



NEW ZEALAND  
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# Netherlands: Nitrogen Update Market Insights

MARKET INTELLIGENCE REPORT



# Summary

- The Netherlands has provided more clarity on its farm buy-out scheme as part of its effort to reduce nitrogen emissions by at least 55% by 2030. However, negotiations to reach an overall agreement on the future of the agriculture sector broke down in mid-2023. The government spearheading this process has since dissolved, albeit over a separate issue. While the voluntary buy out scheme is now available for farmers, it will be up to a future government to devise new, additional measures should this not be enough to reach reduction targets.
- Under the buy out scheme, the government will buy the businesses of Dutch livestock farmers who are categorised as ‘regular’ or ‘peak’ polluters. The purchase price would be 100 to 120 percent of the value of their business, with the farmer able to keep the land. In return, farmers must permanently reduce nitrogen emissions on the land by up to 85 percent, and are not permitted to continue the farming business in the Netherlands or elsewhere within the European Union.

# Report

This report is an update to our [June 2022 Nitrogen Market insight report](#).

## Farm buy outs

Following the stamp of approval from the European Commission, the Netherlands government provided further clarity around its plan to buy out livestock farms near protected nature areas, in an effort to reduce nitrogen emissions by at least 55% by 2030 to comply with mandated European Union targets.

The plan has now been set in motion by the government. In June 2023, the government launched a [website](#) in which farmers can anonymously check their eligibility along with an option to indicate interest in participation. At the time the Minister for Nature and Nitrogen Christianne van der Wal warned farmers that "there will be no better offer hereafter". After indicating their interest in the scheme, farmers will be assigned a case manager, who will assess the farm's specific circumstances and create a plan together with the farmer on what the scheme will look like for their farm.

There are two categories for farmers volunteering to be bought out: 'peak polluters' who are set to receive 120 percent of the value of their business and 'regular polluters' who will receive 100 percent of the value of their business. There are two key conditions in return for those that participate: they must permanently reduce 85 percent of their nitrogen emissions and they are not permitted to continue the business in the Netherlands or elsewhere in the European Union. Importantly, the government buys the business only, not the land, so the farmer can continue to live on the land should they wish.

There is a technical calculation to determine what category a farm falls into which includes total nitrogen leakage as well as proximity to protected nature areas. There is no published list as such, however Minister van der Wal has said there are about 3,000 farms in the 'peak polluter' category and approximately 8,000 farms in the 'regular polluter' category.

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# Agriculture Agreement Negotiation Breakdown

In parallel to the farm buy out scheme, the government was also negotiating an Agricultural Agreement with the farming sector on its future in the Netherlands.

One of the key sticking points concerned a proposed regulation to increase extensification of farming operations. The disagreement centred on the limit on the number of livestock per hectare. Extensification refers to the process in which the same number of livestock is spread over a larger area of land, reducing the pressure on the farmland. The pressure comes from the amount of fertilizer used on the land, which seeps into nearby rivers and creeks, and has adverse effects on soil and water quality. As nitrogen is deposited near to where it is emitted, areas surrounding intensive farming see high deposits of nitrogen, which can be particularly damaging when near sensitive natural areas.

The government has clearly stated that the sector is currently “going beyond the limits of what the country's living environment can bear”. There is broad consensus in the country among representatives from government and the industry that the livestock sector in the Netherlands needs to reduce its nitrogen output, and that reduction in the number of farms and livestock is one of the key ways to do it.

However, the government which had been undertaking this process has since fallen, so it will now be the role of the new government to reach an agreement on the future of the farming sector. This also means that there is currently no agreement on what course the government should take if the current buy out scheme does not see enough interest from farmers. The current buyout scheme is on a voluntary basis, but the government might consider further options, such as forced buy outs, should the voluntary options not achieve the required reduction targets. This is, however, highly controversial and decisions by the current caretaker government are unlikely.

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