

Survey of German farmers towards the impact of the Common Agricultural Policy on their businesses

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Abstract

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The Common Agricultural Policy (CAP) is an extensive component and a common policy for all member states of the European Union, as well as the largest budget item in the EU. Despite the provision of billions in subsidies over decades, the current CAP is not capable to achieve the self-set goals, such as climate and nature protection. Moreover, the current way of granting subsidies promotes a structural change that is constantly pushing small and medium-sized companies out of the agricultural market, making it more difficult to develop and strengthen sustainable agriculture and affecting nature and the environment more than necessary. This structural change is also clearly noticeable in German agriculture to highlight threats to agriculture and possible solutions, we present the results of our research that compares and analyzes the findings of a locally conducted survey in the context of the current situation in German agriculture with the results of a nationwide survey. The analysis shows that the importance of small and medium-sized enterprises has steadily declined and that the self-set goals of the EU have not been reached due to the inadequate promotion of a sustainable agriculture. The results indicate the need for structural reforms of the CAP to make it sustainable so that the goals set are not completely missed and, furthermore, agriculture in harmony with society and nature is made possible.

Keywords: Agricultural survey; Common Agricultural Policy; farm structure; sustainable agriculture; decreasing of farms; influences of subsidies in agriculture; German agriculture

Introduction

Agriculture is an important economic sector in the European Union and, with the subsidies granted a significant item in the budget of the European Union. To shape a common agricultural policy, the European Common Agricultural Policy (CAP) was manifested in Europe in the 1960s. Increasing the production of food at affordable prices and securing the income of farmers were key goals of the GAP. Since 1992, direct payments have been used to support agriculture. In the 2014-2020 period, direct payments account for approximately three quarters of total agricultural subsidy payments. Size and type of enterprises determine the influence of the

direct payments on the income. 80% of the funds are paid to only 20% of the beneficiaries because of the different sizes of their farms (Chemnitz & Rehmer, 2019). This funding policy requires a structural change for agriculture, which is characterized by a strong process of concentration. To this day, numerous agricultural companies are being pushed out of the EU market by major competitors.

The existing agricultural land in the EU is cultivated more and more intensively by fewer and fewer, but constantly growing, companies (Becheva & Rioufol 2019). Just 3% of all companies cultivate more than half of the total agricultural area (BUND 2019b). Between 2005 and 2016 around 30% of all agricultural holdings in Europe gave up their activities,

among these are mainly small and medium-sized companies (Crolly, 2019). The self-imposed climate and nature conservation goals and goals with regard to global justice through sustainable use of resources and fair-trade conditions have not yet been achieved (BUND 2019b).

This development has not bypassed German farmers either and has led to a current tense atmosphere and a very low willingness to invest. From the tension between economic constraints as a result of the structural change and the more intensive social discussion about agriculture and nutrition, there does not seem to be a simple solution for German farmers. This paper aims at explaining the current situation and mood among German farmers in the context of the CAP and at showing possible solutions which enable or maintain a sustainable and diversified agriculture in the future.

Research problem: Is the European CAP suitable for ensuring the market presence of small and medium-sized farms in Europe? To find an answer to this question we analyzed the statements of farmers of the Westmünsterland region, because predominantly medium-sized farmers are active there in typical German fields of agriculture such as fattening, milk production and arable farming.

Research aim: Assessment of the influence of subsidies as a key instrument of the CAP on German farms, taking the Westmünsterland region of Northrhine-Westphalia as representative example.

Research objectives:

To analyze the current CAP and its planned reform with regard to the sustainability of small and medium-sized farms.

To analyze the effects of the CAP on German agriculture, especially in North Rhine-Westphalia.

To present the research results regarding the influence of subsidy payments on agricultural enterprises and their effects on their market behavior based on a survey of farmers in the Westmünsterland region.

In the following part, the influence of the CAP on agricultural development in Germany and North Rhine-Westphalia is examined to point out the conflicts between the overall goals and the real effects of the EU-CAP in practice. In a second step, we outline the assessment of the CAP on the basis of a survey carried out in the Westmünsterland region. The paper concludes with a discussion of the results to highlight possibilities for realigning the CAP.

Materials and Methods

To understand the influence of the current European subsidy policy on the individual farms in Germany, the importance of European agriculture and the way in which it is

subsidized, as well as the current situation of German agriculture and the particularities of agriculture in North Rhine-Westphalia, were examined through literature research and elaborated from contextual statistics. The interpretation of this analysis is the subject of this article. All statistical data come from publicly accessible databases. The literature research is based on publications of official institutions, as well as on international literature.

In addition, the results of a survey on the effects of the current subsidy policy on farms in Westmünsterland are presented. The Westmünsterland region can be viewed as being representative, because there are predominantly medium-sized businesses that characterize the regional agriculture. Furthermore, these companies are typically still active in typical fields of the German agriculture such as fattening, milk production and arable farming. The purpose of this survey is to analyze the effects of subsidy payments on farms and on their market behavior. A specially developed questionnaire was used to figure out the role of subsidies and their assessment by farmers. The questionnaire has been prepared with the basic version of survio (www.survio.com), an online survey system. It consists of 39 questions that are grouped into four categories.

- 1: General data of your company
- 2: Your opinion about the situation of agriculture
- 3: The kind of subsidies in your company
- 4: Personal opinion about subsidies

The questions of the first category aim at providing general data of the surveyed companies, e.g. to enable their classification in term of size (in hectare), number of staff, or type market category. The surveyed market can be considered a European standard market. The questions of the second category should provide information about the general opinion of the surveyed companies about the current situation of agriculture and whether the surveyed companies are satisfied. The questions of the third category are targeted towards whether subsidies are being received, the kind of subsidies being received and their impact on expanding innovation capacity and strengthening competitiveness of the company. Furthermore, in this category the question is answered, if without subsidies the companies could still exist. The questions of the fourth category are about the personal opinion of the companies surveyed as far as subsidies in agriculture are concerned and whether these are considered important and their distribution is perceived as fair.

The majority of the 39 questions could be answered by means of a five-stage Likert scale rating from 'disagree' to 'agree', only few questions allowed free answers (Robbins & Heiberger, 2011). A total of 120 representative companies were identified in Westmünsterland with the support of the

North Rhine-Westphalia Chamber of Agriculture and were asked to participate. Of these companies, 50 took part in the online survey that was carried out between autumn 2017 and spring 2018. In association with comparable surveys, the results provide information about the effectiveness of the current subsidy policy for achieving a sustainable and maintaining a diverse agriculture in Europe.

Research Results

In this section we briefly elucidate the significance of the current European agricultural subsidy system. Furthermore, the current situation of German agriculture and the particularities of agriculture in North Rhine Westphalia (NRW) are shown. Against this background, the results of a survey conducted in Westmünsterland are described and evaluated with a focus on the effectiveness of the subsidies granted to strengthen competition in coherence with the current concentration process and structural change in agriculture.

CAP and the significance of the European agriculture

Agriculture is an important economic sector in the European Union. With 174 million ha, about 40% of the EU's total area is used for agriculture and is managed by just over 10 million farms. Of these, about 33% are in Romania and 13% in Poland, followed by Italy and Spain. The farms' size varies from an average of about 3 ha in Romania to 133 ha in the Czech Republic (Chemnitz & Rehmer, 2019). In comparison, Bulgarian agriculture cultivates around 5 million ha with around 200 000 farms (2%). Their average size accounts for 25 ha (European Commission, 2019 b). In Germany, around 267 thousand farms with an average size of 62.41 ha cultivated 16.445 million ha in 2018 (Deutscher Bauernverband, 2019).

The CAP has been the most important European policy area for several decades and consequently receives most of the EU budget: about EUR 59.64 billion in 2019 or about 33% of the EU budget (European Commission, 2018). The objective of the support is to ensure the achievement of the CAP objectives, which essentially means ensuring a sufficient supply of food variety and quality at stable prices and ensuring an adequate income for farmers (Chemnitz & Rehmer, 2019). The agricultural subsidies, as a key instrument of the CAP, are divided into two pillars. Pillar 1 comprises the European Agriculture Guarantee Fund (EAGF) and essentially finances direct payments to farmers. In 2019 direct payments account for more than EUR 43 billion or 73% of the total CAP budget (BUND, 2019a). Only 20% of the beneficiaries currently receive about 80% of the direct payments. Out of a total of 6.7 million holdings only 131 000

holdings, i.e. about two percent, received more than 30% of total direct payments (Matthews, 2019).

The European Agricultural Fund for Rural Development (EAFRD) is reflected in pillar 2, serving as the main instrument for implementing the objectives defined within the Member States (European Parliament 2019). The EAFRD share of CAP is only 25% (Chemnitz & Rehmer, 2019). This second pillar's funding aims at making the future more attractive to people in rural areas. Funding is therefore geared for long-term and strategic objectives as follows (European Parliament, 2019).

The nutrition of humans is achieved today mainly by fewer and larger farms in comparison with the time, when the CAP was started. Between 2003 and 2013, the number of EU farms decreased by 25%. With 96% of the disappeared farms disposed of an area of less than 10 ha. In the Czech Republic in particular, the average size increased from 80 to 130 ha in ten years. In livestock, too, the number of animals kept in smaller farms has fallen by more than a half since 2005. Larger farms keep about 75% of the animals. This figure holds for half of all the EU countries. Small and medium-sized companies still dominate European farm structure in terms of the number of farms and employees. Farms with a size of less than 10 ha and a mostly diverse production represent about 80% of all farms in the EU. Using only about 10% of the available land. The number of these farms has declined sharply. Large and very large companies become increasingly important. The number of companies with more than 100 hectares has increased by 16% in the last ten years, and they now use around 52% of the total agricultural area. The increase of the large farms goes along with the loss of jobs, with less diverse cultivation of products, with intensive agriculture and accompanying pollution of the environment (Becheva & Rioufol, 2019). This development is also pronounced in Bulgaria, Hungary and Slovakia where a few very large firms dominates the national agriculture. In Bulgaria for example, only 2.5% of the farms are larger than 100 ha. However, these farms cultivate 85% of the agricultural land and in addition to Romania and Poland, the largest decrease in available agricultural jobs can be ascertained there (European Union, 2018). In this way, European agricultural policy increases injustice in European agriculture. Due to the increasing consequences and burdens with regard to species diversity and the climate, the current subsidy system is not very suitable for achieving the goals it has set itself (Finke & Liebrich, 2020). Subsidies that directly contribute to preserving biodiversity and protecting the environment and climate are too low. Regions with high biodiversity receive only a few payments to make agriculture more ecological. Most of the payments are used in regions with intensive agriculture (Scown et al., 2020).

For the period between 2021 and 2027 the reform of the current CAP has been passed to become active. The focal points of the revised CAP are a more equitable distribution of direct payments in the future, the reduction of bureaucracy, the strengthening of a targeted support of sustainable agriculture and the improvement of environmental and climate protection aspects (European Commission, 2019 b).

National strategy plans by the EU member, downsizing of bureaucracy, more flexibility in granting subsidies, the limiting of direct payments and the launch of eco-schemes are the main changes for this period. Nevertheless, the new CAP budget will be around 28.5% of the EU budget which amounts to EUR 365 billion. However, the announced reform will not provide significant improvements. With more than three quarters of this budget Pillar 1 still accounts for the major part (European Commission, 2019 b), i.e. ineffective direct payments. The budget cuts regarding both pillars are unequal. Pillar 2 has to bear a cut of 28 percent whereas the cut of pillar 1 amounts to 11 percent (Peer et al., 2019).

The current situation in German agriculture

The German agriculture ranks third in global agricultural imports and exports. Around 4.5% of the agricultural goods exported worldwide in 2018, totaling 1807 billion US dollars, come from Germany. In 2018, agricultural exports accounted for 5.4% (i.e. EUR 71.6 billion) of total German foreign trade and agricultural imports for 7.8% (i.e. EUR 85.2 billion). The majority of the agricultural trade takes place within the EU with a share of 78%, trade with EU third countries amounts to 22%. Around a third of the total agricultural products produced in Germany are exported (Deutscher Bauernverband, 2019).

About half of the area of the Federal Republic of Germany is farmed. In 2018, around 16.7 million ha were cul-

tivated. Mainly types of grain such as wheat, barley and rye are grown, other focal points are production of milk and pig fattening although there are negative trends in these fields of business (Deutscher Bauernverband, 2019).

As Table 1 shows, German farms are predominantly medium-sized. With a share of 86 percent, the single farmer cultivates an area of up to 100 ha and uses approx. 37 percent of the available area. On average, company earnings of EUR 54 900 per company and EUR 38 400 per worker were generated in the 2018/2019 financial year. The net investment was EUR 7300 per company (Deutscher Bauernverband, 2019).

Although the share of gross value added in 2018 was only 0.9% and the share of employed persons was 1.4%, German agriculture, forestry and fishing is an important economic sector. This importance is underlined when you consider the complete agribusiness, which means the entire food chain from the original production to the consumer, including the food industry, the food trade and the catering industry. 10% of all employees in Germany are employed in 700 000 agribusiness companies and the production value generated in 2018 amounted to EUR 499 billion. This corresponds to 8% of the total production value or 7% of the total gross value added (Deutscher Bauernverband, 2019).

The increase in production by 67% over the last two decades compared to the average for the German economy also leads to an increase in capital intensity. With around EUR 581 thousand (thsd.) per employed person, agriculture is one of the most capital-intensive areas, whereas industry (EUR 327 thsd.), trade (EUR 145 thsd.) and construction (EUR 46 thsd.) each show a significantly lower capital requirement. Net fixed assets amount to EUR 161 billion and two thirds are financed with their own capital (Deutscher Bauernverband, 2019).

Table 1. German agricultural structure 2018 – Farms is grouped according to their size (farms from 5 ha)
(Source: Deutscher Bauernverband (2019), online on the internet)

Agricultural structure – Farms grouped according to their area (hectares) (Farms from 5 ha)				
Company size from...to... lower than... hectares	Companies		Area	
	Number in 1000	Share in %	Hectares in 1000	Share in %
lower than 10	65.6	24.6	358.5	2.2
10 to 20	54.0	20.2	806.4	4.8
20 to 50	63.1	23.7	2106.1	12.7
50 to 100	46.6	17.5	3293.1	19.8
100 to 200	24.7	9.3	3368.5	20.2
200 to 500	8.9	3.3	2587.3	15.5
500 to 1000	2.3	0.9	1639.9	9.9
1000 and more	1.5	0.6	2485.4	14.9
Overall	266.7	100.0	16 645.1	100.0

About 42% of those employed in agriculture are independent entrepreneurs and in 2018 managed around 267 thousand farms with more than 5 ha and around 22 thousand farms with less than 5 ha of arable land. The average area per farm in 2018 was 62.4 ha, with regional differences between West and East Germany (Deutscher Bauernverband, 2019).

The European trend towards concentration on a few large production companies can also be seen in Germany. Since 2007, the number of companies has decreased by 17.1% from 321 600 to 266 700 companies in 2018. It is noticeable that in the size classes of less than 100 ha the farms have disappeared from the market and the number of farms with a size of 100 hectares or more, which cultivate approx. 61% of the usable area, has increased. This structural change is also visible in animal husbandry. Overall, the number of farms without livestock increased from 28% in 2010 to 33% in 2016 (Deutscher Bauernverband, 2019).

The majority of the farms are run as individual family businesses. Managing 64% of the agricultural area with an average farm size of 44 ha. Main-occupation farms with more than 50% income from agricultural activity dispose of an average of 60 hectares. Part-time farms are much smaller on average with 23 ha, but their number is steadily increasing. Businesses run as partnerships have an average of 120 hectares and legal entities even over 527 hectares (Deutscher Bauernverband, 2019).

Another consequence of the concentration process is the expansion of the agricultural income and income combinations. Around two thirds of all businesses have supplemented their income opportunities, for example by hospitality, direct sales, the generation of energy, contract work and machine rental (Deutscher Bauernverband, 2019).

The consumer-side trend towards greater health awareness and the associated demand for healthy, fresh and sustainably produced food offers businesses the opportunity to be successful in organic farming. The share of organic farming in the total agricultural area increased from 5.9% in 2010 to 9.1% in 2018. At the end of 2018, compared to 2017, with 1.521 million hectares, 148 000 ha more were farmed organically. The number of organic farms rose accordingly by 7.9% or 2 300 to 31 700. This means that 12% of the farms specialize in organic farming (Deutscher Bauernverband, 2019).

Particularities of agriculture in the state of North Rhine-Westphalia

North Rhine-Westphalia (NRW) is the fourth largest in terms of area with 34 110 km², the most populous with 17.9 million inhabitants and the most densely populated state

of the Federal Republic of Germany. Despite this population density and the traditionally strong industrial structure, the state of North Rhine-Westphalia plays an important role in German agriculture. In 2018, 31 200 farms (11% of all German agricultural holdings) with an average size of 47 ha farmed around 1.5 million ha, predominantly in arable farming. Around 90% of the farms disposed of less than 100 ha. With regard to the proportion of leased land and the importance of organic farming, NRW has an average importance within German agriculture of 10% and 7% respectively. With 117 000 people in employment, around 12% of all those employed in German agriculture work in North Rhine-Westphalia. In addition to arable farming, a second production focus is in livestock farming. With 9% in sheep, 12% in cattle and 26% in pig farming, NRW ranks among the top 5 federal states. Due to the butchering of pigs NRW is the principal region in this respect in Germany with a 31% share of butchering. Two of the three leading slaughterhouses in Germany are based in North Rhine-Westphalia (Statistisches Bundesamt, 2019).

Westmünsterland is a region in the northwest of North Rhine-Westphalia, between the Dutch border in the west, the regional center of Münster in the east and the Ruhr area in the south. With its processing of animal products, the Westmünsterland region is now in the midst of global competition for food. The region is one of the most efficient agricultural areas in the world. In many cases the farms have become high-tech, specialized and intensive agricultural companies. They are composite systems originated in the food industry, which cover key food areas from the dairy industry to the meat industry. At the same time, a close spatial association between agricultural production and an extremely efficient upstream and downstream industry has developed in North Westphalia. This supplies the farms with means of production. The companies provide state-of-the-art technical equipment for growing crops, keeping livestock and transporting goods (Landwirtschaftskammer Nordrhein-Westfalen, 2020). The agricultural companies in the Westmünsterland region are medium-sized distinct and predominantly active in classic areas of German agriculture.

An evaluation of the survey

To figure out the effects of subsidy payments on the corresponding market behavior of farms and the importance of subsidy payments in general, a survey was carried out in the representative region Westmünsterland using an online questionnaire. Fifty of the hundred and twenty companies surveyed took part in the survey. The results are presented and discussed below. The following evaluation is based on the categories of the questionnaire.

The structure of the companies that participated in the survey

Most of the companies surveyed are medium-sized companies with an agricultural area up to 100 ha, maximum was up to 200 ha (Figure 1).

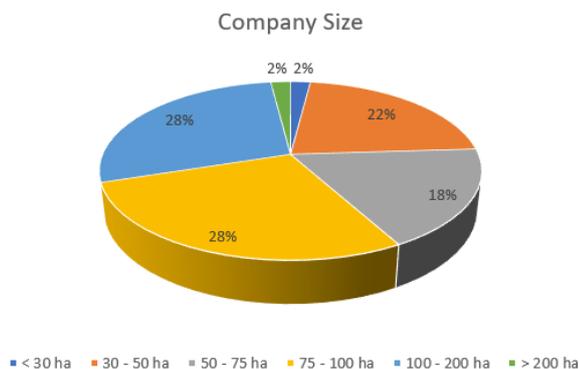


Fig. 1. Company Size

(Source: Own data ascertainment (2018))

It is remarkable that 64% of the 50 companies are more than 100 years old family businesses, about 70% of them employ less than 5 employees and run their businesses as main businesses. The majority uses a combination of either indirect and direct sales opportunities, or only indirect ones to sell their products. Nearly 60% of the companies use a medium-aged equipment of 10 up to 25 years. More than 90% rate the degree of automation in their company as good to very good. With almost 70%, the majority is engaged in arable and dairy farming as well as livestock farming. The average age of the farmers is 45 years and all farmers have the appropriate professional training, one fifth of them have a university degree.

Assessment of the current economic situation and influence through subsidy payments

The current market situation is viewed very critically. The majority cannot enforce their price expectations on the market. Furthermore, 42% are uncertain and 46% of the companies are convinced that the future situation will get worse. 64% also believe that environmentally friendly production is not rewarded by the market. An influence on the ability to optimize and innovate, as well as the production and sales planning is with a share of 50% respectively 56% generally not perceived by the companies. With 62%, there is an important accordance that the received subsidies are not a source of support in competition, so a correspondingly high level of subsidy payments is denied by the majority (54%) of the surveyed companies. There is also a majority

of 72% who believe in not having to make a loss or have to cease their business operations if the farms do no longer receive subsidy payments. Another 6% tend towards this assessment. Yet, the impact of subsidies on corporate cost management is highly controversially rated. Furthermore, it should be noted that a possible increase in subsidies is only reinvested to a small extent (28%) in the company, and with 10% consent hardly any new jobs are created. The motivation to switch the production to organic farming cannot be increased either in this way according to their views. Only 16% of the companies surveyed would change their mode of production. To summarize it can be said that the significance of subsidy payments for the companies surveyed can be seen as a compensatory corrective in the competition for the protection of income of agricultural companies.

An evaluation of the CAP as a suitable allocative function

This section includes the results of categories 3 and 4 of the questionnaire. The farmers' personal assessment of the importance of subsidy payments shows that, with up to 66%, the majority regard agricultural subsidy payments as unimportant. Nor do farmers see their existence endangered to the same extent should they not receive subsidy payments. Besides, subsidy payments do not play a significant role in achieving an adequate income according to the majority's view of the farmers. Furthermore, the majority of the farmers surveyed consider the distribution of subsidies in general and in particular according to the farm size, to be unfair. There is no significant difference in opinion between the medium-sized and all the rest of the companies surveyed. Subsidies are more necessary for medium-sized companies to carry out operational modernizations than is the case for large companies. Yet, there is a big agreement with 58%, of all companies that subsidies for upcoming modernization are not fundamentally necessary.

With regard to the competitive situation with large companies, 54% of the companies surveyed perceive that large companies are privileged by this subsidy system and therefore acquire competitive advantages in this highly competitive market in comparison with the other companies by receiving subsidy payments. Higher profit opportunities in organic farming are more likely to be seen by medium-sized companies, but companies are skeptical about the issue in general. What is also important in this category is the question of whether subsidies should be differentiated product-specifically. Medium-sized companies see more advantages in a product-specific support system than large companies, however, a uniform opinion cannot be recognized. Nor is there a uniform opinion about the issue to what extent sub-

sidy payments should be limited in their duration or amount. The groups of supporters, opponents and undecided farmers concerning such measures are comparable in their numbers. But medium-sized companies reject a limitation of any kind rather than large companies.

Regarding possible changes in the current subsidy policy, the groups of farmers who want to have the subsidies abolished completely and those who do not want any changes are with 40% to 32% nearly comparable in their numbers, too. Only a minority sees potential for improvement by a fairer distribution, a more targeted use and by reducing bureaucracy in the entire subsidy procedure. Two third of all companies and even more in the group of medium-sized companies are convinced that the decline of agricultural companies is justified in the prevailing poor competitive conditions. These views confirm the assumption that the current subsidy policy can only slow down but not prevent the market exit of small and medium-sized enterprises, thus jeopardizing the objectives of the common agricultural policy.

Detail findings

The survey results are generally centered on the opinion that the current subsidy policy should be fundamentally changed, as the future prospects of agricultural enterprises are not seen in a positive light by all companies, independent of their size. Although the companies believe they can survive without subsidies, the subsidies serve as a support in the competition. It can also be seen that companies are open to changes in their subsidy policy. Another crucial point of this survey is that medium-sized companies are more dependent on subsidy measures, so one might consider a special subsidy programme for this type of companies which would be more favorable to their needs and conditions. Measures to change the subsidy policy would, for example, use the subsidies in a more targeted manner. Essential topics can be identified from the answers received.

Figure 2 shows the five most important topics from the point of view of the companies surveyed; these are seen in the relationship as well to the medium-sized companies and to all companies surveyed. Hereby, the legend shown is derived from the five-point response scale of the questionnaire with regard to the level of consent. In general, the future perspective is seen only on average and medium-sized companies considering subsidies as more important than other types of companies. Furthermore, the willingness of medium-sized companies to increase their investment activity in case of increased subsidy payments is also much more common. It is also striking that companies do not believe that they are so dependent on subsidies that if the subsidy payments ceased to exist, it would inevitably lead to a business interruption.

Rank	Topic	Rating by all companies	Rating by medium-sized companies
1	Expectation of good economic prospects in agriculture	○	○
2	Subsidizing agriculture is important	△	○
3	Obtaining a fair income due to subsidies	○	○
4	Cessation of the production plant in case of subsidy failure	△	△
5	Expansion of investment activity with increased subsidy coverage	○	○

Legend:
 ▲ Far below average △ Below average ○ Average □ Above average ■ Far above average

Fig. 2. The approval to the essential topics

(Source: Own data ascertainment (2018))

The five topics that have gained the highest approval from the companies are shown in Figure 3. What is striking about this chart is that most companies are in favor of limiting the amount and duration of subsidy payments. Another conspicuous feature is that companies consider the subsidies not being targeted enough. Likewise, an influence on the entrepreneurial freedom is denied by the receipt of subsidy payments from the companies surveyed.

Rank	Topic	Rating by all companies	Rating by medium-sized companies
1	Product and sales planning are not influenced by subsidy terms	○	○
2	Limitation of the amount of subsidy payments	○	○
3	Limitation of the duration of subsidy payments	○	○
4	Product-specific differentiation of subsidy payments is more advantageous	○	○
5	Influencing company cost management by obtaining subsidies	○	○

Legend:
 ▲ Far below average △ Below average ○ Average □ Above average ■ Far above average

Fig. 3. The five topics with the highest approval

(Source: Own data ascertainment (2018))

Figure 4 lists the five topics that were rated with the lowest approval by the companies surveyed. In addition to a general overvaluation of the significance of subsidies, the companies' existence is assessed as not being threatened. The farms can also be run economically without subsidy payments. However, organic farming is predominantly not regarded as a production alternative. Furthermore, it is striking that despite the clear, negative attitude to subsidy payments, the market exit of agricultural production companies from the market is well perceived by the companies.

In the following we take a closer look at the responses of small and medium-sized companies in relation to the evaluation of all the companies surveyed. The difference shown in the following figures indicates how the rating of medium-sized companies varies from the rating of all companies (Figure 5.1).

Rank	Topic	Rating by all companies	Rating by medium-sized companies
1	Cessation of the production plant in case of subsidy failure	△	△
2	Generating a loss without subsidy relation	△	○
3	Honoring environmentally friendly production processes by the consumer	△	△
4	Survivability of German agriculture without subsidization	△	△
5	Support in European Competition	△	○

Legend:
 ▲ Far below average △ Below average ○ Average □ Above average ■ Far above average

Fig. 4. The five topics with the lowest approval
 (Source: Own data ascertainment (2018))

Rank	Topic	Rating by all companies	Rating by medium-sized companies	Difference
1	Subsidizing agriculture is important	△	○	0,5
2	Subsidy payments are necessary for required plant modernizations	△	○	0,4
3	Obtaining a fair income through subsidies	○	○	0,4
4	Support in European competition by receiving subsidy	△	○	0,3
5	Influencing the innovation and optimization ability through subsidy relation	△	○	0,3

Legend:
 ▲ Far below average △ Below average ○ Average □ Above average ■ Far above average

Fig. 5.1. The five topics better rated by medium sized companies
 (Source: Own data ascertainment (2018))

Medium-sized companies gave fundamental questions about the current subsidy policies, such as the importance and the necessity of subsidies, as well as their influence on competitive support and their influence on innovativeness, a higher level of approval than all companies surveyed taken together. This shows that, despite many farmers' critical attitudes towards subsidies, these subsidies are needed in particular by medium-sized companies in order to prevent agricultural production from being permanently on the verge of an existential risk.

In particular, non-medium-sized companies have given issues such as the limitation of subsidy payments, future expectations of economic development; the impact on cost management and the continued market exit of companies a higher approval than medium-sized companies. However, these assessments, each with a 0.1-point difference, are much weaker than the comparison in Figure 5.2 shows.

Discussion of the Consequences for the European Subsidy Policy

The results of our survey carried out in Westmünsterland largely coincide with the overall mood of German farmers. A survey carried out by the opinion of Research Institute

Rank	Topic	Rating by all companies	Rating by medium-sized companies	Difference
1	The limitation of the duration of subsidy payments	○	○	-0,3
2	Influencing company cost management by obtaining subsidies	△	△	-0,1
3	The expectation of good economic prospects in agriculture	△	△	-0,1
4	Limitation of the amount of subsidy payments	△	△	-0,1
5	The high priority of subsidies for operation	□	□	0

Legend:
 ▲ Far below average △ Below average ○ Average □ Above average ■ Far above average

Fig. 5.2. The five topics that are rated worse by medium-sized companies
 (Source: Own data ascertainment (2018))

Forsa identified comparable problem areas of German farmers and also showed that farmers were very dissatisfied with the current subsidy system (NABU, 2020). Around 68% of the farmers surveyed reject the existing subsidy system as a whole. The majority criticized the funding by direct payments. This system of rewards for land ownership disadvantages smaller farms and forces them out of the market in the long term, forcing them to use ever more intensive production methods regardless of the associated negative influences and effects on the environment. Almost half of the farmers surveyed even argue the case for a complete abolition of direct payments in the next 10 years. The clear majority of the farmers questioned demand a subsidy system that enables their development towards a sustainable agriculture with appropriate environmental standards and promotes, or at least does not impair, the competitiveness of small and medium-sized companies compared to large companies (Forsa, 2019). The current European subsidy system ignores the concerns of the majority of small and medium-sized farms. Due to the still main support by direct payments and the resulting distortion of competition, these companies are witnessing more and more existential problems from year to year.

In addition, the essential issues of a sustainable and diverse agriculture such as biodiversity, animal welfare, climate, water, soil and health protection are insufficiently supported. The reforms planned for the period 2021-2027 do not suggest any major improvements in this respect. Although at first glance agriculture should be developed more fairly and sustainably, the necessary CAP instruments have not been consistently adapted. The approach of limiting direct payments to strengthen small and medium-sized companies have also failed, because companies have the option of offsetting cost items with the premium. (Peer et al., 2019). In the absence of a focus on ecological and socio-economic aspects, no additional values in public goods can be expected from the granting of direct payments for the European soci-

ety in the coming funding period 2021-2027 (Heinemann & Weiss, 2018). Europe must ask itself what type of agriculture it wants to support in the future and must question whether the control instruments used so far are suitable for achieving the goals defined in the CAP. The continuous exit from the market by small and medium-sized companies, the ongoing process of concentration towards a few ever-larger companies, the solidified negative influences of current production methods on humans, animals, nature and the environment indicate that these instruments are not suitable. A rejection of granting direct payments is necessary in order to maintain the diversity of production and supply, to ensure price stability and to promote sustainable agriculture. Rather, all funding should be based on the principle of “public money for public services”. This means, among other things, the promotion of specific environmental and animal protection services, the use of budgets for public services in the areas of biodiversity, climate protection and environmental protection, targeted support for farms, young farmers and organic farming.

Conclusion

European agriculture is diverse and, like no other sector, is entangled with the design of habitats. Changes in agriculture have a direct impact on ecological and social systems. However, these changes are not only relevant for farmers, but affect all citizens, precisely because agriculture is so closely linked to food, the climate, nature and rural areas. It is therefore important to decide within European society in which direction agriculture should develop and how and by whom this process should be shaped politically. Which services are provided by the farmers and which services should be supported by public funds are key issues in this context. The CAP is the most important means of shaping change in agriculture and costs EU citizens almost EUR 60 billion per year. However, the CAP is not aimed at ensuring the production of healthy food by sustainable agriculture without negative impacts on animal welfare, protection of water, soil and climate, birds and insects. Rather, the high proportion of direct payments has initiated a process, which forces farmers to use ever more intensive production methods due to economic constraints, small and medium-sized enterprises consistently are pushed out of the market and goals set by the EU itself, such as the protection of the climate, soil and water and biodiversity, are not achieved.

The presented data highlight this development regardless of whether a regional, supra-regional or all-German analysis is carried out. German agriculture is an important part of the European agriculture and an important economic

factor, especially when considering the entire agrobusiness. Nonetheless, German agriculture, with large regional differences between East and West Germany, is characterized by medium-sized companies and is therefore fully affected by structural change and the consequences of the concentration process. The analysis shows that German farmers are disappointed with the political orientation and the majority of them judge the current situation and future expectations negatively without far-reaching reforms of current politics. In order to stop the current trend and to promote and establish sustainable agriculture within an appropriate framework it is advisable to use the available funds in such a way that primarily public services by agriculture are rewarded and the funds earmarked for financing are provided with sufficient financial resources at the expense of direct payments.

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