

European
Commission

LUXEMBOURG

CAP IN YOUR COUNTRY

The common agricultural policy (CAP) is Europe's answer to the need for a decent standard of living for 22 million farmers and agricultural workers and a stable, varied and safe food supply for its 500 million citizens. As a common policy for all 28 EU countries, the CAP strengthens the competitiveness and sustainability of EU agriculture by providing direct payments aimed at stabilising farm revenues, and finances projects responding to country-specific needs through national (or regional) rural development

programmes, which also cover the wider rural economy and life in rural areas. The CAP also provides a range of market measures, including tools to address the impact of price volatility and other market difficulties and additional elements, such as quality logos or promotion for EU farm products, which complete CAP action to support farmers. The CAP budget for 2014-2020 is €408.31 billion, with €308.73 billion intended for direct payments and market measures and €99.58 billion for rural development.



- covers an area of **2 586 km²**, of which the land used for farming covers 54 % while forest areas cover a further 34 %
- has a total **population of around 570 000**
- has relatively **large farms** (63 ha of farmed land per holding, 16.1 ha in EU-28)
- has a largely **peri-urban agriculture**, with land costs for taking over or setting up farms

INVESTING

in Luxembourg's agriculture 2014-2020



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In the period from 2014 to 2020, more than **€337 million¹** is expected to be invested in Luxembourg's farming sector and rural areas through the CAP. Certain key political priorities for which CAP funding should be used have been defined at European level - jobs and growth, sustainability, modernisation, innovation and quality. However, Luxembourg has the flexibility to adapt both direct payments and its rural development programme to its specific needs

Fairer and greener direct payments

Luxembourg's direct payment allocation for 2014-2020 amounts to **€236 million**.

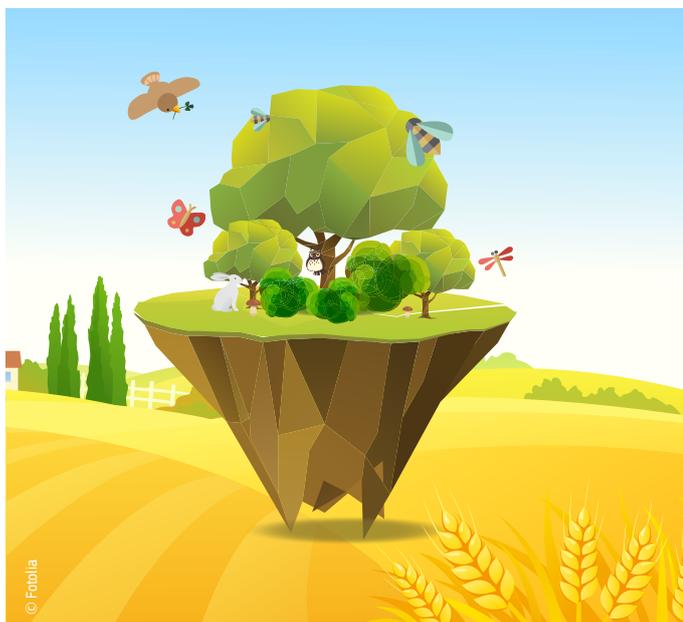
Farmers in Luxembourg, as they are across the EU, are subject to so-called '[greening](#)' rules, designed to ensure that they farm in a sustainable way and help contribute to EU efforts to tackle climate change, biodiversity loss and soil quality. Under this system, 30 % of the direct payment allocation, paid per hectare, is linked to three environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and dedicating 5 % of arable land to environmentally friendly measures (so-called 'ecological focus areas').

Luxembourg uses the standard [basic payment scheme](#) for direct payments to farmers, and will gradually converge the level of payments per hectare made to farmers with a deadline of 2019. Luxembourg has opted for the minimum reduction of 5 % on amounts of basic payments above €150 000. At the other end of the scale, Luxembourg does not grant direct payments to farmers below €100.

Because of the dominance of larger farms, Luxembourg has opted not to implement the redistributive payment scheme or the small farmers' scheme – both of which give additional support to farmers with smaller holdings.

Luxembourg has also earmarked 0.48 % of its direct payments allocation for voluntary coupled support – i.e. linking payments not only to hectares but to specific products or processes – in this case protein crops.

While CAP rules allow a 25 % aid supplement to be paid for young farmers in addition to their basic payment for the first five years following the initial set-up of the young farmer as head of holding, Luxembourg has instead opted to offer a lump-sum payment for young farmers.



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1 Total allocation of direct payments and rural development for the period 2014-2020 (in current prices).



Farmers at the heart of the food supply chain

Through the CAP, the EU also supports [producer organisations](#) that can help farmers to get better organised and to market their products more effectively, strengthening their position in the food supply chain.

Supporting key priorities for Luxembourg's rural development

For 2014-2020, a total public contribution of **€368 million** (€100.6 million from the EU budget, €267.4 million from the national budget) has been allocated for measures that will benefit Luxembourg's rural areas.

The [2014-2020 rural development programme for Luxembourg](#) focuses on the following priorities:

- improving the competitiveness of the agricultural sector
- preserving ecosystems and the efficient use of natural resources
- creating conditions for the economic and social regeneration of rural areas



Example of a rural development project supported by the CAP

Renovation of a hydroelectric power station (Zettinger watermill)

The project supported the renovation of a historic hydroelectric power plant on the banks of the Sûre river and run by a farm household. It permitted the revaluation of the old watermill and the site where it is located and resulted in an increase of the annual energy yield from 10 to 20 %.

Total project cost: €350 500 (EU contribution: €42 060)

More project samples: [European Network of Rural Development](#) and [EU results](#)

KEY ACHIEVEMENTS



Between 2007 and 2013, the CAP invested **more than €334 million²** in Luxembourg's farming sector and rural areas to stabilise farmers' income, modernise and increase the sustainability of Luxembourg's farms and to secure the supply of safe, affordable and quality food for its citizens.

Luxembourg's farmers benefit from the CAP

In recent years, direct payments have been a key safety net for Luxembourg's farmers. In 2014 some 192 000 farm businesses in Luxembourg received **more than €30 million** in direct payments. Meanwhile, in 2015, the EU spent more than €470 000 on market measures in Luxembourg, targeting mainly the fruits and vegetables sector.

Fostering growth and jobs in Luxembourg's rural areas

In the period from 2007 to 2013, **€95 million** of EU funds (within a total public expenditure of €394 million) was invested via the rural development programme in a range of different activities supporting agricultural production and benefitting Luxembourg's rural areas, preserving their diversity and enhancing their economic strength, cultural richness and social cohesion. In concrete terms, rural development funds helped

- more than **212 young farmers** get established in the profession
- support **farm investments on over 1 070 farms**, through a combined public and private investment of more than €245 million
- provide **specialised training for some 10 000 farmers**
- add additional value to agricultural and forestry products through support for 22 businesses and a combined public and private investment of more than **€50 million**.

Rural development funds have also encouraged the development of a more sustainable model of agriculture:

- more than 50 farmers (with 3 459 ha of farmed land) received **support for organic farming**
- almost 4425 farmers (with 170174 ha of land) were given support to help them use **certified environmentally-friendly farming methods**.



2. Total expenditure for direct payments, market measures and rural development (payments) for the period 2007-2013 (in current prices).

Adding value with quality schemes

Through the [quality policy of the CAP](#), the EU provides a number of measures to help producers build on the high quality reputation of European products to sustain competitiveness and profitability. A key tool in this is the register of more than 1 300 protected food names which are classified as a **Protected Designation of Origin (PDO)**, a **Protected Geographical Indication (PGI)** or a **Traditional Speciality Guaranteed (TSG)**. The production of these registered quality products contributes to diversity, development and growth in the rural areas where they are produced and protects local knowledge, skills and jobs.



Luxembourg has [four food products registered](#), [two PDOs](#) (*Miel - Marque nationale du Grand-Duché de Luxembourg* and *Beurre rose - Marque Nationale du Grand-Duché de Luxembourg*) and [two PGIs](#) (*Salaisons fumées, marque nationale grand-duché de Luxembourg* and *Viande de porc, marque nationale grand-duché de Luxembourg*).



In addition to the registered products, the EU also helps highlight food that has been produced in a sustainable way with a clearly recognisable organic logo.

Responding to market difficulties

Following the prolongation of the [Russian ban on the EU agricultural imports](#) and difficult conditions in certain markets, in October 2015 the European Commission agreed a [support package worth €500 million](#) to help those farmers most affected by the difficulties, including €420 million in national allocations to support the **dairy and livestock sectors** in particular, with flexibility for member states to decide how to target this support. Luxembourg opted to share its €669 120 allocation to various sectors.

In July 2016, the European Commission agreed a [further solidarity package](#) worth €500 million, including aid worth €350 million aimed at the dairy sector in particular. Of this, roughly €560 115 was earmarked for Luxembourg.

What do the Luxembourgers think of the CAP?

According to the most recent Eurobarometer survey, published in January 2016, **welfare of farmed animals** should be one of the main responsibilities of farmers in society (56 % of Luxembourgers; 35 % in EU28). "Supplying the population with a **diversity of quality products**" is another key responsibility, according to 43 % of citizens in Luxembourg (42 % in EU28). When questioned about the policy priorities of the common agricultural policy, **71%** of respondents said that "ensuring that agricultural products are of **good quality, healthy and safe**" (56 % in EU28) should be a priority, while 60 % said "ensuring a **fair standard of living for farmers**" (49 % in EU28).

Source: Eurobarometer survey 440 "[Europeans, Agriculture and the CAP](#)"

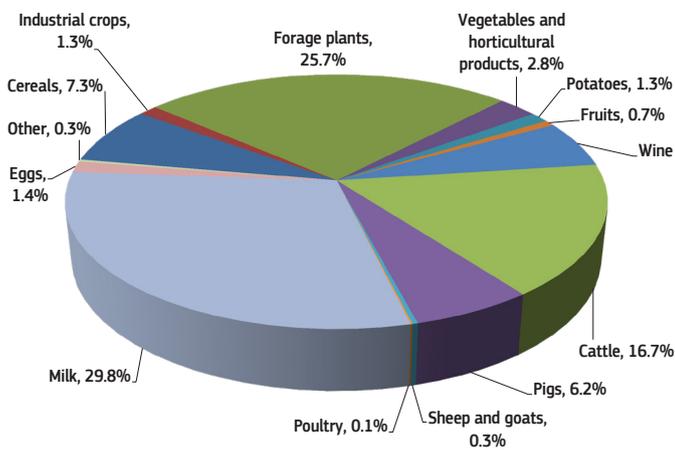


AGRICULTURE AT A GLANCE

Agriculture in Luxembourg is characterised by

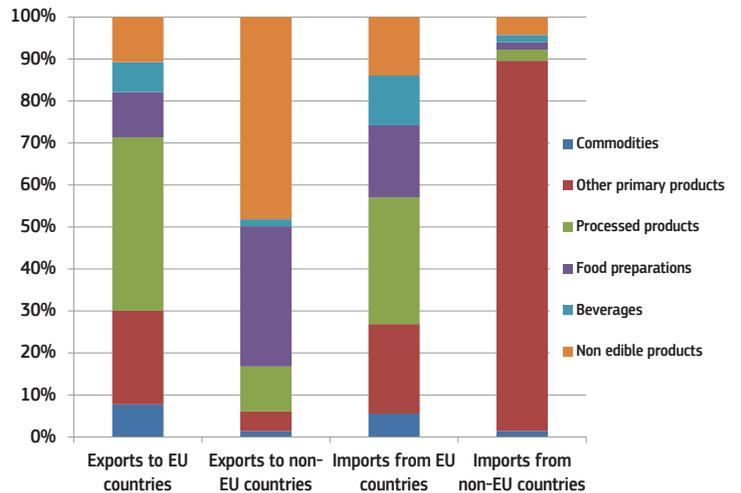
- **large farms:** 63 ha of farmed land per holding, compared to 16.1 ha in EU28
- **young farmers:** 8.7 % of farmers are under 35 years old (6.0 % in EU28), while only 14.4 % are older than 64 (31.1 % in EU28)
- **low contribution to the economy and to employment:** the primary sector (agriculture, forestry and fishing) accounts for 0.2 % of Luxembourg's economy (total GVA) and agriculture for 0.9 % of total employment. This is lower than the European average in economic terms (1.5 % in EU28) and employment terms (4.3 % in EU28).

A very diversified production



Output components (2014-2016 average); values at constant producer prices

Importing other primary products from non-EU countries is highly important for Luxembourg (2016 data)



Farmer's income continues to be more volatile than wages and salaries in other sectors

