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## **The Greening Effect**

**Will the proposed CAP measures lead to substantial gross margin losses for German farms?**

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## Will the proposed CAP measures lead to substantial gross margin losses for German farms?

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### Background

Three additional obligations are proposed by the European Commission to 'green' the direct payments within the Common Agricultural Policy (CAP) reform:

1. Maintain permanent grassland from 2014 on
2. Establish ecological focus area of 7% of the farms' arable land
3. Ensure crop diversification of at least three crops (70% maximum of one crop, 5% minimum of each of the others)

30% of direct payments be linked to compliance with these measures

**Heterogeneous farm structure and environmental conditions in Germany**

→ Farms face different costs of complying with these greening obligations

### Results

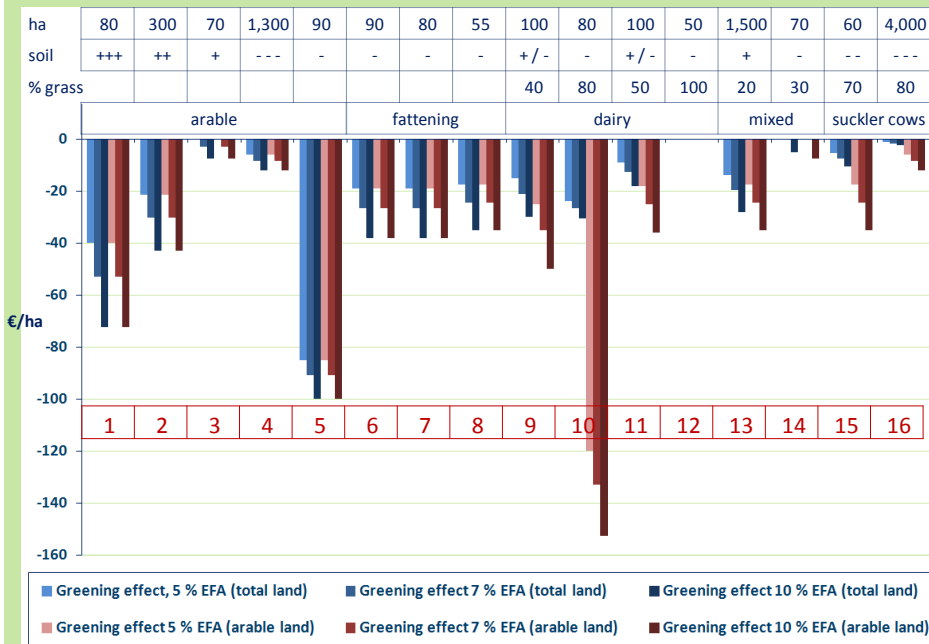


Fig. 2: The greening effect on total (blue) and arable (red) land, 5, 7 and 10% ecological focus area (EFA) modeling alternatives, farms no. 1-16 [€/ha]

- Farms with higher gross margins and farms with currently little nature-oriented area face higher greening costs, i.e. greening has a larger impact
- Dairy farms and farms with grassland are more affected than fattening farms
- Farms with very high gross margins (17 & 18) will forego public support to avoid losses

### For detailed references see

Heinrich, B. (2012): Calculating the 'Greening' Effect - A Case Study Approach to Predict the Gross Margin Losses in Different Farm Types in Germany due to the Reform of the CAP. Department of Agricultural Economics and Rural Development, Discussion Paper N° 1205. Goettingen. Online: [uni-goettingen.de/de/72592.html](http://uni-goettingen.de/de/72592.html)

### Data & Method

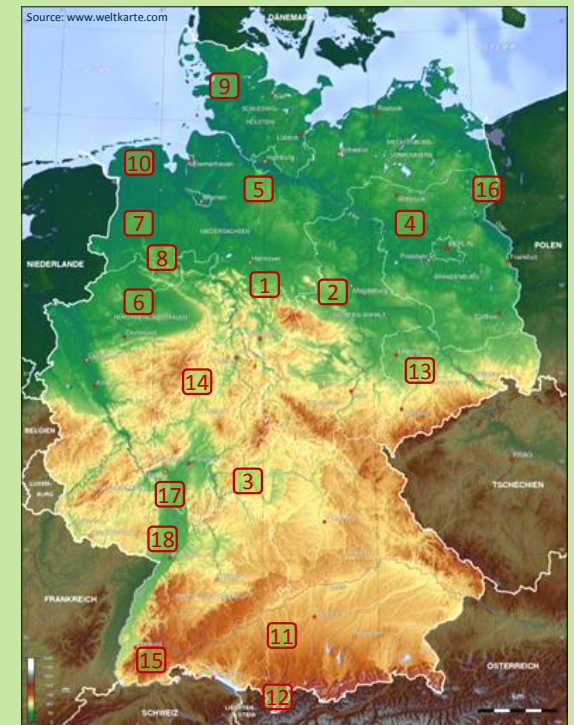


Fig. 1: Approximate location of farms studied

**Data:** 18 constructed average farms covering the most important farm types in Germany and a variety of environmental and climatic conditions

**Method:** Calculating the gross margin loss for each farm due to the three proposed greening measures compared with a baseline  
→ three modeling alternatives for the ecological focus area to reflect the ongoing debate

### Discussion & Conclusions

- We make restrictive assumption regarding changes in factor endowments
- Opportunity costs for maintaining permanent grassland and manure spreading are ignored
- Indirect and regional effects are not included

Greening measures might be ecologically beneficial especially in intensively farmed regions BUT: if farms use legal loop holes to circumvent these measures, the goals of the greening will be severely threatened

→ Implementation design is crucial!