



# To the point!

Cross-Asset- and Strategy-Research

## German farmers exaggerate the protest

When gallows hang from tractors, a line has been crossed

There have been numerous blockades in Germany this week. The atmosphere was heated. Traffic came to a standstill in many places. The protesters proclaimed that their very existence was at stake. Some demonstrators called for the gallows for the German coalition government.

No, I'm not talking about radical climate activists. Although it is interesting to ask whether the so-called "Last Generation" would have been met with as much understanding as the farmers, to whom I referred, of course, in the preceding paragraph.

### The situation in agriculture is actually not that bad

Agriculture accounts for less than 1% of economic output in Germany. Contrary to the impression currently being created by the farmers' lobby, its overall financial situation is rather satisfactory. Most recently, income trends in the sector have been quite encouraging (see chart). According to initial reports, income rose rapidly once again in 2023 despite cost increases. Almost half of agricultural incomes are attributable to subsidies, primarily from the EU (over EUR 5 billion per year), but also from Berlin (EUR 2.4 billion). On top of this, the state subsidises the agricultural social security system to the tune of EUR 4 billion per year. No other sector enjoys comparable taxpayer-financed privileges.

### That's market economy!

By way of comparison: the subsidies for agricultural diesel, whose gradual phasing out drew farmers' ire, amount to only EUR 440 million per year. There is no doubt that there are struggling farms that may not be able to cope with this modest reduction in subsidies. But there are also insolvencies in other sectors. That's called a market economy.



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## Protests against the reduction of subsidies for agricultural diesel

Incomes in agriculture\* (Thousands of EUR)



\* Profit plus personnel expenses per worker. Source: Federal Ministry of Food and Agriculture.

It casts a bad light on the German farmers' association that its leadership did not distance itself clearly and immediately from aggressive actions, including threatening intimidation of the German Vice-Chancellor Robert Habeck. He was recently prevented from leaving a ferry by an angry mob of farmers when he was trying to return from Christmas vacation. Nor was it clever of the farmers to tolerate that on some occasions far-right groups were allowed to join their demonstrations. It is not surprising that the right-wing populist party AfD, for example, is trying to jump on the protest bandwagon. However, I recommend taking a look at the AfD's manifesto: it advocates leaving the EU and calls for EU subsidies for agriculture to be "reduced step by step".

### An alternative

Farmers provide a wide range of important services for society. These include public goods such as the preservation of traditions and caring for the countryside. This is particularly true for small family farms. However, it does not apply to industrial agriculture and livestock farming. On the contrary: intensive large-scale farms often cause significant environmental damage, such as high nitrate levels in groundwater.

If politicians were to redirect subsidies towards small farms that are engaged in organic farming, they could use taxpayers' money in a more targeted way. This would not only benefit the landscape and the environment. It would also enable more people to afford higher-quality organic products.

As only one in ten farms currently practices organic farming, the burden on taxpayers would be significantly lower than it is today. Then, for once, Robert Habeck, Germany's Green Party Economics Minister, and Christian Lindner, the tight-fisted liberal Finance Minister, could rejoice together. That would be a conciliatory ending!

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## Right-wing populists jump on the bandwagon

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## A call for better targeted agricultural subsidies

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