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Brief Analysis: German Policy Instruments for Promoting Export of Agricultural Products

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Abbreviations

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| AHK | German Chambers of Commerce Abroad (Deutsche Auslandshandelskammern) |
| AUMA | Association of the German Trade Fair Industry (Verband der Deutschen Messewirtschaft) |
| BLE | Federal Agency of Agriculture and Food |
| BMEL | Federal Ministry of Food and Agriculture |
| BMWi | Federal Ministry for Economic Affairs and Energy |
| BVE | The Federation of German Food and Drink Industries (Bundesvereinigung der Deutschen Ernährungsindustrie) |
| DIHK | Association of German Chambers of Industry and Commerce (Deutscher Industrie- und Handelskammertag) |
| DLG | German Agricultural Society (Deutsche Landwirtschafts-Gesellschaft) |
| DWI | German Wine Institute (Deutsches Weininstitut) |
| FMIG | Food – Made in Germany e.V. |
| GAA | German Agribusiness Alliance |
| GDP | gross domestic product |
| GEFA | German Export Association for Food and Agriproducts |
| GTAI | Germany Trade & Invest |
| VDMA | Mechanical Engineering Industry Association (Verband Deutscher Maschinen- und Anlagenbau) |

Introduction & Summary

German exports of goods and services have accounted for a significant share of the German gross domestic product (GDP) for many years. In 2018, the export quota in combined values of goods and services exceeded 47 % of the German GDP (BMWI 2019). For the German food industry, markets abroad open new sales opportunities and hence, export revenues in agricultural trading also increased in recent years. In 2019, the German export quota of agricultural goods reached one third of the German total production in this sector so that large proportions of revenues of the agri-food sector (30 %) and the agricultural machinery industry (75 %) were generated through export (BMEL 2019a). In response to the agreement reached at the World Trade Organisation ministerial conference in 2015, European countries can only introduce export subsidies for agricultural products in case of serious market disturbances. In fact, Germany has not subsidised agricultural exports since the reform of the European Common Agricultural Policy in 2013 (BMEL 2019b). In line with current legislation, the German government supports efforts of German enterprises from the agri-food sector to enter new markets by a number of policies and measures. These political instruments comprise both providing access to existing networks and analysis of foreign markets and financial support, e.g. for business trips for a first market exploration.

In this short analysis, stakeholders, policies and measures with relevance for the promotion of German exports of agricultural products are presented. The outcome of the sections below can be summarised in the following key messages:

Key Messages

- The **main political stakeholder** for export promotion of German agricultural goods is the BMEL with the support by the BLE as its implementing authority.
- The **main target group** of export promotion programmes are German small and medium-sized enterprises that have few capacities to enter new markets abroad.
- The **German agri-food sector** is structured in various sector-specific associations and a number of larger umbrella organisations to support companies to establish their foreign businesses.
- **Abroad**, GTAI, representative offices of AHK and diplomatic missions collaborate to facilitate market entries for German enterprises.
- **European and German export promotion programmes** only offer partial funding to enterprises for the provision of market information, the organisation of market exploration and business trips as well as the participation in international trade fairs.
- To avoid **competition-distorting effects**, German subsidies to national agricultural enterprises are limited by European law and must not exceed 522,890,000 Euros in total over three years.

1. Relevant Stakeholders (in Germany)

In Germany the main **political stakeholders** with regard to agricultural production are the Federal Ministry of Food and Agriculture (BMEL) and its main implementing authority, the Federal Agency of Agriculture and Food (BLE). Their objective is to support in particular small and medium-sized enterprises in export activities as they face greater challenges and risks when they consider entering new markets. The German federal states have their own agricultural marketing companies or business development agencies to support the regional agri-food sector.

Germany Trade & Invest (GTAI) is the economic development agency of the Federal Republic of Germany and the State as its sole shareholder is represented by the Federal Ministry for Economic Affairs and Energy (BMWi). GTAIs a contact point for German small and medium-sized enterprises which want to enter new markets. They regularly provide export market information in the form of fact sheets, market analyses or studies on a specific country or topic.

Small and medium-sized enterprises are often represented by **industry associations** that focus in their lobby work on the interests of German food producers, while concentrating on a certain food sector. For instance, within the **German Meat GmbH** the German meat industry joins forces to promote the export of German meat products, whereas the **German Wine Institute (DWI)** only focusses on the promotion of German wine and **German Sweets e.V.** supports the German confectionery industry in its export activities. The **Mechanical Engineering Industry Association's (VDMA)** section for agricultural machinery includes most German and many European producers of land machinery and provides an important network to its members, also in terms of international sales opportunities.

Several of these associations are also members of umbrella organisations, such as the **German Export Association for Food and Agriproducts (GEFA e.V.)** or the **Federation of German Food and Drink Industries (BVE)** which act on a higher political level. The GEFA is the Federal Government's contact point for questions on export promotion, while offering a platform for communication between politics, business and target export countries. Members of the GEFA include DLG, German Meat, Food Made in Germany and BVE. The BVE represents the interests of 90 % of the German nutrition industry and its members include industry associations as well as direct members. The BVE works for the interests of German food producers and the agri-food industry and hence its members include associations and businesses from all food sectors. Members of the **German Agribusiness Alliance (GAA)** include several large German companies from the seed and agrochemical sector as well as land machinery enterprises and associations like the VDMA. The GAA aims to strengthen the cooperation of German agricultural businesses with transitioning and developing countries.

The association **Food – Made in Germany e.V. (FMIG)** was founded with the aim to create a recognisable label for German food on the international market, especially for regional producers without an own international business unit. This label is also crucial at international

trade fairs for achieving a consistent presentation of German agricultural products and, at the same time, increasing their overall visibility. **DLG International** is part of the German Agricultural Society (DLG) and specialised in the development and implementation of international trade fair concepts for agricultural topics.

The **German Chambers of Commerce Abroad (AHKs)** have the general aim to support German companies in their business expansion abroad and are partially funded by the Federal Ministry for Economic Affairs and Energy (BMWi). As AHKs have both representative offices in several foreign countries and a close partnership with the 79 Chambers of Industry and Commerce (IHKs) all over Germany, they have a direct link to facilitate business ventures abroad. Furthermore, they collaborate with German missions abroad as well as GTAI. **Diplomatic missions**, especially embassies, support German enterprises in the target countries by organising events also for the purpose of export promotion. Furthermore, they can use their extensive local network to act as a “door opener” at official bodies in the respective country.

2. Policies and Funding Schemes

At the **European Level** the following regulation is relevant:

Regulation No.1144/2014 on information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries

This programme aims at enhancing the competitiveness of the European Union’s (EU) agricultural sector by increasing awareness and recognition of agricultural products made in the EU. Organisations from European member states can apply for a 70-85 % co-financing of their information or promotion campaigns in dependence on the programme they applied for. In 2019 the total budget for this aid scheme was 200 million euros (EU 2018a). However, since 2016 Germany has applied for only a few grants and received just up to 2 grant approvals per year from this funding scheme, whereas other countries applied for and did receive more grants such as, for instance, Italy with 18 grants in 2018 for single programmes (EU 2018b).

Besides co-financing, the Commission also directly initiates measures, such as high-level missions, the participation in trade fairs or exhibitions as well as communication campaigns and information seminars on sanitary and phytosanitary measures or on the topic of technical barriers to trade. The participants of the high-level missions are identified via calls for application, thus aiming at a balance between medium-sized enterprises, bigger companies, national and European organisations (EU 2018a).

In **Germany** the BMEL implemented the following Programmes:

BMEL Programme for the Promotion of Export Activities of the German Agri-Food Sector

This programme aims to open up foreign markets for German products and increase their sales potential. Furthermore, its purpose is to enhance the competitiveness of German

enterprises in foreign markets and to enlarge the circle of exporting companies (BMEL 2018). The focus of the BMEL export promotion programme lies on the provision of market information, the organisation of market exploration and business trips. The support can be granted in form of a non-repayable fund which is always a partial financing of up to 50 % of the total cost which have to amount to at least 10,000 euros. In 2019, 3 million euros were provided by the BMEL for the organisation of 16 trips and 3 information events abroad (BMEL 2019a).

Foreign Trade Fair Participation Programme (AMP) of the BMEL

As a part of the Trade Fair Promotion Programme of the German Federal Government, the BMEL Foreign Trade Fair Participation Programme aims at supporting small and medium-sized enterprises of the agri-food sector on a participation in national and international trade fairs. In 2019, the BMEL allocated 12.8 million euros for trade fair participations, with two thirds of the funds having been deployed for the participation in trade fairs abroad (BMEL 2019a). Participating companies can contribute to the German Pavilions and display their products as “made in Germany”. The participation in such a joint stand enables enterprises to be present at large fairs at lower costs (AUMA 2019).

The selection of foreign trade fairs for the Trade Fair Promotion Programme of the German Federal Government is made every year and is based on suggestions from different organisations and ministries which form a working group. This working group includes leading organisations of the German economy, federal authorities, such as the BMEL, the Federal Ministry for Economic Affairs and Energy (BMWi) and Federal Foreign Offices, the German federal states, GTAI, the Association of German Chambers of Industry and Commerce (DIHK) and the Association of the German Trade Fair Industry (AUMA).

The **German federal states** have their own foreign trade fair programmes which enable the participation in single or joint stands at selected foreign trade fairs. The trade fairs selected for participation are published alongside the federal Trade Fair Programme (AUMA 2019).

Due to potential competition-distorting effects, subsidies from an EU member state to a company in general require the approval by the European Commission. However, as long as payments do not exceed 200,000 euros over three years, they are considered as “de minimis” and do not require this approval. For the agricultural sector, the de minimis aid by a state to enterprises of the primary production of agricultural products is limited to 20,000 euros over three years. Furthermore, for Germany the cumulative amount over three years must not exceed 522,890,000 euros, as defined in Commission Regulation (EU) No 1408/2013 (EU 2013).

3. Measures for Promoting Export of Agricultural Products

The funding schemes mentioned above provide financial support to enterprises of the German agri-food sector for funding measures and activities either in Germany or abroad. The target group of the BMEL programme are supra-regional, non-governmental organisations with a branch in Germany, like umbrella or trade associations, as well as the GEFA. Within the BMEL export promotion scheme, only measures which are not expected to cause any negative effects in the target market are implemented (BMEL 2019a). Compliance with the *de minimis* regulation mentioned above is mandatory for all subsidies paid by the German state to agricultural enterprises. Measures to support enterprises on developing international markets include promotion campaigns as well as access to existing networks and information on market characteristics:

Information on market characteristics and training

As industry-specific information on the market in the target country is crucial, a study which provides an overview of the regional market leaders as well as an introduction to the competitive situation, marketing structures and potential business partners is conducted and subsidised. Furthermore, German employees of companies which are interested in expanding to new markets are eligible for a subsidised training on country-related, cultural or market-specific topics.

Online presence

Based on an assessment of needs and feasibility, the development, extension or restructuring of data bases and websites can be financially supported. However, the permanent maintenance of the infrastructure is not eligible for funding.

Market exploration trips and business trips

Trips for market exploration aim to gather information on a specific foreign market including its structures and sales opportunities. Participants are representatives of at least eight and a maximum of fifteen enterprises which are not yet active in the respective country or which intend to launch a new product there. These trips can include visits to wholesale and retail stakeholders as well as bulk consumers and a networking event with local experts and company representatives. Once concrete sales opportunities have been identified, the organisation of **business trips** for smaller groups (four to eight companies) can be subsidised. The aim of these trips is the establishment of new business relations. Therefore, German and local experts are brought together in a presentation event and individual interviews are organised with potential business partners. A market study with a focus on the specific target group is conducted and disseminated among the participants as well as in the whole sector. The travel costs for trips are not reimbursed.

Participation in economic delegation trips

Business representatives can apply for the participation in economic delegation trips and accompany high-level politicians when they consolidate the economic partnership to a country. Here too, travel costs are not eligible for funding from BMEL.

Information and networking events

Both information and networking events are organised in the target country to acquaint importers and customers with the German agri-food sector and establish contacts. Furthermore, also the organisation of events for the presentation of a specific product can be subsidised. However, participants pay for their travel costs as well as the transport of the presented goods themselves.

Trips of foreign representatives to Germany

Besides, multiplicators (journalists and politicians) and public officials from the target country can be invited to Germany to demonstrate the quality of products and production structures on the spot. These trips can include visits to production sites, trade fairs or presentation events. Organisation of the trip is paid for by the BMEL, whereas 50 to 100 % of the travel costs of the participants can also be reimbursed.

Other events abroad

Participants of information or networking events as well as events for the presentation of agricultural machinery or breeding animals abroad, can receive a 50 % reimbursement of their participation costs.

Besides these measures for co-financing expenses on the way to new market entries, German enterprises can also benefit from current information provided by GTAI in their country-specific analyses of risks and opportunities. Furthermore, access to existing networks in the respective country via collaboration with diplomatic missions, chambers of commerce and international GTAI offices can be of crucial importance.

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