

Land concentration, land grabbing and options for change in Germany

Roman Herre*

The German 'land question'

Between 1991 and 2012 the number of farms in Germany almost halved from 541,000 to 287,500 (for holdings of over 5 hectares), despite the fact that after the reunification many large agricultural producers' cooperatives (*Landwirtschaftliche Produzentengenossenschaften* or LPG) farms in eastern Germany were split up. Between 2007 and 2012, 34,100 German farms closed down, and today, only 1.6 % of the population work in agriculture (DBV, 2013: 92).

One symptom and cause of this decline is the accelerated process of land concentration: between 2007 and 2010 the number of farms smaller than 100 hectares (ha) dropped whereas the number of farms larger than 100 ha rose. This growth was despite the overall decline in agricultural land in Germany. The number of farms between 500 ha and 1,000 ha grew between 2007 and 2010 by 200, or 3.4% (DBV, 2011: 94). Today 11.7 % of farms are of 100 ha or more and hold 55.9% of the total amount of agricultural land (DBV, 2013: 93).

An important aspect of this trend is that the price of agricultural land in Germany has skyrocketed. This is a reflection of the new 'interest in land' by those with large amounts of capital. Between 2005 and 2011 the cost of 1 ha increased by 55% from 8,692 € to 13,493 € (DBV, 2013: 86). Other data refer to a price increase of 84% between 2007 and 2011.¹ The price for new leases of arable land rose to 261 € per hectare in 2010, up from 205 € per hectare in 2007, a 27% increase (DBV, 2013: 90, 92).

This trend can be attributed largely to the increasing commercial production of bio-energy (mainly bio-gas), which is linked to the renewable energy law aimed at stimulating the sector.² In addition – and overlapping with the bio-energy boom – the price rise is strongly linked to areas where financial and supra-regional investors (including 'new investors' from non-agricultural sectors) have entered the land market. In some regions it is estimated that these new investors have purchased between 15% and 30% of the land available on the market (Foster et al., 2011: viii). In the Emsland region, for example, new land leases reportedly cost up to 1,200 € per hectare, about three times more than the mean price in the region. The local farmers argue that their 'classic' food production is economically viable only up to 500–600 € per hectare (Foster et al., 2011: 129, 132).

Overall, Germany is undergoing an intense process of agricultural transformation towards a capital-intensive model that excludes 'non-competitive' farmers, 'classic' food producers and effectively denies people the opportunity to go into agriculture unless they have large financial backing. Another important aspect is that the agro-industrial model extracts most value-added from the local level, which implies very low benefits for the local economy – certainly one reason for the recent acceleration of urban growth in Germany.

* Roman Herre studied Geography and Ethnology in Münster, Germany. He works for the German section of the international human rights organisation FIAN as policy advisor for land and agriculture. FIAN Germany's work is also dedicated to the right to food in Germany and the implications of German agriculture and politics for peoples' right to food in the global south.

This development implies a substantial erosion of culture and social life in the rural areas. Food production, a basic cultural aspect of any society, is increasingly delinked from most of the German population. This poses fundamental questions about democratic control of Germany's food system. The consequences of the industrial food system can be found almost on a weekly basis in the newspapers: in February 2013 alone, the media exposed the horse meat scandal, the egg scandal and the case of 45,000 tonnes of toxic feedstuff being used on 4,500 farms. These recurrent food scandals highlight the risks inherent in the dominant and expanding industrialised food system.

Furthermore it poses questions of the right to work, especially for the youth in eastern Germany – youth unemployment is a key problem in many regions, and is aggravated by the spread of capital-intensive agriculture.

Overall it highlights the need for a development in the other direction: a more local, diverse and democratic food system embedded in and controlled by society and not dominated by a few agro-industrial investors and corporations.

To conclude, it is not surprising that in Germany the 'land question'³ is once again on the table and is increasingly the topic of wider discussion in Germany, and among farmers, including young farmers and those interested in going into agriculture for the first time.



Picture: Logo of the German youth network 'Alliance Young Peasantry' against land grabs and for better access to land for the youth

The government and decision-makers need to address this structural problem, but the data show the failure to produce adequate answers. Moreover, it seems that the government is actively supporting the developments described above, especially in eastern Germany, where large tracts of land and/or farms are being made available to external investors.

A glance at land grabs in Germany

A. Land privatisation in Uckermark

In 1992, shortly after the fall of the Berlin Wall, the company BVVG was put in charge of managing the use of formerly state-owned agricultural land in eastern Germany. This has created a unique articulation of the land question in eastern Germany. The two main activities of the BVVG are to lease and sell land (privatisation). By the end of 2009, BVVG had sold 627,000 ha agricultural land (391,000 ha under preferential or discounted conditions under the EALG (*Entschädigungs- und Ausgleichsleistungsgesetz*) scheme, and has 393,000 ha under lease arrangements. Many of the long-term lease contracts were due to expire as from 2010 (BVVG, 2010: 1).

There was a policy shift in 2007 and again in 2010. The government advised BVVG to renew only parts of the lease contracts and to accelerate land sales to private investors on the open market. This was to bring quick and high returns.⁴ Since 2007, with the adoption of the new *principles for land privatisation*,⁵ which strengthened the link between the land and the 'free' market, and sent land prices and the cost of leasing land skyrocketing. New lease prices in the Uckermark rose from 50 € per hectare in 2005

to 279 € in 2010 (Johan Heinrich von Thünen Institut, 2011: 84). Similarly, the price of purchasing land almost doubled between 2007 and 2009 (Siegmund, 2010).

Today, local farmers – especially small farmers – have huge trouble in renewing lease contracts, either because of the high costs or because the BVVG will no longer renew the leases, so that the land can be sold. The EALG scheme merits closer examination. This gives existing lease-holders the automatic right to buy the land at discounted rates, provided the farmers own less than half of their total cultivated land. As the scheme was not linked to the size of the farm, it led to the absurd situation whereby a small farmer cultivating 45 ha, owning 25 ha and leasing 20 ha from BVVG was ineligible for the special purchase facility and often lost the land. At the same time, the EALG allowed large farms and investors to purchase the land at the discounted rate, thus providing them with very high subsidies.⁶ As 75% of the total area leased out by BVVG was to farms of over 500 ha, this contributed to the acceleration of land concentration, as the data illustrate.⁷ A farmer and expert on land policy in eastern Germany concludes: 'The intention of the land policy, especially linked to the BVVG land, is to prevent as much as possible a re-establishment and new installation of family farms after 1990' (Gerke, 2012a).

Today, at the tip of the iceberg, are big investors who managed to acquire large tracts of land in eastern Germany, especially in the Uckermark, from 2007. For example, an international furniture company (Steinhoff Holding) has acquired Gut Bartow in Demmin, farms in Gerswalde and Röddlin in the Uckermark as well as Felgentreu in Teltow-Fläming. It is estimated that the company owns about 25,000 ha in eastern Germany, some 5,000 ha in the Uckermark alone⁸ – mainly for bio-gas. The reason? 'We diversify our capital', stated Krüger-Steinhoff in the press, stressing that, 'behind this investment you have our family, not an anonymous fund'.⁹ But that makes no real difference to the local farmers.

Other investors in the Uckermark are Thomas Philipps (retail trader), Joachim Olearius (banking family)¹⁰ and Rolf Henke (publisher).

An interesting aside is that BVVG does not usually allow non-agricultural actors to participate in open auctions for land. So the investors would acquire an existing farm, enabling them to participate in land auctions as 'farmers' – of course with much more capital than any small farmer could muster. And indeed the capital-intensive business model¹¹ and/or the capital behind the investors meant that local farmers lost out. The result: in some communes (e.g. Gerswalde, Damme and Angermünde) investors own up to half of the total agricultural area. A report commissioned by the Ministry of Agriculture concludes in the case of Uckermark 'The existing agricultural companies tend to be exposed to pressure through non-agricultural investors, since the latter build a strong competition for land at the land market. Especially the LPG- follow-up farms with labour-intensive structures are affected ...' (Johan Heinrich von Thünen Institut, 2011: 93). It further states: 'The actual price level is seen by farmers, consultants and other experts as (far) too high. Following them, it cannot be earned by normal agricultural activities' (Johan Heinrich von Thünen Institut, 2011: 83).¹²

B. Land grabs by financial investors: The case of KTG Agrar

KTG Agrar is a German financial investor specialised in large farming operations. It currently controls 38,000 ha,¹³ of which at least 28,000 ha are located in eastern Germany and the rest in Lithuania. KTG Agrar has undergone rapid expansion. In 2006, it controlled some 13,900 ha and now plans to grow by 10% per annum, equating to the acquisition of some additional 4,000 ha each year (Foster et al., 2011: 14).

64 One pillar is the production of conventional grains. Interestingly, a major part of KTG Agrar's operations is to produce organic wheat, rye and spelt, which is distributed by its own brands *BioFarmers* and

bio-zentrale. Another important and quickly growing segment is bio-energy production, mainly bio-gas but also wood pellets. Between 2007 and 2012 the company's output grew from 6.5 megawatts to 31 megawatts and it plans to expand to 50 megawatts by 2015.¹⁴

KTG Agrar is a prominent example of the new investors entering the agricultural land market in Germany. Others are Tonkens Agrar AG (2,900 ha), JLW Holding AG (about 24,000 ha) and Steinhoff Familienholding GmbH, mentioned above (about 25,000 ha) (Foster et al., 2011: 15).

C. Similarities with global land grabs

The above examples show that, just as at the global level, non-agricultural and non-local investors are making land demands on an unprecedented scale. The trends include:

- Rising demand for land by non-local (non-regional) and investors with no agricultural background
- Very negative effects for the local farmers, especially if they are in direct competition with rich investors through deregulated land and land-lease markets
- Protests by local farmers
- Low-paid seasonal jobs, especially in the bio-gas sector (Polish workers are paid 5€ an hour)¹⁵ and large parts of agricultural value-added do not benefit the local area and run counter to broad-based and equitable rural development
- Exclusion of the public from land that was previously accessible (Berliner Morgenpost, 2008)
- Accelerated land concentration
- Shrinking space for democratic control and political participation and decentralised food systems

Some thoughts on the issue of 'transparency'

At the global level, the mainstream approach presented by governments, multilateral organisations and investors regarding land grabbing is to focus on transparency as the main means to regulate and/or facilitate the process (e.g. the Global Land Transparency Initiative proposed by the G8). The case of Germany raises the question of whether such an approach is appropriate:

- The 2010 BVVG principles clarify that sales and leases are awarded through a **public auction** (BVVG, 2010). This was initiated with the introduction of the 2007 privatisation principles. From the beginning the farmers have been aware of this and its consequences.
- The government **openly announced** in 2007 that lease contracts would not be renewed, probably luring non-local investors into the land market.
- In 2010 there was a national media campaign announcing that the government would sell the remaining BVVG land (Gerke, 2012b).

Despite a **high level of transparency** (especially compared to countries in the Global South), many regions in Germany have experienced a rush of new land investors, creating problems for the local communities (e.g. land prices, unfair competition for land, domination of a region by non-locals).

Transparency did not prevent the influx of investors. Indeed, it may even be what attracted them. At the heart of this phenomenon lies the government's decision to open up the land market, to achieve rapid privatisation of land and maximise profits; and to promulgate a renewable energy law that discriminates against food production rather than being based on a sound concept of rural development focused on local communities and existing farmers, and a long-term vision for the rural sector.

Need for action – the Tenure Guidelines and options for change

If the process of land concentration continues at the same pace, in the next two decades, 40% of existing farmers will abandon the sector – predominantly the small and medium farmers with up to 50 ha.¹⁶ Most of the land and food production in Germany will be controlled in a few hands. This presents grave risks to the aim of maintaining and strengthening sustainable rural communities. It also raises major questions about the democratic organisation and control of the food system.

In view of this situation, the German government should urgently open an inclusive debate on the way forward and a vision for agriculture in Germany. This discussion should especially include small farmers (who are the most likely to lose out in the coming years), young farmers and aspiring farmers. Four of the most relevant themes to be tackled are:

- **Access to land** – instruments that promote and prioritise access to land by small farmers and young farmers including young landless people interested in taking up farming
- **Land concentration** – how to stop and reverse the development?
- **Strengthen rural communities** – mechanisms to reverse incentives to concentrate ownership of land, and instead to promote and give priority to local food production and consumption, diverse and sustainable rural communities and an agricultural value-added that primarily benefits the local community
- **Democratic control** – Instruments and mechanisms for transparent decision-making processes and broad participation of the population – especially farmers – in formulating policies relating to the land and food systems

In eastern Germany the above-mentioned youth network calls for:¹⁷

- An immediate halt to land transfers by BVVG
- Land-allocation criteria that prioritise small farmers and young farmers including young landless people who wish to take up farming

Rationale for implementing the Tenure Guidelines in Germany

The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security¹⁸ (hereafter TG) are 'global in scope' (2.4), which means they apply to Germany. In fact, Germany has been one of the main supporters of the TG process. Demands for their meaningful application in Germany should be taken up if the government wants to retain credibility in pushing for their adoption elsewhere. Indeed, it would strengthen global implementation efforts if other countries can see that Germany is applying the TG, even if this entails mobilising additional capacities and resources and opening up political processes and discussions.

Some aspects of the TG are particularly relevant to the German context and to the three themes identified above. At the same time, it is important that every guideline be seen in the context of the overall TG objective to prioritise benefits for vulnerable and marginalised people (1.1).

A. Defining a vision – what agrarian structure do we want in 20 years?

Guideline 3B5 is highlighted as an 'essential principle' of the TG, stating that the governance of tenure must be guided by a 'holistic and sustainable approach', recognising 'that natural resources and their uses are interconnected, and adopting an integrated and sustainable approach to their administration'.

Guideline 11.2 further refers to the relevance of the ‘interest of societies’ and ‘values’: ‘States and other parties should recognize that values, such as social, cultural and environmental values, are not always well served by unregulated markets. States should protect the wider interests of societies through appropriate policies and laws on tenure’.

Defining a vision for the German agricultural sector should be guided by these principles. A process and debate on such a vision should be as a central part of implementing the TG, based on Guideline 26.2, which defines core aspects of implementation: ‘States are encouraged to set up multi-stakeholder platforms and frameworks at local, national and regional levels or use such existing platforms and frameworks to collaborate on the implementation of these Guidelines; to monitor and evaluate the implementation in their jurisdictions’. This process ‘should be inclusive, participatory, gender sensitive, implementable, cost effective and sustainable’. Thus such a platform (or various platforms) should be set up in Germany and should from the outset include small farmers and young farmers, especially young landless people interested in taking up farming, in defining the principles for such a process.

One result might be to inform an EU-wide process towards a directive on the use and management of land.

B. Missing mechanisms for access to land

The Guideline on equity and justice (3B3), another ‘essential principle’ of the TG, states that ‘recognizing that equality between individuals may require acknowledging differences between individuals, and taking positive action, including empowerment, in order to promote equitable tenure rights and access to land, fisheries and forests, for all, women and men, youth and vulnerable and traditionally marginalized people, within the national context’.

At present, there are no adequate mechanisms in place to address and overcome the numerous obstacles, especially for small farmers and aspiring young farmers to access land. Based on the national situation, Germany should take positive action in form of policies and programmes to promote access to land for small farmers and potential farmers, especially aspiring young farmers.

C. Addressing land concentration: the national and federal land law and the TG

Guideline 3B3 refers to the need for equitable access to land, which is closely linked to the issue of land concentration. This aspect is further specified in Guideline 11.2 regarding land markets: ‘States should take measures to prevent undesirable impacts on local communities [...] and vulnerable groups that may arise from, inter alia, land speculation, land concentration [...]’.

Following paragraph 9, clause 1.1 of the national *Grundstückverkehrsgesetzes*, a law that regulates transfers of agricultural land in Germany, transfers can be denied if they entail an ‘unhealthy distribution of land’. As specified in paragraph 9 clause 2, this is ‘generally the case when a transfer opposes measures to improve the agrarian structure’. The related law on land leases (*Landpachtverkehrsgesetz*) has similar provision (paragraph 4) plus an additional specification to deny lease contracts if they imply an ‘unhealthy accumulation’ of land.

As farmers argue, these rather interesting legal provisions have two problems in practice.¹⁹ First, their provisions are not observed. Guideline 6.9 states ‘States should provide for the administrative and/or judicial review of decisions of implementing agencies’. On this basis, the national or federal Ministry of Agriculture could conduct a study to ascertain how far the legal provisions are being applied. Second, the legislation does not define what constitutes a good agrarian structure as the basis for making an

assessment, and it is interpreted mainly within a narrow economic logic.²⁰ Based on the TG (and the outlines above), a sound framework for an agrarian structure should take a holistic approach. Guideline 5.3 explicitly refers to such frameworks and explains:

Frameworks should reflect the social, cultural, economic and environmental significance of land, fisheries and forests. States should provide frameworks that are non-discriminatory and promote social equity and gender equality. Frameworks should reflect the interconnected relationships between land, fisheries and forests and their uses, and establish an integrated approach to their administration.

The study suggested above could also examine whether the prevailing interpretation of good agrarian structure is in line with the TG, especially Guidelines 3B5, 5.3 and 11.2.

There are further legislative aspects that could address land concentration. Guideline 19.1 proposes a land taxation with an objective of *'preventing undesirable impacts that may arise, such as from speculation and concentration of ownership or other tenure rights. Taxes should encourage socially, economically and environmentally desirable behaviour...'* Based on this, an impartial and inclusive debate should be conducted on the possible role of progressive land taxation in preventing and reversing land concentration. The instrument of land ceilings (TG 12.6, 15.2) could form part of this debate.

D. Addressing the conduct of BVVG through the tenure guidelines

It seems obvious that the privatisation principles of the BVVG, including the preferential scheme, fail to address the problems of land concentration and access to land for small farmers and youth. A first step should be to assess whether the BVVG privatisation criteria (including the EALG scheme) are consistent with the TG, especially taking into account the interest of society and values highlighted above. In addition, Guideline 4.6 stresses that *'states should remove and prohibit all forms of discrimination related to tenure rights, including those resulting [...] lack of access to economic resources'*. It should be assessed whether the German state, via the BVVG, complies with this guideline.

Based on Guidelines 26.2 and 4.7, which highlights that the local communities should *'participate in processes that could affect their tenure rights'*, such an assessment and subsequent processes might lead to a revision of the privatisation principles and to obliging the BVVG to ensure that its approach to land management primarily benefits local communities and is inclusive and participatory. This could include discussing a halt to the privatisation process and/or an effective mechanism for access to land of young aspiring farmers.²¹

References

- Berliner Morgenpost* (2008) 'Gutsherrenart: Landbesitzer riegeln die Uckermark', 30 May.
- BVVG 2010 *Grundsätze für die weitere Privatisierung der landwirtschaftlichen Flächen der BVVG*.
- DBV (2013) *Situationsbericht*.
- DBV (2012) *Situationsbericht*.
- DBV (2011) *Situationsbericht*.
- Foster, B. et al. (2011) *Aktivitäten von nichtlandwirtschaftlichen und überregional ausgerichteten Investoren auf dem landwirtschaftlichen Bodenmarkt in Deutschland*.
- Gerke, J. (2012a) *Bäuerliche Landwirtschaft systematisch schwer gemacht*.
- 68 Gerke, J. (2012b) *Maßnahmen für die ostdeutsche Bodenpolitik*.

Johan Heinrich von Thünen Institut (2011) *Aktivitäten von nichtlandwirtschaftlichen und überregional ausgerichteten Investoren auf dem landwirtschaftlichen Bodenmarkt in Deutschland*.

Siegmund, K. (2010) 'Höhenflug der Bodenpreise', *Bauernzeitung* 29.

Useful links

<http://www.abl-ev.de/themen/agrarpolitik/bodenpolitik.html>

<http://www.stopp-landgrabbing.de/>

Endnotes

1. Federal Statistical Office, based on a press release by topagrar, available at: <http://www.topagrar.com/news/Markt-Marktnews-Bodenpreise-stark-gestiegen-943085.html> (accessed 26 February 2013).
2. Erneuerbare Energien Gesetz (EEG), a renewable energy law. This law rewards bio-energy production, including the provision of investment security for 20 years. Many view this as a regulation that discriminates against 'traditional' food production such that it cannot economically compete with subsidised bio-energy production – also in the land market.
3. Linked to the struggles for agrarian reform in Latin America and elsewhere, the *land question* concerns the system and structure of ownership of land (with a focus on land concentration) linked to the welfare of the whole society. For instance, what kind of land ownership structure is desirable and socially sound, and how can land-poor and landless peasants obtain access to land?
4. The data supporting this statement are as follows. The 2010 profits (surplus) of BVVG was €320 million, with €342 million from land sales and €72 million from leases. In 2011 the profits had risen to €438 million, which must have been generated mainly by more land sales (of a shrinking amount available). See BVVG Annual Report 2010.
5. Deregulation measures, opening land markets and strengthening the links to land sales via BVVG 'mit Einführung der Ausschreibung als Regelverwertungsverfahren Anfang 2007 werden die tatsächlichen Wertverhältnisse sichtbar', according to a presentation made by Dr Wolfgang Horstmann (BVVG), 21 October 2008.
6. For example, a farm of 2,000 ha that included 1,500 ha under lease could buy 500 ha at the discounted rate (Gerke, 2012).
7. Farms of under 250 ha bought 6% of their much lower lease areas whereas farms of over 1,000 ha bought 12% (Gerke, 2012a).
8. Estimates from local farmers, based *inter alia* on data from the 'elektronischer Bundesanzeiger' available at: www.ebundesanzeiger.de/.
9. Reported at: <http://www.nnn.de/nachrichten/home/top-thema/article//landnahme-der-grossinvestoren.html/>.
10. Reported in Handelsblatt, *Familiärer Nachfolger in den Startlöchern*, 7 January 2009.
11. Steinhoff focuses on bio-energy through maize monoculture (reportedly, cheap labour from Poland is employed for harvest season, so the issues of jobs is also on the table) and can use the investment and the losses of the first years to offset this against the huge turnover and profits of the furniture company.
12. This was also confirmed in interviews with local farmers.
13. Figures available at: www.ktg-agrar.de/ (accessed 21 February 2013).
14. Press release of 17 September, available at: www.ktg-agrar.de/ (accessed 21 February 2013).
15. Personal interview with local farmer, June 2011, Uckermark.
16. It is estimated that 112,500 farm holdings would close, all below 100 ha and 90% below 50 ha (author's calculation based on the annual decrease of farm holdings of different sizes between 2007 and 2011 (DBV, 2012: 95).
17. Available at: http://www.stopp-landgrabbing.de/?page_id=91 (accessed 27 February 2013).
18. Those Guidelines were endorsed in May 2012 by the Committee on World Food Security CFS. See <http://www.fao.org/cfs/cfs-home/cfs-land-tenure/en/>
19. Personal communication with farmers, Nürnberg, 13 February 2013.
20. In a recent case, a court decided that a company could be seen as local if it has a mailbox near the land it wishes to acquire. See: Newspaper Bauernstimme February 2013 edition, p.17
21. Interestingly, the possibility of including young farmers in the preferential scheme was the subject of discussion. Topagrar 4 February 2013.