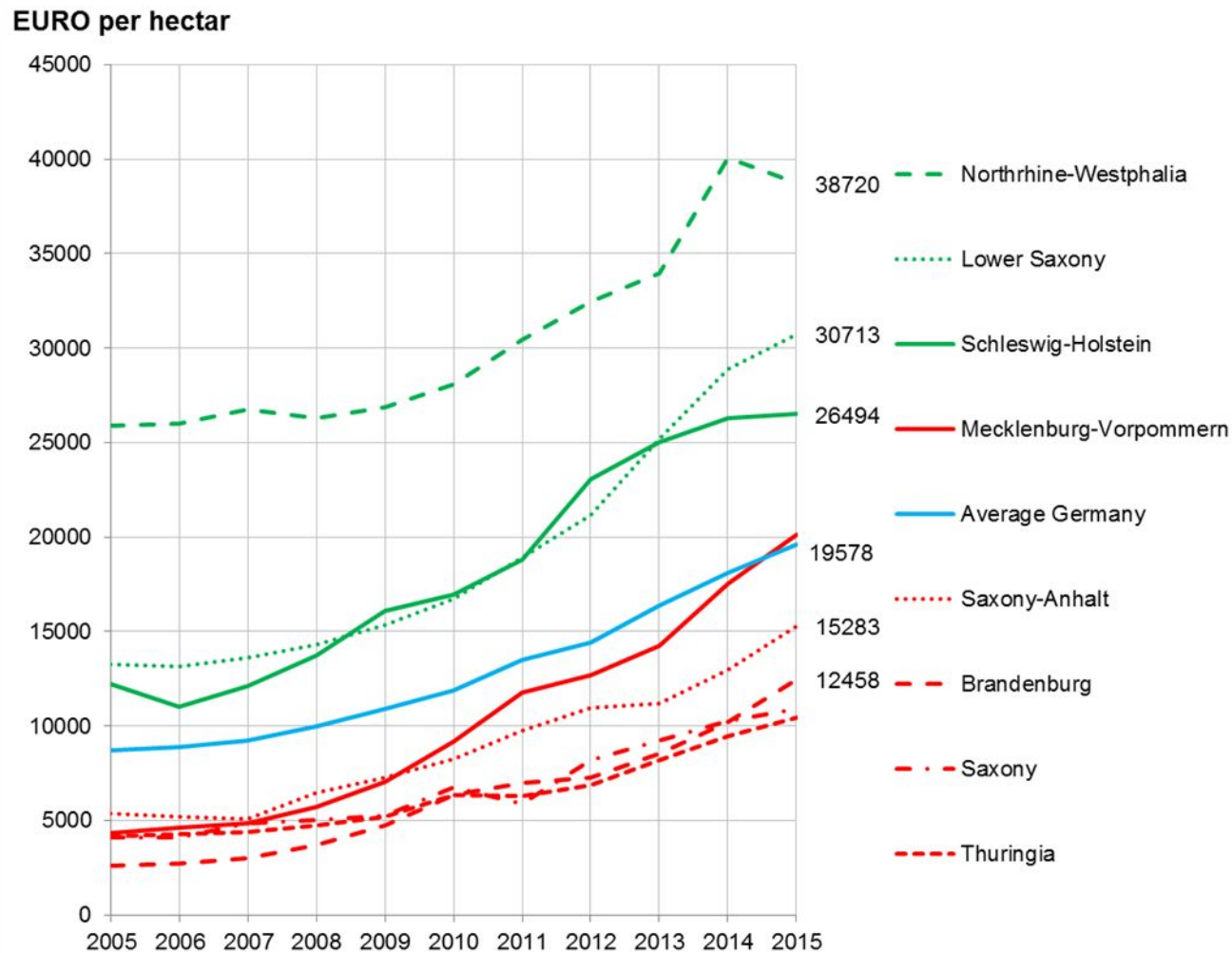


Large industrial farming companies invest less in agriculture than family farms. Mecklenburg-Vorpommern agricultural investments per utilised agricultural area are 38 per cent below German average investment level.



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Average price per hectare agricultural land by selected federal states of Germany 2005 - 2015



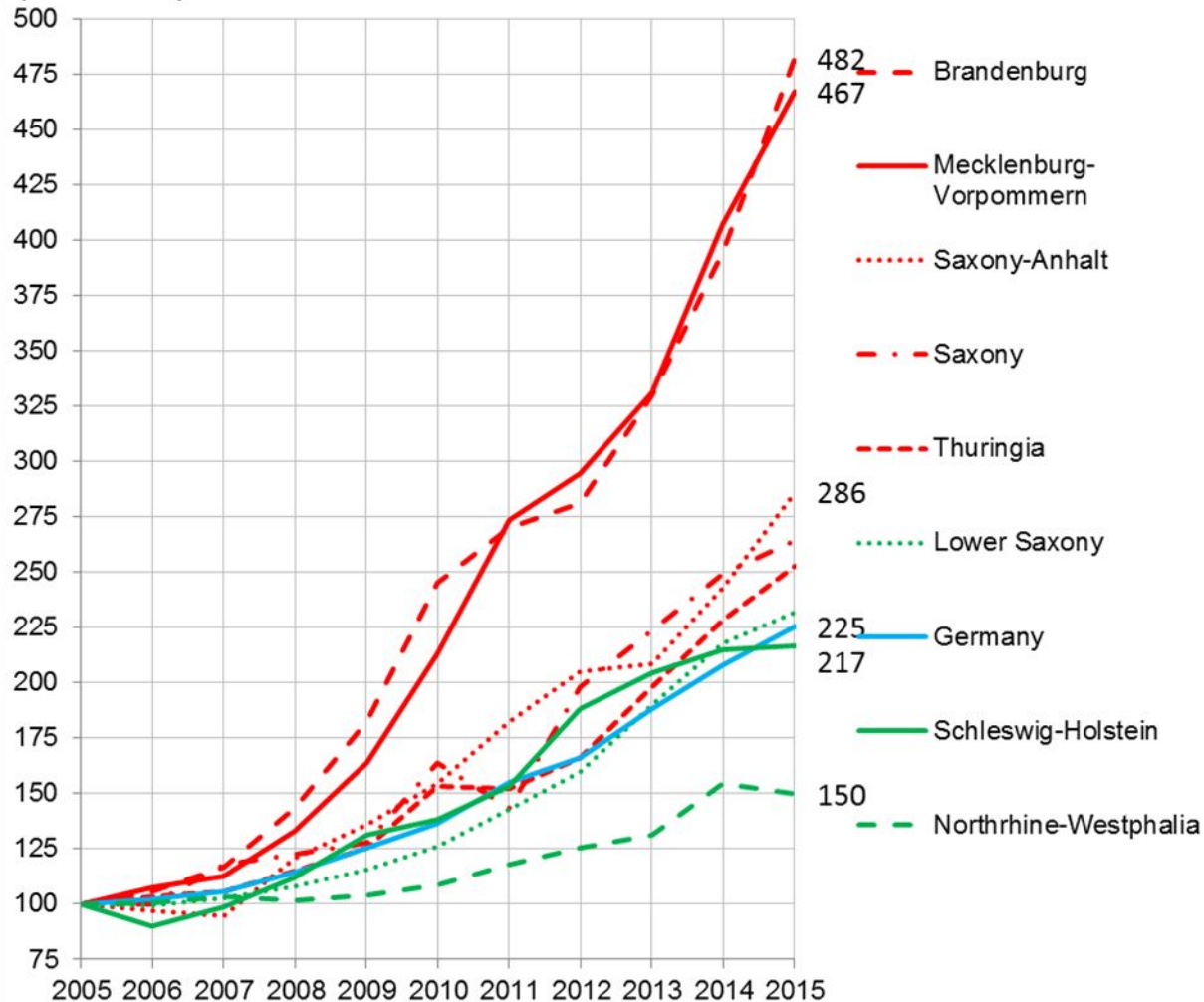
Computed from data: Stat. Bundesamt (2015): Kaufwerte für landwirtschaftliche Grundstücke 2014. Fachserie 3 Reihe 2.4. Wiesbaden. S. 14, 15; (2016), S. 14, 15.

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Instead of investing large industrial farming companies purchase land. **EU subsidies are misused to liquidate effective and productive agriculture of family and working cooperative farms.** Up to now prices in West German states (green lines) are still higher than in East Germany....

Growth of average agrarian land prices by selected federal states of Germany 2005 - 2015

(2005 = 100)



Computed from data of Stat. Bundesamt (2015): Kaufwerte für landwirtschaftliche Grundstücke 2014. Fachserie 3 Reihe 2.4. Wiesbaden. S. 14, 15; (2016), S. 14, 15.

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...growth of land prices of East Germany, however, is much faster than in West Germany. Prices are growing most not in regions of fertile grounds like Saxony-Anhalt but in regions like Mecklenburg-Vorpommern.

Changes of agrarian land ownership in selected East German districts 2007 - 2014 (hectares)

Source: A. Tietz 2015, S. 53

<i>Districts</i>	<i>Changes of ownership caused by purchasing land</i>	<i>Changes of land ownership caused by purchasing shares of agricultural enterprise</i>	<i>All changes of agrarian land ownership</i>	<i>Utilised agricultural area</i>	<i>Share of changed land ownership area in per cent 2007 - 2014</i>
<i>Mecklenburgische Seenplatte</i>	32.225	23.405	55.630	290.915	19,1
<i>Vorpommern-Rügen</i>	17.137	18.206	35.343	202.188	17,5
<i>Stendal</i>	12.000	3.326	15.326	149.321	10,3
<i>Anhalt-Bitterfeld</i>	11.384	600	11.984	88.619	13,5
<i>Nordsachsen</i>	9.096	5.048	14.144	127.812	11,1
<i>Bautzen</i>	3.337	6.152	9.489	99.913	9,5
<i>Sömmerda</i>	4.051	1.309	5.360	57.607	9,3
<i>Schmalkalden-Meiningen</i>	3.227	1.094	4.321	43.252	10,0
Σ	92.457	59.140	151.597	1.059.627	14,3

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The dominance of industrial farming companies affects economic damage of at least 250 million EURO p a.

Estimation of economic damage in per cent of value added by dominance of industrial farming in Mecklenburg-Vorpommern 2015

Year: 2015	Productivity, value added per hectare of agricultural area	agricultural area of Mecklenburg-Vorpommern (thousand hectares)	Opportunities for Mecklenburg-Vorpommern (million EURO)	Economic damage by dominance of industrial farming
West Germany without viticulture	918	1,340.3	1,230	
Germany without viticulture	819	1,340,3	1,098	
Schleswig-Holstein	801	1,340,3	1,074	
Value added by agriculture in Mecklenburg-Vorpommern			825	
Difference of Mecklenburg-Vorpommern agriculture value added to West German opportunities			-405	-49 per cent
Difference of Mecklenburg-Vorpommern agriculture value added to German opportunities			-273	-33 per cent
Difference of Mecklenburg-Vorpommern agriculture value added to Schleswig-Holstein opportunities			-249	-30 per cent

Structural losses of labour are twice higher than the losses of value added.

One of the reasons is the systematic economic underestimation of effects of family farms in German agrarian statistics.

Estimation of structural losses of labour by dominance of industrial farming 2015

Year: 2013	Annual work units (AWU) per 100 hectare of agricultural area	agricultural area of Mecklenburg-Vorpommern (thousand hectares)	AWU opportunities for Mecklenburg-Vorpommern (Thousand AWU)	Structural losses by dominance of industrial farming
West Germany without viticulture	3.825	1,341	51,3	
Germany without viticulture	3.310	1,341	42,0	
Schleswig-Holstein	2.547	1,341	34,5	
Mecklenburg-Vorpommern	1.275	1,341	17,1	
Difference of M-V in agricultural labour to West German opportunities			-34,2	-200 per cent
Difference of M-V in agricultural labour to German opportunities			-24,9	-145 per cent
Difference of M-V in agricultural labour to Schleswig-Holstein opportunities			-17,4	-102 per cent

Some differences between family and industrial farming concerning capital

	Family farming	Industrial farming
investment	Only on basis of agricultural and income combination resources	Broad access to non-agricultural sources, credit, and funds
Investment per hectare	high	low
Leased land	Share rather low	Privileged access to leasing from Federal agency for land (BVVG)
Access to land	Buying or leasing if there is money from agricultural profit	Acquisition possible by capital from other industries and from EU or by buying shares of agrarian companies
Access to EU funds	controlled	Professionalised systematic access; in East Germany nearly without any control
Dependency on EU-funds	In average low, but very diversified	Most essential

Some differences between family and industrial farming concerning production

	Family farming	Industrial farming
production	Not fully monetarised	fully monetarised
dependence on preproduction	lower	high
products	Mostly high quality products for specialised industries or end consumers	Mainly mass products for mass food industry
Social costs of production	Profits and benefits higher than ecological, biological and social damage.	Profits and benefits much lower than ecological, biological, economic and social damage
Aims of production	Supply of local and regional agricultural markets	Purchase of land in order to get more direct payment from EU
Access to EU funds	controlled	Professionalised systematic access; in East Germany nearly without any control
Multiplicator effects in regional income	high	low
Agri“culture“	High level of culture	No culture

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Some differences between family and industrial farming concerning labour

	Family farming	Industrial farming
Costs and benefits of labour	Not completely monetarised	completely monetarised
Participation of workers in profit and property	yes	Only in worker's cooperatives, not in other companies
Fluctuation of labour	Low; firing of husband or wife not recommended	high
Labour strategy	Extension of labour by specialisation and income combination	Minimisation of labour input by machines and rationalisation
Qualification of labour in special land utilisation	Very high; Tacit knowledge	Very low, only some technical knowledge
Multiplicator effects in social regional life	High; village life	Low; rather poor rural workers' settlements

Some recommendations

- Taking these findings into account, it is crucial that the **monitoring of and the instruments for controlling industrial farming companies are improved** and that these tasks are handed over to a federal or European authority.
- The definition of industrial farming must be clearly separated from the other forms of agriculture. **We need a new definition of agriculture on a European level.**
- All industrial farming companies must be subject to regular business licensing procedures, which must be carried out by the above named federal authority.
- The EU commission has to fight anticompetitive behaviour. This means that a member state is not allowed to subsidise a whole branch or industry. **It is only allowed to promote f.e. innovative or small an medium sized enterprise to start up or to correct asymmetries of markets. This rule has to be applied to agriculture, too. It is reasonable, that the commission promotes young small and medium sized farms.** But it is destructive for markets, when EU supports each farm including the big players of European agriculture.
- The subsidisation and privileged treatment of industrial farming has to be cut down on as quickly as possible.
- Under present conditions a young woman or man has no chance to get our knowledge or to get land to found a new farm. **We need new forms of agricultural education for young people in East Germany. This institution should own training farms in which young people can forms their skills.**

What shall be taught?

Ziel der Bundesregierung ist eine nachhaltige Landwirtschaft, die ressourcen- und umweltschonend produziert, die Agrarbiodiversität erhält und entwickelt, zur Erholung attraktive Kultur- und Naturlandschaften gestaltet und das Tierwohl beachtet. Die Wälder sollen nachhaltig bewirtschaftet werden und zudem einen

„Target of the Federal Government is a sustainable form of agriculture producing under the condition of protection of resources and environment.

Agrarian biodiversity shall be developed. Recreation and attractiveness of cultural, natural landscape, and animal welfare shall be respected.“

From: Bericht der Bundesregierung zur Entwicklung der ländlichen Räume 2016, p. 59.

We must add:

We must add:

Agricultural farms

- do not exceed more than 500 livestock units of cattle (cows) , and/or more than 2000 pigs, and/or more than 380 hogs with 3000 piglets, and/or more than 9000 birds in henhouses not larger than 600 birds and/or more than 500 hectares utilised agricultural area
- are not filials of a large company monopolising at least one product on a regional market,
- are permanently conducted by a local professional active farmer,
- are not bound by individual or group contracts to large agribusiness holdings or suppliers or food processing companies longer than two years, especially if the farms are situated side by side (regional cartels).

Let us transform German „**Landwirtschaft**“ which originally means **land economy** into European agriculture, agriculture, agricultura i.e. into a culture of development of fields and rural areas. Agriculture should be much more than “land economy”.