

# Project *brief*

Thünen Institute of Rural Studies

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## Ex-ante evaluation of Germany’s strategic plan for the Common Agricultural Policy 2023-2027

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- For the next CAP funding period member states have to draw up national strategic plans.
- This project, designed as a formative evaluation, supported the drafting process in Germany and gave numerous recommendations on how to improve the German plan.
- A final report evaluated the draft strategic plan submitted to the European Commission for approval in February 2022.

### Background and aims

The national strategic plans are required to receive EU funds to support agriculture and rural areas. They have to show how the member states plan to contribute to the CAP objectives (see Figure 1). For the first time, the strategic plans have to cover both CAP pillars. In addition to the rural development measures in the second pillar, which have been subject to strategic planning for several funding periods, the plans have to address the first pillar with its direct payments to agricultural holdings, interventions in specific sectors (such as fruit and vegetables) and the new eco-schemes. According to the Strategic Plan regulation (Article 139), member states have to conduct ex-ante evaluations “to improve the quality of the design” of their plans.

Figure 1: Objectives of the Common Agricultural Policy 2023-2027

1) Supporting viable farm income	6) Contributing to halting and reversing biodiversity loss
2) Enhancing market orientation and increasing farm competitiveness	7) Attracting and sustaining young farmers and new farmers and facilitate sustainable business development in rural areas
3) Improving the farmers’ position in the value chain	8) Promoting employment, growth, gender equality, social inclusion and local development in rural areas
4) Contributing to climate change mitigation and adaptation	9) Improving the response of Union agriculture to societal demands on food and health
5) Fostering sustainable development and efficient management of natural resources such as water, soils and air	Cross-cutting: Modernising agriculture and rural areas by fostering and sharing of knowledge, innovation and digitalisation

Source: Authors’ own illustration, based on Strategic Plan regulation.

### Evaluation approach

The Strategic Plan regulation states that, most notably, the following general elements need to be evaluated:

- the analysis of strengths, weaknesses, threats and opportunities (SWOT analysis), and the assessment of needs,
- the intervention strategy (for addressing the identified needs), the targets and financial plans, as well as
- the measures planned to reduce the administrative burden on beneficiaries.

For each of these elements the evaluation assessed whether the respective sections of the strategic plan were complete, plausible and coherent. Draft documents were analysed based on expert knowledge and the scientific state of the art. The evaluation was designed as a formative process, meaning that findings on early drafts were written down in interim reports and afterwards discussed with the client. In so doing, the project team gave numerous recommendations on how to improve the plan, many of which were implemented by the client. The following findings refer to the draft strategic plan submitted to the European Commission for approval in February 2022.

### Key findings

The strategic plan is based on a largely plausible analysis of the status quo, and the identified needs are mostly reasonable. The restrictive allocation of support measures to specific CAP objectives makes sense from an administrative perspective, but it underestimates the actual impact, as many measures serve more than one purpose. Overall, the strategic plan will contribute to the specific CAP objectives to different degrees, as will be briefly illustrated in the following passages. It needs to be borne in mind, however, that many other policy instruments exist, and that the strategic plan plays a central, yet not exclusive role in supporting agriculture and rural areas in Germany.

A focus of the strategic plan is *supporting viable farm income*. Direct payments supplement factor income by about 3.2 billion euros per year, decreasing the disparity between agricultural income and the average incomes in other sectors of the economy. Single-payment schemes are, however, ill-suited to compensate for income disparities, which vary greatly between agricultural holdings. As to *enhancing market orientation and increasing farm competitiveness*, 1.5 billion euros are available in the funding period, mainly for the support of farm investments and agriculture-related infrastructure. Furthermore, the strategic plan helps *improving the farmers' position in the value chain*, inter alia, with support for focusing on quality in primary production, for instance through support for investments in animal housing facilities, for pasture grazing and organic farming as well as for first processing and direct marketing.

The strategic plan also makes relevant contributions to the ecological objectives of the CAP. As for *climate change mitigation and adaptation*, the focus is clearly on the latter. Most funds flow into flood or coastal protection. The contribution to the reduction in greenhouse gas emissions from agriculture is expected to be low-impact whereas the safeguarding and conservation of carbon sinks is expected to have a relevant impact. Regarding *sustainable development and efficient management of natural resources such as water, soils and air*, the eco-schemes are essential basic measures at national level, while conditionality, a set of obligations for receiving area-based and animal-based payments, also plays an important role, especially for soil protection. Of further relevance is the organic farming support offered nationwide in the second pillar. Emissions of ammonia and reductions in water consumption are but little influenced by the strategic plan. Concerning *halting and reversing biodiversity loss*, a dominant role in terms of area is played by eco-schemes that mainly support ecosystem services. The expected enrichment of arable land with non-productive areas will have a significant impact, albeit with regional variations. Large-scale reduction in the use of fertilisers and plant protection products and support for extensive grassland management will improve habitat quality in the agricultural landscape, and bring benefits for farmland insects and birds, among others.

Overall, the environmental and climate architecture of the strategic plan is suited to making a substantial contribution to the environment. Compared to the previous funding period, there is a higher level of ambition, especially through conditionality and eco-schemes. Converting funding objects that were previously offered as five-year agri-environment-climate measures into one-year eco-schemes also affords the option of relieving the second pillar budget and using the funds for additional environmental interventions. The future role of agri-environment-climate measures is seen, inter alia, in supplementing the eco-schemes, which are geared towards broad-spectrum and nationwide application, with more demanding funding objects.

Against the background of a positive age structure in agriculture and largely healthy structural change, *attracting and sustaining young farmers and new farmers* is currently of little relevance in Germany. The roughly 712 million euros allocated to the objective are thus an unreasonable amount (and also substantially more than prescribed by the Strategic Plan regulation). The LEADER approach is of utmost importance when it comes to *promoting employment, growth, gender equality, social inclusion and local development in rural areas*. Its previous success is based on stimulating innovation and addressing regional needs. The strategic plan is, however, just one among many policy instruments for strengthening rural areas.

As for *improving the response of Union agriculture to societal demands on food and health*, animal welfare measures and the expansion of organic farming stand out. The strategic plan thus contributes to advances in the welfare of livestock kept for farming purposes; its reach will, however, be too small to have a significant impact on animal husbandry overall. Organic farming receives substantial funding of almost 2.7 billion euros, but the target of 14.1 percent of the utilised agricultural area (in the financial year 2027) falls well short of the proclaimed political objectives at EU and national level. Finally, the strategic plan contributes to the cross-cutting objective of *modernising agriculture and rural areas by fostering and sharing of knowledge, innovation and digitalisation* by improving knowledge flows and cooperation in the Agriculture Knowledge and Innovation System as well as access to research results and innovations, qualifications and knowledge transfer measures for actors in agriculture, forestry and food. For fostering the transfer of practical solutions, however, a closer link with demonstration activities and knowledge transfer measures is needed.

The *measures to reduce the administrative burden* are mostly plausible; but whether the strategic plan leads to simplification for final beneficiaries cannot be answered conclusively. Many relevant choices will only be made in the course of implementation at federal state level, where simplification should remain on the agenda.

For further information, please consult the final report (see the link below), which includes a five-page summary in English.

## Further Information

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### Contracting authority

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