

WORKING DOCUMENT

Second Modification of the Rural Development Programme of Brandenburg and Berlin 2007-2013 (CCI No. 2007DE06RPO007)

MEMBER STATE: Germany

REGION: Brandenburg and Berlin

1. Approved programme

Rural Development Programme (RDP) of Brandenburg and Berlin 2007-2013,
C(2007)4007 of 5 September 2007)

2. Legal basis for the modification

Modification related to the first implementation of Article 16a of Regulation (EC) No
1698/2005

The revision has been approved by the Monitoring Committee in the 5th Meeting of
11 June 2009.

3. Reasons justifying the amendment / Strategy chosen

1) A new chapter on the strategy in relation to the Health Check and Recovery
Package is included in the RDP: Chapter 3.5 'Impact of the results of the Health
Check and the Recovery Package on the strategy chosen and the implementation of
the RDP'

The additional funds shall be attributed to the following new challenges: climate
change, water management, biodiversity and measures accompanying restructuring of
the dairy sector. This attribution takes the objective into account to support the
agricultural holdings in order to maintain their economic viability and to ensure
employment in the agricultural sector. Further improvement of the environment is
addressed by introduction of a new sub-measure on agri-environment.

The total additional amount of €77,129,963 EAFRD contribution (€77,994,763
resulting from Health Check including unused funds according to Article 136 of
Council Regulation (EC) No 73/2009 and €7,317,775 resulting from the Recovery
Package less €8,182,575 resulting from a correction of the distribution of the
existing modulation money among the German *Länder*) will be attributed to
measures 121 "Modernisation of agricultural holdings" and 214 "Agri-environment
payments".

The increase of funds in axis 1 aims to support dairy production in order to improve
the overall economic performance of dairy farmers. In particular the changed
relations for in- and output-prices and the phasing out of the milk quota result in a
need for new strategies and investments to optimise production. 32% of dairy cows in
Brandenburg are held on farms with 100-300 animals, 61% in farms with more than
300 animals, establishing good conditions for future development, but these farms
have low own capital resources.

In axis 2, an overall amount of €48,79 mio EAFRD contribution will be put into measure 214 foreseen for operations matching particularly the new challenges. Nonetheless, this will not lead to a change of the general strategy as the existing strategy still is valid and is fully in line with the Community Strategic Guidelines (CSG) and the National Strategy Plan (NSP). One new agri-environment measures will be introduced in order to contribute to the new challenge 'biodiversity'.

The development of obligatory set-aside areas (including areas taken out of production for other reasons) has been as follows:

- 2005 122,000 ha
- 2006 114,200 ha
- 2007 102,900 ha
- 2008 55,800 ha
- 2009 47,200 ha

The removal of the obligation has been a political decision also to support the production of renewable energy to counteract climate change. Out of this former set-aside land, a significant part (around 31,000ha in 2008, 26,300 ha in 2009) is used for multi-annual forage production (ley grass, hop trefoil...) on an extensive level and is therefore not completely lost for biodiversity purpose.

In 2007/2008, due to high cereal prices, also rather poor set-aside soils have been re-introduced for production, but might be under set-aside again in the view of current low prices.

The new AE submeasure 'catch crops' is foreseen to complement the expected increase of areas for maize production for renewable energy and therefore counteract the loss of biodiversity. It is foreseen on about 40.000 ha.

The new challenges are already covered to a large extend by the current measures of axis 2 of the RDP Brandenburg and Berlin, providing more than €200 mio (in particular via measure 125, 126, 213; 214 and 323), most of them addressing biodiversity (see table 5.3.6). This budget being higher than the additional amount provided by the Health Check and the Recovery Package, a substantial part of the existing budget for measure 214 will be available for other needs. Consequently, €41.56 mio will be transferred to measure 212 "Payments to farmers in areas with handicaps, other than mountain areas". This transfer shall help to maintain agricultural activities in areas with handicaps.

Besides the RDP, a contractual nature conservation programme exists (notified State Aid No N 128/2008) with measures on arable land (total budget: 11.4 mio for the period 2008-2013):

- Cultivation of flowering areas/strips or conservation strips
- Extensive production processes on arable land
- Conversion from arable land into extensive grassland
- Cultivation of catch crops
- Conservation and development of the biotope pond as regards particular species

Furthermore, the Managing Authority expressed their intention to expand measure 214 taking into consideration its positive contribution to the new challenges, in particular water management and biodiversity. The implementation of the new sub-measure 'voluntary efforts for water - implementation of the Water Framework Directive' will address water and biodiversity (to be submitted to the Commission

before the end of this year). The second sub-measure 'flowering areas on arable land' is aiming at biodiversity and currently under preparation (to be introduced later).

In the frame of this revision the Community co-financing rate as provided for in the approved RDP is altered for the additional funds attributed to Axis 1 and 2 (75% in the Non-convergence region Berlin and 90% in the Convergence region Brandenburg, see Table 6.2.2 a and b).

For the improvement of the broadband infrastructure support is provided already by the current RDP (measure 321 according to the *German National Framework for Rural Development* (NF), €21.67 million EAFRD contribution) covering the needs for additional broadband infrastructure. Other possibilities to support coverage with broadband in rural areas exist under the '*Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur*' and the '*II. Recovery Programme of the Federal Republic of Germany*'. The Managing Authority of Brandenburg and Berlin ensured to reach the goal of 100% coverage in 2013.

The funds from the Recovery Package will therefore be used especially for operations related to restructuring of the dairy sector.

2) In Chapter 4.1 'Justification of selected priorities in relation to Community Strategic Guidelines and National Strategy Plan', a paragraph is included:

The amendments proposed in the light of the implementation of the Health Check and the Recovery Package for measures 121, 212 and 214 do not result in a fundamental modification of the general priorities originally set in the RDP. They are based like the current measures on the CSG and the NSP of the Federal Republic of Germany

4. Description of the amendments proposed (unless specifically stated, this document presents the changes or additional information provided in the modification request submitted by the authorities of Brandenburg and Berlin)

4.1. New priorities / types of operations

Table 5.3.6 Types of operations to be supported to meet the obligations resulting from Article 16a(3)(a) and Article 69(5a) of Regulation (EC) No. 1689/2005¹⁾

Axis/measure	Type of operation	Potential effects	"Existing" or "new" type of operation	Reference to the description in the RDP	Output indicator - target
Axis 1, code 121	Investment support related to dairy production	Improvement of the competitiveness of the dairy sector	Existing	Chapter 5.3.1.2.1	Number of holdings supported: 400 Eligible total investment: 115,1 mio €
Axis 2, code 214	Extensive grassland management (whole farm)	Contributing to the reduction of losses of different compounds including phosphorus to water (priority: water management)	Existing	Chapter 5.3.2.1.4 – A 1	Number of supported holdings: 1.300 Total area supported: 85.000 ha Physical area supported: 85.000 ha Total number of contracts: ca. 1.300
	Extensive grassland management on specific plots	Conservation of species-rich vegetation types; protection and maintenance of grasslands (priority: biodiversity)	Existing	Chapter 5.3.2.1.4 – A 2	Number of supported holdings: 300 Total area supported: 26.000 ha Physical area supported: 26.000 ha Total number of contracts: 300
	Late and restricted use of pasture	Protection of birds and other fauna and flora (priority: biodiversity)	Existing	Chapter 5.3.2.1.4 – A 3	Total area supported: 25.000 ha Total number of contracts: 450
	Maintenance of heath and dry grasslands (Trockenrasen) through grazing	Conservation of species-rich vegetation types (priority: biodiversity)	Existing	Chapter 5.3.2.1.4 – A 4	Number of supported holdings: 25 Total area supported: 4.600 ha Physical area supported: 4.600 ha Total number of contracts: 35
	Maintenance of orchards	Conservation of species-rich vegetation types (priority: biodiversity)	Existing	Chapter 5.3.2.1.4 – A 5	Number of supported holdings: 65 Total area supported: 300 ha Physical area supported: 300 ha Total number of contracts: 100

Integrated cultivation of vegetables	Contributing to the reduction of losses of different compounds including phosphor to water (priority: water management)	Existing	Chapter 5.3.2.1.4 – B 1	Number of supported holdings: 100 Total area supported: 5.000 ha Physical area supported: 5.000 ha Total number of contracts: 100
Organic farming	Carbon sequestration (priority: climate change adaptation and mitigation)	Existing	Chapter 5.3.2.1.4 – B 2	Number of supported holdings: 650 Total area supported: 125.200 ha Physical area supported: 125.200 ha Total number of contracts: 650
Cultivation of catch crops or under-sown crops	Improvement of feed supply for (migratory) birds (priority: biodiversity)	New	Chapter 5.3.2.1.4 – B 4	Number of supported holdings: 300 Total area supported: 40.000 ha Physical area supported: 35.000 ha Total number of contracts: 400
Livestock breeding of locally endangered species	Conservation of genetic diversity (priority: biodiversity)	Existing	Chapter 5.3.2.1.4 – C 1	Number of supported holdings: 25 2.450 LU Total number of contracts: 30
Conservation of regional crops that are endangered by gene erosion	Conservation of genetic diversity (priority: biodiversity)	Existing	Chapter 5.3.2.1.4 – C 2	Number of supported holdings: 20 Total area supported: 500 ha Physical area supported: 500 ha Total number of contracts: 20

1) For the years 2010-2013 approximately 35 % of these area will be financed with funds from the Health-Check (with 90% co-financing rate).

4.2. Description of the amendments proposed to axes and measures

Changes relating to the Health Check and Recovery Package and other changes requiring a Commission decision

4.2.1. Measure 121 "Modernisation of agricultural holdings"

Description of the amendments proposed

1) Budget increase by €36,522,538 (EAFRD budget) (adaptation of the total public contribution for these measure accordingly), thereof

- €36,480,439 for the Convergence region Brandenburg and
- €42,099 for the Non-convergence region Berlin

The Budget will be increased gradually:

Health Check :

- 2010 by €2.8 mio
- 2011 by €6.9 mio
- 2012 by €7.7 mio
- 2013 by €11.6 mio

EU-Recovery Package

- 2009 by €4,3 mio
- 2010 by €3,0 mio

2) Increase of aid intensity for particular investments in animal welfare related to dairy production from 30% to 35% of the eligible investment (according to theNF)

The indicators are adapted accordingly.

Reasons and any implementation problems justifying the amendment

The current needs of investments under code 121 are assessed at €150 mio, thereof around 20% of all applications and 30% of the monetary amount in the dairy sector. The amendment shall support in a short term perspective the dairy sector in the currently particular difficult economic situation and in a long term perspective the restructuring of the sector related to the phasing out of the quota system. Furthermore, the increase of aid intensity for investments in animal welfare shall facilitate access to credit capital.

Expected impact of the amendment

Especially dairy farms will profit from the proposed budget increase and the higher aid intensity. Additional investments eligible for support of €115.1 mio, used for structural investments, are expected. Labour intensive production will be maintained.

Assessment relating to the coherence with the NSP and the regional programme strategy

The modification is in line with the NSP and the programme strategy as updated according to the Health Check. The following aims of the NSP are addressed in particular:

- Improvement of productivity and cost-effectiveness of agriculture
- Improvement of the protection of animal welfare and the environment
- Softening of the impact of restructuring of the dairy sector.

4.2.2. Measure 214 "Agri-environment payments" New sub-measure "Cultivation of catch crops" (214 - B 4)

Description of the amendments proposed

Introduction of sub-measure 214 - A.2 "Cultivation of catch crops or under-sown crops on arable land" of the NF.

- **Intended aims and targets of the measure**

Conservation of natural resources such as:

- Improvement of the soil structure
- Improvement of water quality
- Improvement of biodiversity
- Climate protection
- Prevention of land abandonment

- **Type of action implemented**

Cultivation of catch crops or under-sown crops (as foreseen in the NF)

- **Types of beneficiary**

Agricultural holdings (full-time and part-time)

- **Aid intensity**

Project support/set fixed allowance:

- 70 €/ha of catch crops or under-sown crops on arable land
- 45 €/ha of catch crops or under-sown crops on arable land for holdings receiving support for organic farming

- **Eligibility conditions**

- According to the NF, five year-commitments are undertaken
- Cultivation of catch crops or under-sown crops on at least 5 % of the eligible arable land (at the time of the first application) during winter
- Catch crops or under-sown crops shall not be ploughed up before 15th of February of the year following the year of sowing.

- **Financial impact**

- Increase of the total Community contribution for code 214, sub-measure 214 – B 4 by €7,230,000 for the entire programming period, thereof
 - €7,207,500 for the Convergence region Brandenburg and
 - €22,500 for the Non-convergence region Berlin

The following tables and descriptions are amended/added in the RDP taking into account the introduction of the new sub-measure (see annex 1-4 of the modification request):

- Table 23 with the comparison of basic requirements and conditions for support for measures according to Art. 39 going beyond these requirements (annex 1)
- Table with an overview of all agri-environment measures under code 214 (annex 2)
- Measure sheet for submeasure 214 – B 4 (annex 3)
- Chapter 17.3 of the RDP: Description of the methods used for premia calculation.

Reasons and any implementation problems justifying the amendment

Attribution of additional funds from modulation (Health Check) to new challenges according to Article 16a of Regulation (EC) No 1698/2005 to (a) climate change, (c) water management and (d) biodiversity.

Expected impact of the amendment

A physical area of 40,000 ha, thereof 5,000 ha under organic farming, shall be supported.

Assessment relating to the coherence with the NSP and the regional programme strategy

The modification is in line with the NSP and the programme strategy as updated according to the Health Check.

Other changes

4.2.3. Measure 212 "Payments to farmers in areas with handicaps, other than mountain areas"

Description of the amendments proposed

1) Transfer of €41.56 million EAFRD budget from measure 214 to measure 212 (adaptation of the total public contribution for these measures accordingly), thereof

- €41,509,988 for the Convergence region Brandenburg and
- €50,012 for the Non-convergence region Berlin

This is a transfer within axis 2, not requiring a Commission decision.

2) Decrease of the minimum livestock density from 0.30 LU/ha to 0.20 LU/ha agricultural land.

3) Increase of the premia per ha of agricultural land

Premia	Currently	New 2010-2011	New 2012-2013
Grassland	50 €/ha	60 €/ha	70 €/ha
Arable land	25 €/ha	30 €/ha	35 €/ha

The maintenance of the differentiation between grassland and arable land ensures that the support is granted mainly to forage-growing farms with a high share of grassland.

The increase of premia is within the limits of Annex I of Regulation (EC) No. 1257/1999 still in force according to Article 93 of Regulation (EC) No. 1698/2005. The premia is still below the average disadvantage as regards income in areas with handicaps, overcompensation is excluded.

Reasons and any implementation problems justifying the amendment

1 + 3) The increase of the premia and of the total budget for this measure shall reinforce incentives to maintain farming and to prevent abandonment of agricultural land in particular by ceasing of milk production. Basis for calculation of the new premia is the increased income discrepancy between holdings within and without the handicap areas. This increase of the income discrepancy is assessed for the remaining years of the programme period at 5-20 €/ha.

The transfer of the funds from measure 214 to measure 212 does not affect addressing the environmental needs of the region, in particular biodiversity. Brandenburg is providing support for maintenance of biodiversity also under code 213, 226 and 323 and with an additional contractual nature conservation programme (€11.4 mio for 2008-2013) without EU funding.

2) The change to a reduced stocking density from 0.30 LU/ha to 0.20 LU/ha aims to integrate more grassland farms into the scheme. Positive effects are expected concerning income stabilisation and preservation of jobs and concerning the environment.

Expected impact of the amendment

Increase of the result indicators

- “number of supported holdings” from 2,200 to 2,450
- “area supported” from 400,000 ha to 540,000 ha.

Assessment relating to the coherence with the NSP and the regional programme strategy

The modification is in line with the NSP and the programme strategy, in particular the aim of maintenance of a preferably area-wide and sustainable cultivation of land.

4.2.4. Adaptation of measure descriptions ('measure sheets')

The Managing Authority (MA) proposes to delete the row 'Community contribution' in each description of measures (the so called 'measure sheets') for reasons of consistency. The information related to the Community co-financing is provided in Chapter 6.2 of the RDP.

5. The expected impacts of the amendments

The expected impacts are described separately for each amendment.

6. Assessment

- The changes are in line with the National Strategy Plan as well as with the regional programme strategy and reflect the new chapter on the Health Check and Recovery Package. The proposed actions comply with the new challenges “climate change”, “water management”, “biodiversity” and “measures accompanying restructuring of the dairy sector”.

- The changes are in conformity with the German National Framework.

- The delimitation to other Community Funds and to the CMO programmes funded under the CMO in the sugar, fruit and vegetables sector sectors are already detailed in the approved programme. Delimitation to the wine sector is not necessary in Brandenburg and Berlin (no wine growing).

- The changes are in conformity with the Council Regulation (EC) No 1689/2005 and with the Commission regulation (EC) No 1974/2006.

- Appraisal of respect of competition rules: No state aids requested

7. Financing

7.1. Financial implications of the modification

Increase of the EAFRD contribution by €77,129,963:

- €77,994,763 increase resulting from Health Check, thereof
 - €69,100,956 from additional modulation and
 - € 8,893,807 unused funds according to Article 136 of Council Regulation (EC) No 73/2009
- €7,317,775 increase resulting from the Recovery Package
- €8,182,575 decrease resulting from a correction of the distribution of the existing modulation money among the German *Länder*

The attribution of the funds is as follows:

- Decrease of the total EAFRD contribution by €8,182,575 (correction of the distribution of the existing modulation money to the German *Länder*) by a decrease of the contribution in Axis 1, 3, 4 and for technical assistance by around 1.17 % for the years 2010-2013. This corresponds to a yearly decrease of around €2 mio. The share of the decrease for support of the Non-convergence region Berlin is around 0.67%. The total public contribution for these axes and for technical assistance decreases accordingly.

The balance between axes will slightly change due to this decrease compared to the approved programme. The new balance is as follows (without HC/RP money):

Axis 1 – 35.11 %
Axis 2 – 33.26 %
Axis 3 – 26.50 %
Axis 4 - 5.13 %

Thus, the minimum percentages according to Article 17 of R 1698/2005 will be respected.

- Increase of the EAFRD contribution for measure 121 by €36,522,538, thereof €36,480,439 in Convergence region and €42,099 in Non-convergence region (Health Check and Recovery Package; increase of the total public contribution due to Health Check and Recovery Package by €40,589,953, thereof €40,533,821 in Convergence region and €56,132 in Non-convergence region)
- Increase of the EAFRD contribution for measure 214 by €48,790,000, thereof €48,717,488 in Convergence region and €72,512 in Non-convergence region (Health Check; increase of the public contribution due to Health Check by € 54,227,225 million, thereof €54,130,542 in Convergence region and €96,683 in Non-convergence region)

Financial transfers within axis 2:

- Transfer of €41.56 million EAFRD contribution from measure 214 to measure 212 (increase of the public contribution for measure 212 by ca. €51.98 million)

7.2. Tables 6.1, 6.2 and 6.3

Table 6.1 Annual contributions from the EAFRD (in €)

Year	2007	2008	2009	2010	2011	2012	2013	Total
Convergence region Brandenburg*	154.584.062	156.142.840	152.874.715	149.847.626	148.726.700	146.402.436	143.833.344	1.052.411.723
Additional funds from Art. 69(5a) of Reg. No 1698/2005 – Convergence region			4.296.826	14.682.562	18.229.838	22.028.999	25.959.702	85.197.927
Non-convergence region Berlin*	272.000	278.000	274.000	271.782	272.771	270.794	269.806	1.909.153
Additional funds from Art. 69(5a) of Reg. No 1698/2005 – Non-convergence region			7.748	23.277	22.131	27.862	33.593	114.611
Total EAFRD**	154.856.062	156.420.840	157.453.289	164.825.247	167.251.440	168.730.091	170.096.445	1.139.633.414

* Including the decrease of the total EAFRD contribution by €8,182,575 (correction of the distribution of the existing modulation money to the German *Länder*).

** No obligations from old commitments exist anymore from the year 2010 on. This information (given in the 1st RDP Version) is therefore not necessary anymore.

Table 6.2.1 a) Financial plan by axis (in €) – Convergence region Brandenburg

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	479.836.883	75	359.877.662
Axis 2	426.537.500	80	341.230.000
Axis 3	363.321.159	75	272.490.869
Axis 4	65.895.055	80	52.716.044
Technical Assistance	34.796.197	75	26.097.148
Total	1.370.386.794		1.052.411.723

Table 6.2.1 b) Financial plan by axis (in €) – Non-convergence region Berlin

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	2.354.306	50	1.177.153
Axis 2	1.330.909	55	732.000
Axis 3	0		0
Axis 4	0		0
Technical Assistance	0		0
Total	3.685.215		1.909.153

Table 6.2.2 a) Financial plan by axis – Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – Convergence region Brandenburg

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	40.533.821	90	36.480.439
Axis 2	54.130.542	90	48.717.488
Axis 3	0		0
Axis 4	0		0
Technical Assistance	0		0
Total	94.664.363		85.197.927

Table 6.2.2 b) Financial plan by axis – Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – Non-convergence region Berlin

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	56.132	75	42.099
Axis 2	96.683	75	72.512
Axis 3	0		0
Axis 4	0		0
Technical Assistance	0		0
Total	152.815		114.611

Table 6.3 Indicative budget related to operations referred to in Article 16a of Regulation (EC) No 1689/2005 between 1 January 2009 and 31 December 2013

Axis /measure	EAFRD contribution for 2009-2013
Axis 2	
Measure 121	36.522.538
Axis 2	
Measure 214	48.790.000
Total programme	85.312.538
Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	85.312.538
Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0

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