

Consequences of the CAP reform for the Bavarian Agriculture

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session code: L2.4

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Reasons for the German way of implementing the CAP reform

Strengthening the competitiveness

- stronger market orientation
- increasing rate of structural changes (*e.g. lower milk quota prices*)

Positive impact on natural resources

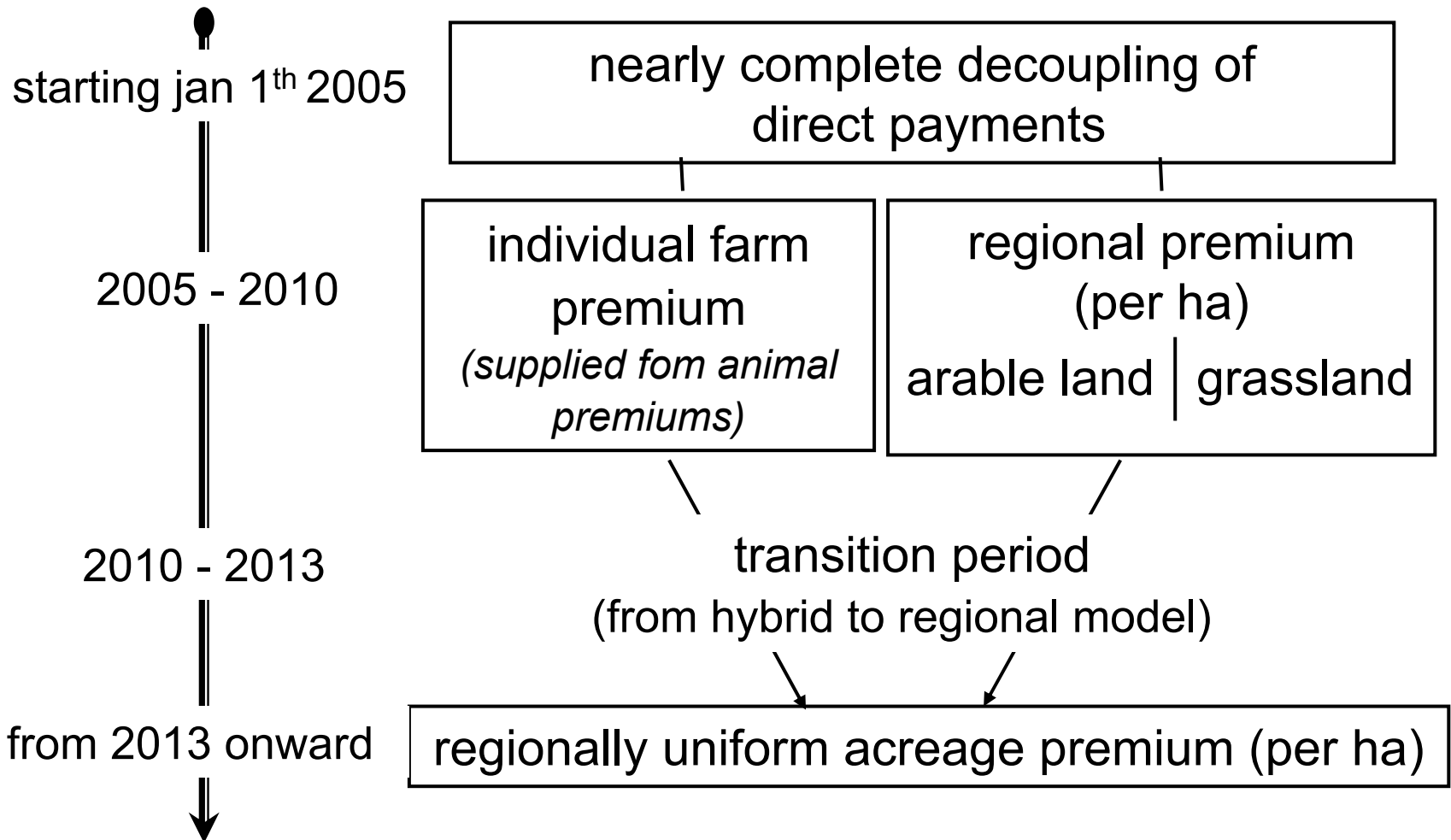
- low intensive production methods (*e.g. less cultivation of maize*)
- support of grassland regions

Consequences:

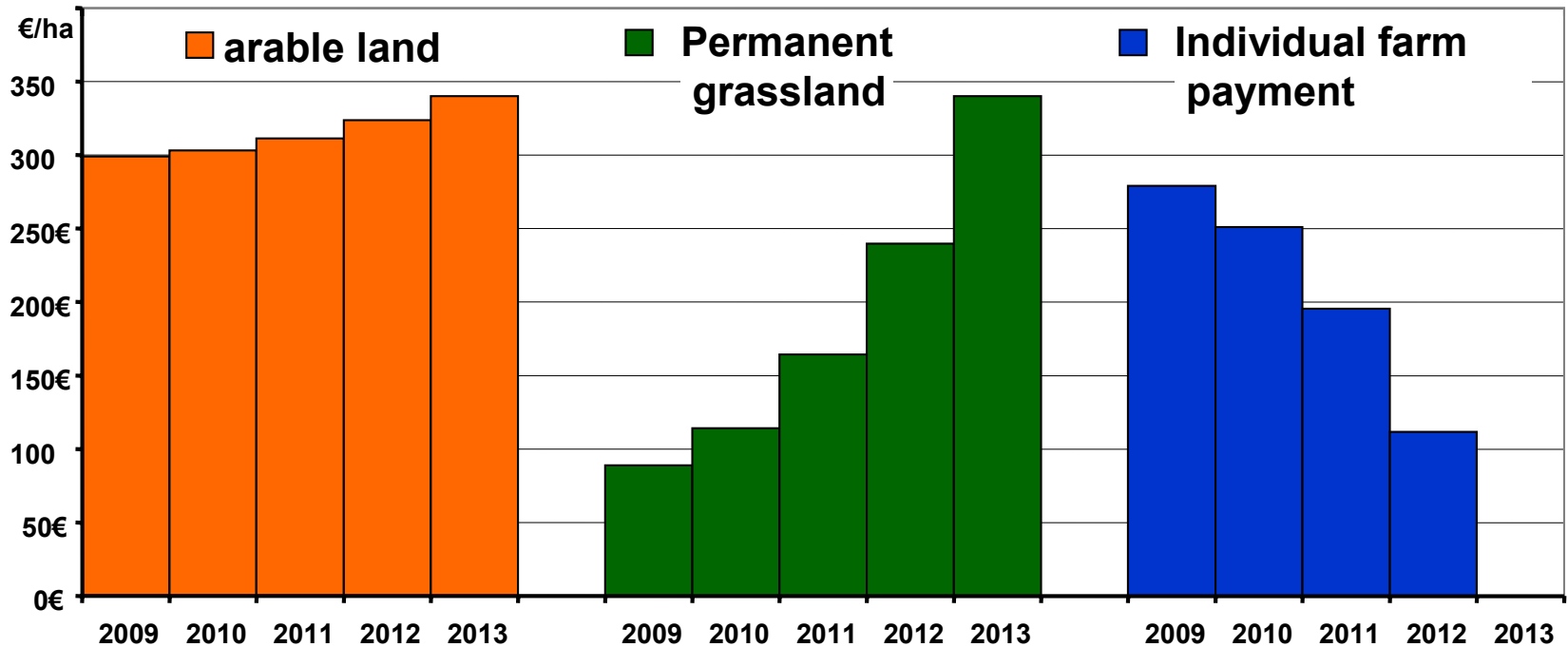
full decoupling + hybrid model with transition to regional model



Implementation of the CAP Reform in Germany



Development of premiums during the transition period (example)



source: Spreidler, 2004



Winners:

- farms with high endowment of grassland
- farms with a high share of root crops in the rotation

Losers:

- farms with bull fattening
- farms with a high milk yield per ha
- farms where silage maize is an important forage base

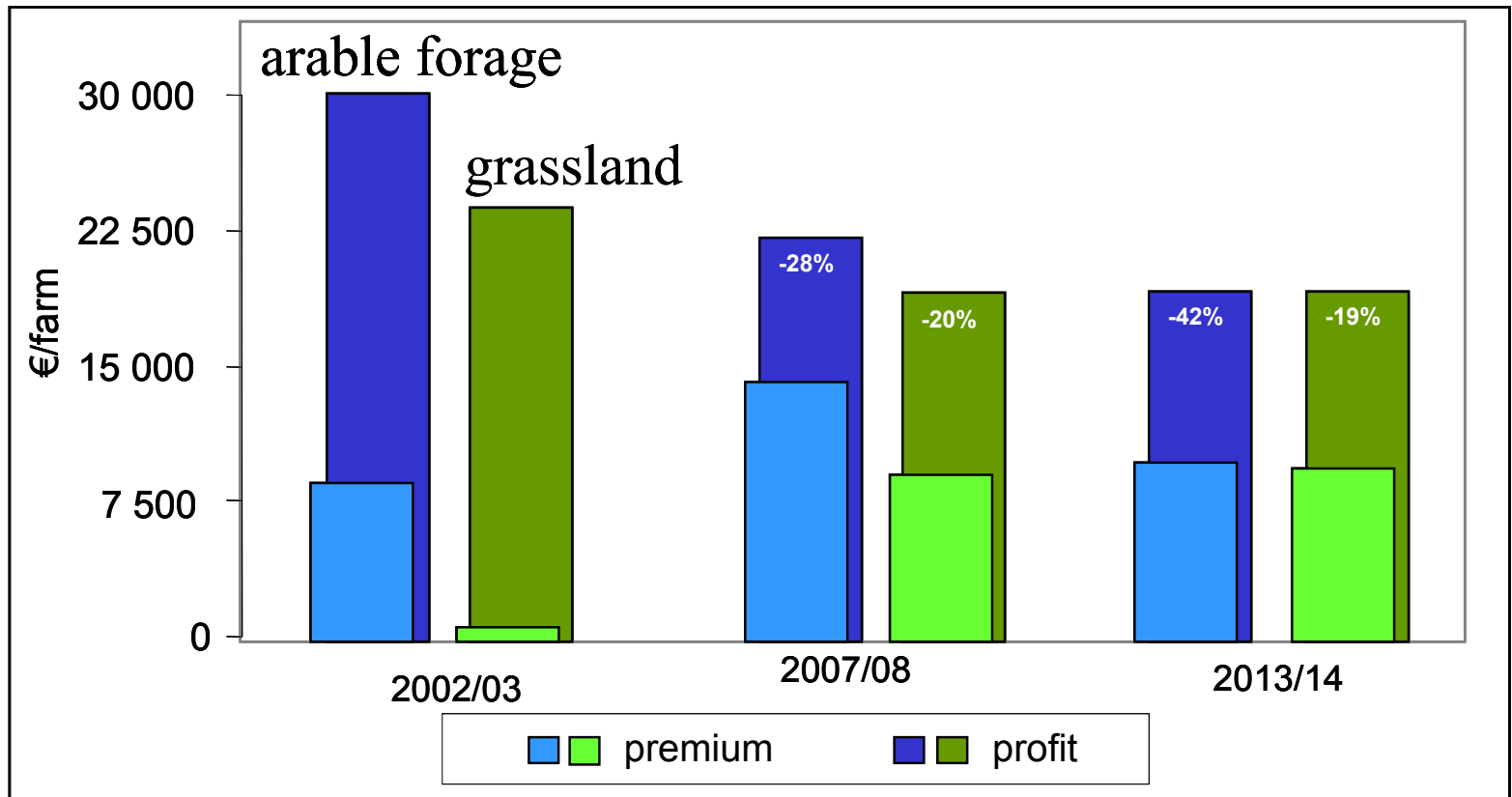


Development of milk price and selected premiums in Bavaria

	2002/03	2007/08	2013/14
milk price (estimate) (ct./kg)	32.2	25.5	25.5
grassland premium (€/ha)	-	89	340 ¹⁾
maize premium (€/ha)	474	299	340 ¹⁾
slaughter premium cattle (€/St.)	88	-	-
dairy premium (ct./kg)	-	3.5 ²⁾	-

¹⁾ uniform acreage premium ²⁾ from 2006/07 onward

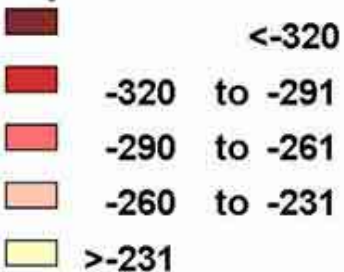
Possible impact of the CAP reform on premiums and profits of dairy farms in dependence of the main fodder resource



1) 35 dairy cows, milk yield 6 000 kg/cow/year; breeding progress and modulation not considered, endowment in acreage: 30 ha TAL

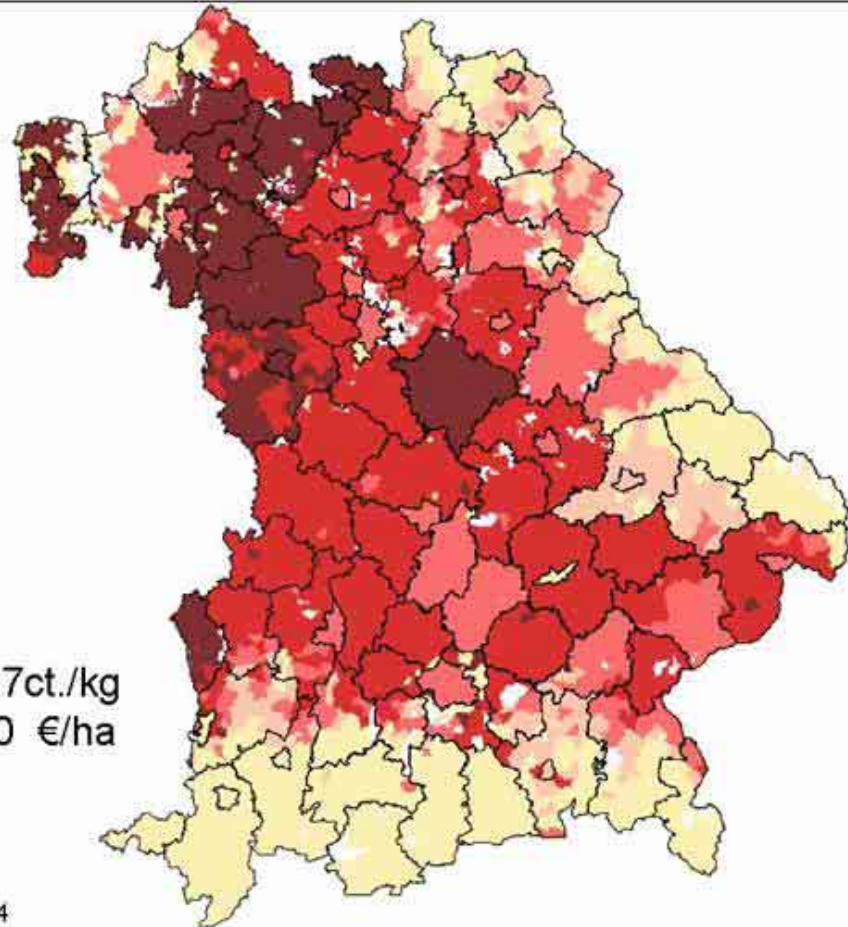
Influence of milk prices and premiums on the economic performance (€/dairy cow) from 2002/03 till 2013/14

€ per cow



calculation:

- diminuation of milk price -6.7ct./kg
- uniform acreage premium 340 €/ha
- without animal premiums



source: Bauhuber, Hoffmann, Kaltenecker 2004



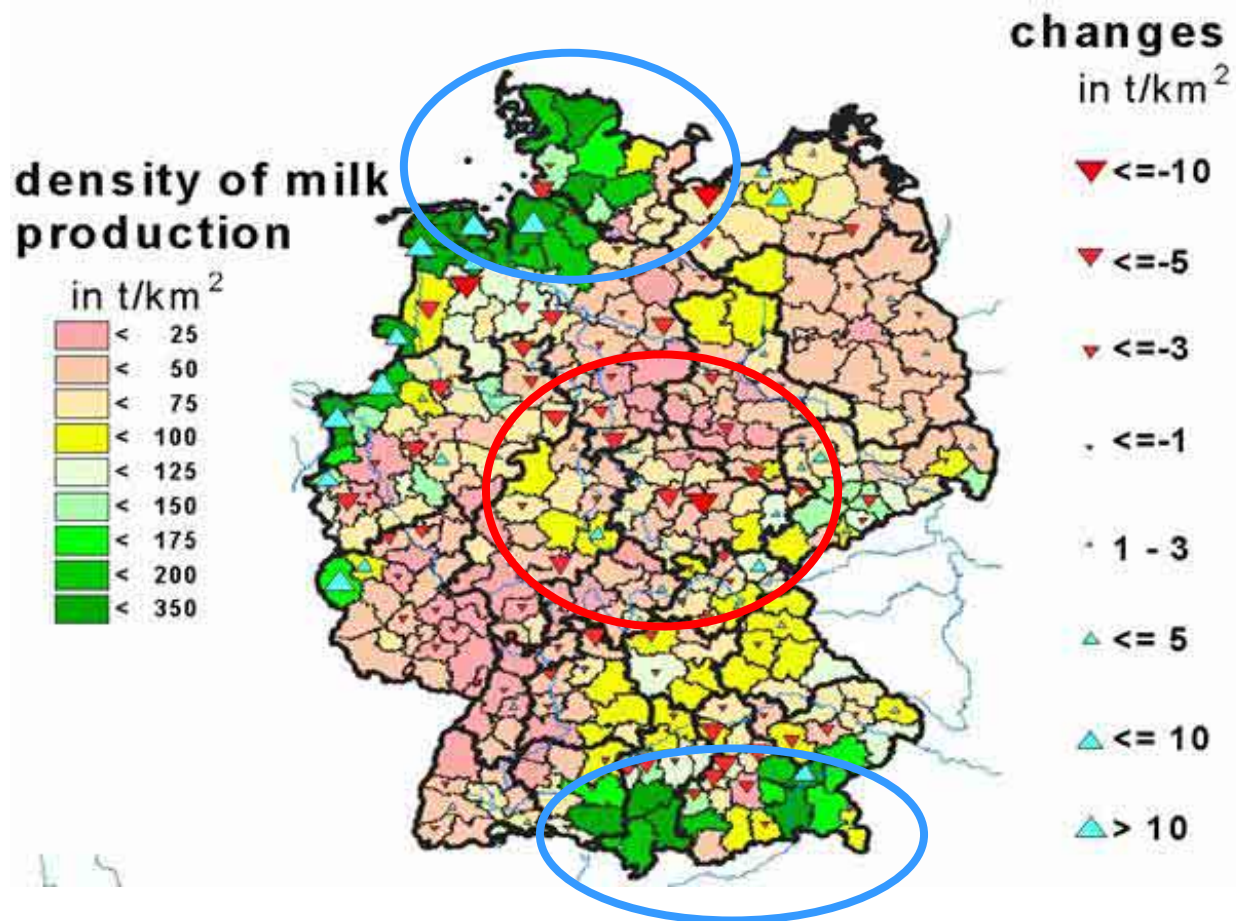
Changes of production, farms and milk yield from 2002 till 2014 (expert survey¹⁾)

	Milk production	number of dairy farms	milk yield ²⁾ (kg/cow/year)
Saxony	decreasing	- 32%	+ 1 800
Lower Saxony	constant	- 44%	+ 1 400
Bavaria	constant	-45%	+1 700

¹⁾ research institutes, administration, organisation, milk processor (n=28/26/49)

source: Kress, Hoffmann 2004

Density of milk production 2002 and changes from 1998 till 2002





Expected trends of milk production (expert survey¹⁾)

high-yield grassland regions *with arable land (silage maize)*

- further concentration of milk production and intensification of farming (but see: nitrate directive)
- increasing land rent

marginal grassland regions

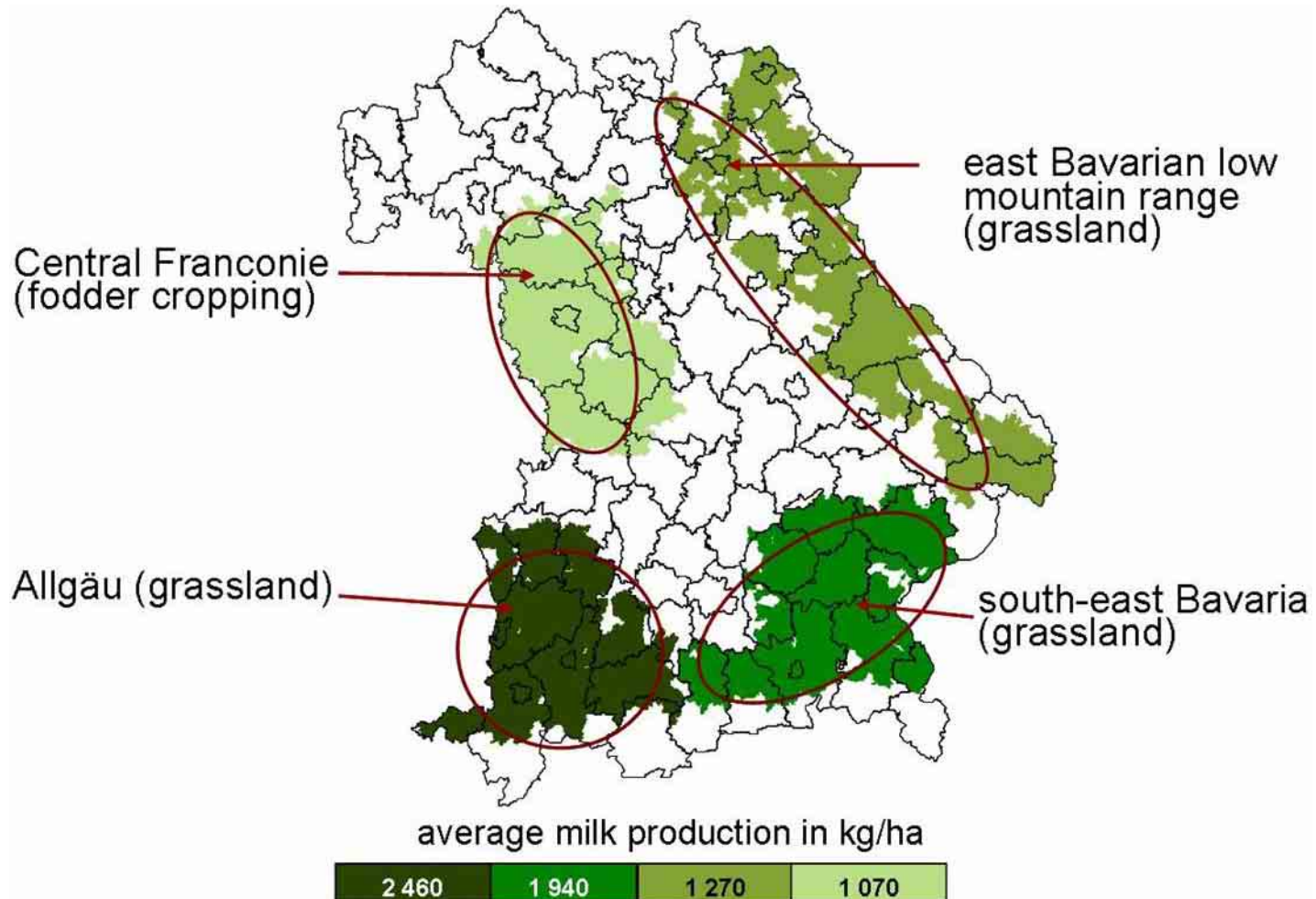
- further decline of milk production
- mulching or abandonment
- hardly any changes in farm organisation (suckler cows) or afforestation

arable farming regions

- cessation of milk production
- enlargement of cash cropping

¹⁾ Research institutes, administration, organisation, milk processor (n=103)

Important sites of Bavarian milk production (75 % of total Bavarian milk production)

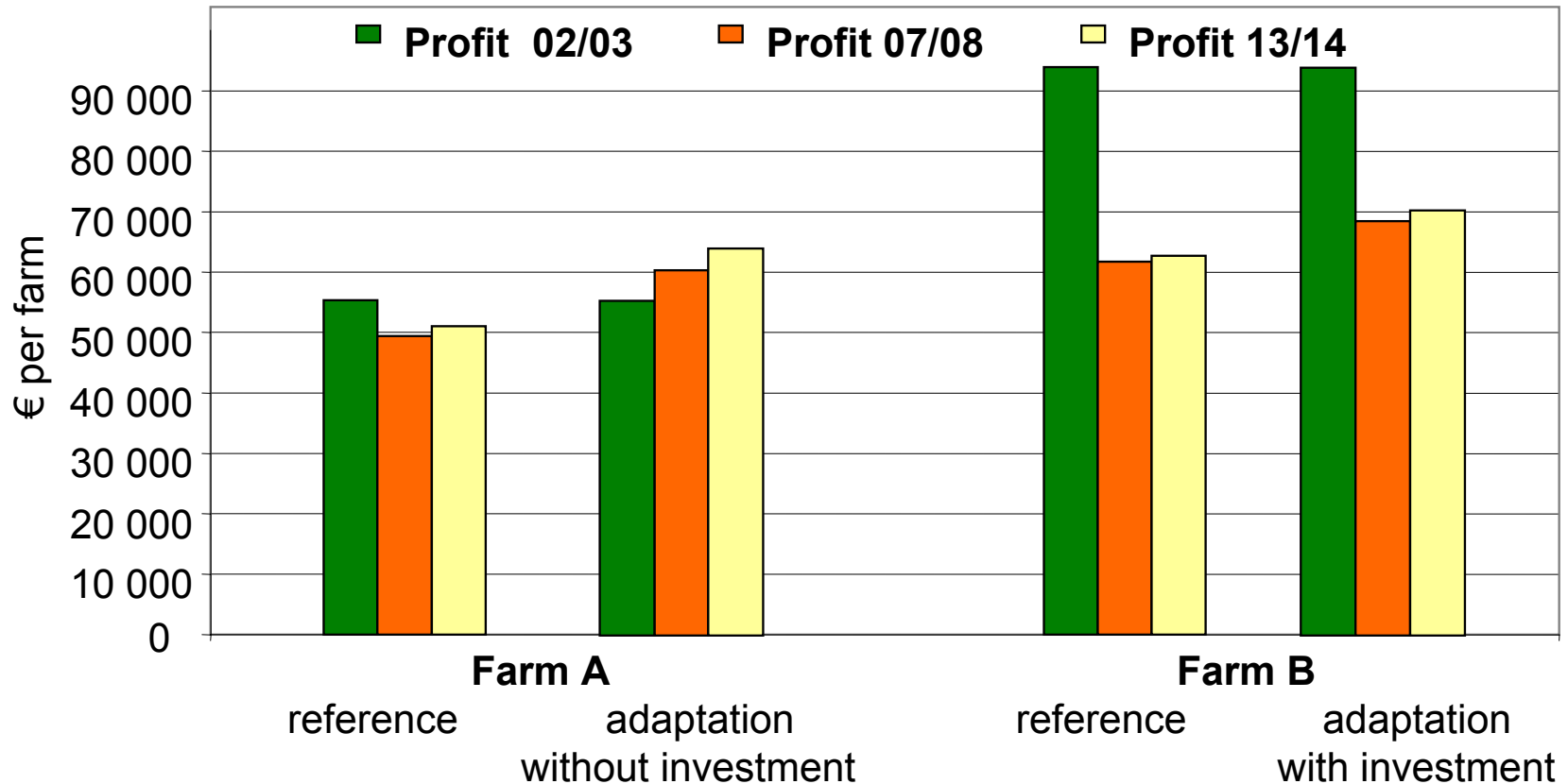




Strategies of 10 Bavarian dairy farms to face the CAP reform

Strategy	number of farms	potential increase of milk production per farm (in %)
Increase of milk production per cow	9	7 (0-10)
Use of free space in existing cowsheds	5	11 (0-28)
Enlargement of cowsheds	4	15 (0-58)
Investment in new cowsheds	3	17 (0-70)
Total	-	50

Economic effects of different strategies for two Bavarian dairy farms



Germany opted for full decoupling and a hybrid model with transition to a regional model.

In general the profits will decrease in consequence of the CAP reform. The main losers are farms with bull fattening and dairy farms with a high milk yield per ha and a high share of maize silage in the ration.

An increasing rate of structural changes is expected.

Milk production will migrate from arable farming and marginal grassland regions to high yielding grassland regions.

Strategies to face the Cap reform are especially measures to increase milk production with low investment.