

Who Keeps Europe's Farm Billions Flowing? Often, Those Who Benefit

Conflict-of-interest rules are uneven. Influence-peddling is murky. The enormous E.U. subsidy program is built to keep the money moving.



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Dec. 11, 2019

BRUSSELS — One morning this spring, lawmakers crowded into a committee room filled with staffers, lobbyists and environmentalists to vote on a flurry of bills that would set the course for the European Union's \$65-billion-a-year farm policy.

For critics of the subsidy system, one item was of special interest. It was known as the “Babis Amendment,” after Andrej Babis, the billionaire agriculturalist and prime minister of the Czech Republic. It was designed to prohibit politicians who hand out European Union farm subsidies from receiving the funds themselves.

Mr. Babis is Exhibit A of how the system benefits the wealthy and connected. His government shapes agricultural subsidy policies in the Czech Republic. It also gave \$42 million in European subsidies last year to his domestic companies, according to a New York Times analysis. His holdings in Germany, Hungary and Slovakia received another \$7 million.

“The vote is open,” the agricultural committee chairman declared.

Eleven seconds passed.

Then the chairman simply said: “Rejected.”

Nobody read the proposal aloud. There was no debate. And nobody mentioned one relevant fact: that half of the 46 committee members had ties to the farm industry. Several lawmakers received thousands of dollars in subsidies. The Babis Amendment could have jeopardized their money, too.

The European Union's farm program is one of the largest subsidy schemes in the world. It represents 40 percent of the European budget — money that is meant to support farmers and sustain rural communities.

Yet it is opaque in key areas, with gaping shortcomings in accountability. In November, a New York Times investigation revealed that the subsidies underwrite oligarchs, mobsters and far-right populists. The Times also showed that some national leaders use the money to enrich friends, political allies and family members.



Fields in Hungary. The European Union's farm program is one of the largest subsidy schemes in the world. Akos Stiller for The New York Times

Such abuses succeed in part because of a system in Brussels that favors those who earn the most from the subsidies. Not only do they play an outsized role in setting policies, they also benefit from murky conflict-of-interest rules, weak lobbying-disclosure laws and a haphazard accountability system in which cases can drag on for years even when outright fraud is discovered.

Agricultural lobbyists, among the most influential in Europe, have exclusive, closed-door access to government leaders. Conflict-of-interest laws do not apply to the ministers who vote on legislation. And members of the European Parliament are not prohibited from writing the laws for the very subsidies they receive.

"The powerful people who have land and the powerful people in government work together," said Maria Noichl, a German member of the European Parliament who sponsored the Babis Amendment. "They both benefit from the program, and most people don't know how it works."

Renewing the seven-year farm bill is one of the top priorities on the European agenda. Debate will intensify next year when the European Parliament and council consider whether to grant national leaders like Mr. Babis greater flexibility over how the money is spent.

Internal auditors have criticized that proposal, only to face lambasting in the Parliament.

For years, European leaders have been warned that the subsidies encourage corruption, harm the environment and underwrite land-grabbing. Yet major change remains difficult when so many lobbyists, lawmakers and farm officials want to keep the system intact.

'Nobody Can Corrupt Me'

Andrej Babis became prime minister of the Czech Republic promising to run the state like a business. But he is often accused of running the state as if it were *his* business.

After the end of the Cold War, Mr. Babis was among the former communists who bought up what remained of the old order. He built his empire through a relentless acquisition of farms, fertilizer companies, tractor suppliers and silos. In an industry dominated by big players, his company, Agrofert, is the biggest.

"I made it from nothing," Mr. Babis said in an interview in New York.

But his companies also have benefited from policies approved by governments that he has led or served in, prompting years of investigations over conflicts of interest, even as Agrofert continued to collect subsidies.

When Mr. Babis was finance minister and deputy prime minister from 2014 to 2017, small farmers complained that they lost influence on a board that monitors and helps guide national policies for handing out farm subsidies.

“So you can imagine what kind of a decision process takes place there,” said Jan Stefl, a 59-year-old Czech farmer. “It always favors the big farmers.”



The companies of Prime Minister Andrej Babis of the Czech Republic have benefited from policies approved by governments that he has led or served in. Martin Divisek/EPA, via Shutterstock

Journalists then revealed that Mr. Babis had created a shell company that collected \$2 million in European agricultural grants intended for small businesses. In 2017, European investigators and the Czech police recommended that he be prosecuted for fraud.

But soon after that recommendation, Mr. Babis was elected prime minister. Prosecutors said they would review the investigative file. Two years later, they dropped the case. Last week, they reopened it.

That is common because European fraud investigators must work with local authorities to conduct most investigations. They can recommend charges but cannot file those charges themselves. And national prosecutors act on those recommendations only 36 percent of the time, officials said this year.

“We are doing everything from our part,” a European Union spokeswoman, Mina Andreeva, said. “We’re not here to replace every single government in the E.U.”

A European prosecutor’s office is being created next year to take up such cases, though some countries opted not to participate. That includes Hungary, where the prime minister’s family and friends have reaped millions in farm subsidies.



Prime Minister Victor Orban of Hungary, center, at the European Parliament in Brussels in March. Emmanuel Dunand/Agence France-Presse — Getty Images

In the Czech Republic, Mr. Babis has benefited from national laws that channel more European money to his companies. One rule that purports to limit runaway subsidy spending has instead created clear advantages for his company. The rule limits farmers to one grant application a year. But a company like Agrofert, which has at least 100 domestic subsidiaries, can apply many times.

Mr. Babis said in the interview that he had nothing to do with those rule changes. He said the Czech government, regardless of political party, had for years supported large-scale farming.

The European Union introduced stricter conflict-of-interest rules last year, but it is still unclear whether they cover heads of government like Mr. Babis.

When a Czech politician asked for clarification last year, Europe's top budget official replied that the answer required "a case-by-case analysis."

Using a Czech conflict-of-interest law, though, European investigators audited grants paid to Mr. Babis's business this year. They found that even though Mr. Babis had put Agrofert into two trusts, he still controlled the company and therefore violated Czech law. The auditors ordered the Czech government to return all the money paid to Agrofert from European regional development and social funds, according to a leaked report obtained by the Czech news organization Denik N and shared with The Times.

A protest this summer demanding the resignation of Mr. Babis because of accusations of conflicts of interest involving the Agrofert conglomerate. Filip Singer/EPA, via Shutterstock

Mr. Babis said that he intended to return to Agrofert once he is out of office. So, if Agrofert benefits from his government's policies, he ultimately stands to profit. But he assailed the audits, calling them "an attack on the Czech Republic" and labeling their authors incompetent.

The appeals process is expected to take months. In the meantime, Mr. Babis is scheduled to join other elected national leaders on the European Council, which will meet in secret to set the European Union budget in the coming months. Czech opposition leaders have called for Mr. Babis to be excluded from that vote. One senator, Lukas Wagenknecht, urged European officials to stop paying "an East-European oligarch to establish a nondemocratic autocracy."

Mr. Babis is confident that he will be exonerated.

"Nobody can corrupt me," he said. "I'm quite a rich guy."

'Farmers Are Watching Us'

The defeat of the Babis Amendment barely registered with the most important lobbyists in the room. They had their eyes on the bigger picture: keeping the subsidy system intact, with as much money as possible.

As long as there has been farm money, Copa-Cogeca, Europe's largest organization for farmers, has swayed where it goes. European leaders have historically treated the group not as mere recipients of government money, but as partners in policymaking.

Much has changed in recent decades: Environmental concerns have become a priority and farming has shrunk to 1 percent of Europe's economy. Yet even today, Copa-Cogeca enjoys special access that would make others swoon.

“On the subsidies, they are more powerful than anyone,” said Gérard Choplin, an agricultural policy expert and former lobbyist.

Before meetings of European farm ministers, for example, the council president grants a private audience to Copa-Cogeca. That lets farm lobbyists — and only farm lobbyists — make their views heard before key decisions are made.

When environmental groups requested similar access last year, they were rebuffed. A council representative told them that Copa’s meeting was a matter of tradition, “to facilitate an exchange of information.”

Lobbyists are not required to register in Brussels and the capital is filled with events bringing them together with policymakers. Staff members from Copa-Cogeca, the agricultural company Bayer and the European Commission formed a group called the Young Food Policy Network, which hosts happy hours for government and business officials. This is not lobbying, staffers said, just people having drinks.

Copa-Cogeca draws its influence largely from the national farm unions, which can cause political headaches. This year in France, farmers blockaded roads and dumped tons of manure outside the office of a member of Parliament in a protest over a trade deal.

Copa-Cogeca officials make no apologies for being advocates for their industry. They say farmers are expected to hold down food prices, keep quality high and fight climate change — all while dealing with a panoply of regulations and a shrinking farm budget. They say they have accepted years of reforms but will not accept anything that hurts the industry’s bottom line.

“We cannot be green if we are in the red,” Pekka Pesonen, the group’s secretary general, said this year.

Lawmakers hear that message often. Lobbyists in Brussels are free to roam the committee room floor, and Ms. Noichl of Germany said she hesitated to talk to her colleagues there. “There’s too many people listening,” she said.

Soon after defeating the Babis Amendment, the committee prepared to vote on the full subsidy bill. It gave leaders like Mr. Babis new spending flexibility. Most important, it declared that the subsidy budget should not be cut.

Before opening the vote, the committee chairman, Czeslaw Siekierski of Poland, paused for a reminder.

“European farmers are watching us very closely,” he told his colleagues. “And we must make sure that we can deliver.”

The vote passed.

A Stake in the Status Quo

To many, Mr. Babis has become a symbol of conflict-of-interest in the subsidy system. But lesser-known government officials also have a stake in the policies they vote on.

Among the lawmakers who killed the Babis Amendment were Mairead McGuinness of Ireland, whose family received \$28,000 in subsidies last year; Peter Jahr of Germany, who received \$15,600; and John Stuart Agnew of Britain, who disclosed receiving between \$13,000 and \$66,000 from a company that is paid subsidies.

Lawmakers said they saw no problem with their vote. Ms. McGuinness said the bill would have unfairly punished farmers whose family members entered politics. Mr. Jahr noted that all lawmakers are affected by some laws, like taxes. “To a certain extent, it is inherent to the system,” he said.

If the European Parliament disagrees, nobody is saying so. Its conflict-of-interest rule is vague and leaders have taken no position on whether members can vote on and receive subsidies. The responsibility for identifying conflicts, a Parliament spokeswoman said, “lies primarily with the member.”

So reports about lawmakers receiving subsidies become background noise. “They vote on the money, and they and their families get the money,” Ms. Noichl said.

And the members of another governing body, the Council of the European Union, are not subject to a conflict-of-interest policy at all. It comprises ministers from all 28 countries, who vote on legislation. Members of the Council are presumed to be representing their national governments, not themselves.

This means that Mr. Babis’ farm minister, Miroslav Toman, can vote on subsidy policy even though his brother and father run an agricultural company that was among the biggest Czech subsidy recipients last year.

“Everyone has a stake in keeping the status quo,” said Alan Matthews, a farm policy expert at Trinity College Dublin.

Experts agree that one way to curtail abuses and address inequities would be to limit how much each person receives. Another would be to reconsider a formula that pays farmers based on how much land they hold.

Franz Fischler, a former European agricultural commissioner, said he had tried more than 15 years ago to accomplish both. But Britain, where aristocrats own huge tracts of land, opposed the idea, Mr. Fischler said. So did Germany, home to large Soviet-style farms in what was once East Germany.

When his proposal died, Mr. Fischler warned that as the European Union expanded, the subsidies would widen the gap between rich and poor. "This is exactly where we are now," he said.

Even today, 23 of the 28 agricultural ministers who will vote on the farm bill have said they oppose a cap.

"There is no real change," said Ms. Noichl, the German lawmaker. "Not in Europe. In Europe it's always the same."

The European Union can and does claw back misspent money. But veteran investigators ruefully joke that often the only penalty for stealing is having to return the money.

For example, European investigators say they unraveled a scheme involving a Brussels-based company that received millions of dollars to promote Bulgarian agricultural products. The firm colluded with Bulgarian companies, inflated invoices and laundered money through shell companies, according to documents and current and former officials.

The authorities identified a European official, Georgios Malliaris, who received cash from the scheme, according to the officials. Mr. Malliaris did not respond to repeated messages.

Investigators recommended charges two years ago against the companies and Mr. Malliaris. European officials are working to recover the money from Bulgaria, but the authorities have not prosecuted any of the companies.

A sealed criminal case against Mr. Malliaris and others is winding through the Belgian judicial system, current and former officials said. Until that case is resolved, European Union officials cannot take action against Mr. Malliaris.

So he remains employed and has been moved to an archiving job.

Hana de Goeij contributed reporting from Prague.