

Klaus Wagner

Federal Institute of Agricultural Economics
Marxerg. 2, 1030 Vienna, Austria
klaus.wagner@awi.bmlfuw.gv.at

The EU-Rural Development Policy in Austria¹

Abstract: *The Common Agricultural Policy of the EU influences the agriculture in production but also in different functions as there are the function of resource protection, recreation, landscape diversity and spatial structuring. Especially in a comparison of regions on both side of the former Iron Curtain the effects of a different agricultural policy can be observed, illustrated on the example of Austria/Hungary. Austria concentrates on the rural development with already 65% of the subsidies in the second pillar of the CAP with a lot of different measures. The largest parts of it go to the environmental measures and to the measures for less favoured areas.*

Key words: *Common Agricultural Policy, rural development, Austria, multifunctional agriculture*

Introduction

There are two reasons why agriculture plays a major role in the former Iron Curtain regions: To the west of the Iron Curtain most of the regions were abandoned from at least half of the catchment areas for development reasons (markets, resources) and became remote areas in terms of centrality and regional development. On the eastern side, the zone along the Iron Curtain was protected for security reasons, so land use was very restricted and farming or forestry – if at all – was allowed only under special restrictions. This caused a regional economic vacuum to develop, which has filled up relatively quickly since the Iron Curtain had been removed. The problems in the reference areas are on the one hand typical for the media that are independent of administrative borders (water-, soil-, air pollution), on the other hand problems occur because of discordant developments along either side of the border. Consequently, one major effort to smooth the different development stages on either side of the border beside the Policy on Cohesion is the European Union's Common Agricultural Policy. Land use in the reference area indicates an increasing intensity from north to south. Reindeer grazing, fishery and forestry in the Norwegian/Russian regions, different shares of forestry, intensively and extensively used grassland

¹ Results of the EU-5th framework project Iron Curtain, 01/2005.

and arable land (cereals) in the regions of Germany/Germany, Germany/Czech Republic and Czech Republic/Austria, more intensive agriculture (cereals, corn, sunflowers, rape seed, sugar beets) with considerable shares of vegetables, orchards and vineyards in the region of Austria/Hungary and very intensive agriculture (corn, cotton, rice, beans, vegetables) with plenty of irrigation in the Bulgarian/Greek region.

Common Agricultural Policy (CAP)

The CAP dates back to the early 1960s and was originally based on the Treaty of Rome. Its emphasis was on encouraging improved productivity in the food chain, largely for food security reasons and stable supply. In the Non-Member States at that time the objectives were the same. Guaranteed prices, incentives for production, restructuring of farming were very successful and by the 1980s the EU had to contend with almost permanent surpluses of the major farm commodities, which caused high budgetary costs and distorted the world market.

In 1992, important reforms were agreed, which involved reducing support prices and compensating farmers by paying them direct aids to make them more market-oriented. This shift of emphasis in the CAP entered a new phase with the Agenda 2000, which defines the subsidies until 2006. Beside the known subsidies for agricultural products and markets, the so-called second pillar of the Agricultural policy was strengthened (*European Commission* 2004). The different subsidies for rural development were re-organised. It was referred to as a major landmark and the slogan (one programme for one rural space) intended to bring more transparency into the difficult system of different subsidies in different regional sceneries. The subsidies were now distributed over the whole rural space and although the programme had been given a new name, the subcategories under this title largely remained the same. So there was at least one common bracket for rural development. While the different measures like agro-environmental programs with organic farming, diversification, processing, marketing, disadvantaged or less favoured regions, education programs, forestry measures, adaptation and development of rural areas were strengthened with more money, the extent of aid differed widely between the Member States.

Over the seven-year period from 2000 to 2006, the EU is spending a total of 270 billion € for market regulations and product premiums (first pillar) and only 30 billion € for rural development (second pillar). Austria is a special case where more money already goes to the second pillar than to the first (relation: 65% to 35%); this was because of the great amount of disadvantaged areas and the small-scaled structure of the farms in comparison with other EU Member States. The only chance to compete in terms of economy remains in niche production, focussing on environment-, landscape- and tourism-related aspects. In the other states with Iron Curtain reference areas this is not the case (Germany 1st pillar: 90%, Greece: 1st pillar: 95%, Hungary and Czech Republic: 1st pillar: ~70%).

Rural Development Measures in Austria – the second pillar of the CAP is the first in Austria

On the basis of the EU regulations 1257/1999, 1750/1999 and 1260/1999 the Rural Development Program in Austria comprises a lot of measures which partly have already a long tradition. This is explainable because of the structural and natural conditions in Austria. Due to the OECD method 91% of the area of Austria is classified as rural area with 77% of the population. 70% of the area is a mountainous region with a lot of small farm enterprises (43% < 10 ha).

In all, 8 chapters with a financial volume of 6.9 billion € have been formulated in the frame of the Rural Development Program for the period 2000–2006. This is a share of 9.7% of the EU-wide money for Rural Development. Austria did not apply for the EU early retirement measure. In the year 2003 an evaluation of the Rural Development Program has been worked out on the basis of the EU guidelines VI/8865/99 and VI/12004/00. The figures illustrating the degree of success of the measures in the following text refer to the evaluation period 2000–2002 (Figure 1).

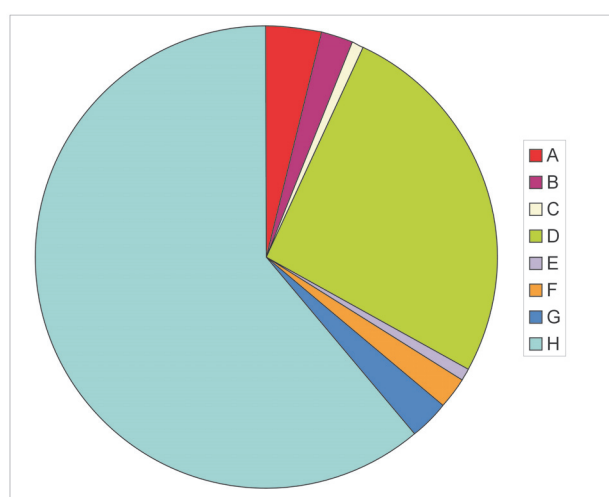


Figure 1. Rural Development in Austria 2000–2006, distribution of the funds
A – Investment aid, B – Installation of young farmers, C – Vocational training,
D – Less-favoured areas, E – Processing and marketing, F – Forestry, G – Adaptation
and development, H – Agri-environmental measures (ÖPUL)

Investment aid (4%)

It is a key element to improve competitiveness and good functioning of agricultural structures. Support is granted for construction facilities and technical equipment as well as for the establishment and regeneration of plantations.

So far, the predominant portion of the funds spent within the investment support has been used for investments concerning the construction of stables. 83% of the total funds provided for investment support in the period from 2000 to 2002

have been spent in this field. The co-financed investment programme has contributed considerably to the maintenance of the substance of the participating farms. Its effects were, in particular, the improvement of liquidity and profitability, as well as, via the lowering of risk, rationalisation and development steps in the segment of agricultural production otherwise impossible. The evaluation shows that, from the sector point of view, positive structural effects have been achieved, even though not to the degree necessary. Direct income effects of the farmers have not been seen but positive effects on the productivity of manpower and diversification have been stated. Nearly 13,000 farm enterprises got on the average 8.400 € subsidies each, which stimulated investments of 55,500 € per enterprise.

Installation of young farmers (2%)

The installation premium for young farmers is requested in the form of a single payment upon the taking over of the agricultural holding and represents an additional aid granted to young farmers. So far, installation premiums totalling 43.3 million €, or 9,212 € per holding, have been paid to 4,699 holdings. This amount covered approximately 20% of the expenditure for the installation of a young farmer. According to Austria's experiences the installation premium has given an impulse to initiate farm transfers earlier (especially full time farming) but other legal conditions like social security and retirement laws seem to have a bigger influence.

Vocational training (1%)

Educational measures play an important role in the implementation of programs as the acceptance of other program chapters rises due to the accompanying education and training measures. The measure of vocational training has contributed essentially to the improvement of the situation of Rural Areas, respectively of the people living in Rural Areas. Primarily the discussions with persons responsible for education have shown very clearly that the measure of vocational training, which has been newly introduced in this period of the program, has given rise to an education offensive. For the first time also more courses were offered on topics going beyond the simple optimisation of operating results, like the protection of the environment and the conservation of resources, provisions on animal hygiene and nature protection, and due to the subsidised fees these courses have been accepted very well. The expensive and time-consuming more comprehensive courses have come within the reach of everybody as a result of the aids for farmers. Moreover, by widening target groups it has become possible to extend educational offers in this programme period and to achieve even broader effects. The funds spent so far have mainly been used for education and training projects, higher qualification, and special programmes e.g. for organic farming. Of the 9.6 million euro of the funds provided for the support of participants and organisers, 40% were used for courses on farm management, 20% for electronic data processing courses, and 11.5% for courses on issues relating to the environment and organic farming.

Less-favoured areas (26%)

The subsidisation of holdings in Less-favoured Areas within the framework of the Rural Development Programme is of high importance in Austria. According to the list of less-favoured farm areas of the European Union, 81% of Austria's federal territory are located in Less-favoured Areas, 70% in mountain areas. Mountain areas thus rank high within Less-favoured Areas. Mountain farming plays a vital key role in safeguarding the sensitive ecosystem of mountain areas. The maintenance of mountain farming is vital both for the economic and living standards of mountain areas. Already in the previous support period, the compensatory allowance has been a core element to support of the maintenance of agriculture in Less-favoured Areas, particularly in mountain areas. However, it showed some deficits. The new scheme of the compensatory allowance has brought about a much more differentiated design for the benefit of mountain farms as well as a massive increase in supports. In 2002, the total of 106,302 holdings received a compensatory allowance; support amounted to the total of 274.6 million € (Tab. 1). Mountain farms account for 70% of the holdings subsidised and receive 89% of the amount of support granted. According to the objectives and the design of the compensatory allowance, in the case of mountain farms the average amount of support granted rises remarkably with increasing severity of disadvantages and handicaps. This is due to the introduction of the area payment 1, the improved consideration of stockfarmers (higher amounts of aids for stockfarmers and for forage areas), and the mountain farm cadastre as an essential feature of the differentiation of management handicaps with respect to the amounts of support. Summing up, the evaluation shows that, compared to the initial values, we have essentially succeeded in achieving the target values of the individual criteria.

Table 1. Less favoured area payments in mountain regions of Austria, 2002

Category due to mountain farm cadastre	Number of farm enterprises	Payment in 2002 per farm enterprise, €
Basic	32,043	979
1 less disadvantage	22,922	2,228
2 medium low disadvantage	30,826	3,162
3 medium high disadvantage	13,375	4,320
4 highest disadvantage	7,136	5,172

Source: Federal Ministry of Agriculture, Forestry, Environment and Water Management, 2003

Agri-environmental measures – ÖPUL (61%)

In Austria about 136,000 holdings, which are almost 75% of all agricultural and forestry enterprises, with an area of about 2.25 million hectares, which are about 88% of the utilised agricultural area, participate in the Austrian programme to promote agriculture production methods compatible with the requirements of the protection of the environment, extensive production and the maintenance of the countryside (ÖPUL). Since Austria's accession to the EU the Austrian Agri-Environmental Programme ÖPUL has been one of the most important sub-

sidisation measures for the Austrian agriculture and forestry. In the year 2002 the payments within the framework of this programme amounted to about 628 million € and thus to about 30% of the overall subsidies for the Austrian agriculture and forestry (Figure 2). As opposed to environmental programmes in some other EU countries which are offered primarily to the definite, environmentally sensitive areas (EAS), the Austrian Agri-Environmental Programme pursues an integral, horizontal approach which aims at an ecologicalisation of the Austrian agriculture covering the whole territory. With the various measures (31 different measures with a lot of sub-measures), which are interdependent in a modular way, a fundamental ecological orientation should be guaranteed which is then supplemented by specific measures related to a specific topic or a specific region. In general this concept has been successful, even though there is a great difference in the acceptance of measures between the individual regions. As a consequence of the requirements for the questions of the respective evaluation fixed by the European Commission, the evaluation is primarily carried out on the basis of a classification according to topics (water, soil, landscape, biodiversity) and only secondarily according to measures. A presentation and analyses related to measures and groups of measures will thus be reinforced within the framework of the discussion about a new programme on the basis of the evaluation results. The evaluation consisted on the one hand of analyses of acceptance and the interpretation of well-known effects, and on the other hand of a great number of studies and model analyses, commissioned in a targeted way, which could confirm the positive effects of individual measures. However, in many cases it is not yet possible to submit final results due to the short observation period.

The analysis of the areas participating in this programme shows, however, in particular in measures having a provable positive influence on various protection goods (e.g. erosion protection measures, organic farming, and project-related nature conservation measures) an increase, in particular in the field of arable farming, where there has been, from the point of view of soil, water and biodiversity protection, a need for improvement in previous programmes. Even if, all in all, it can be certified that the programme has a positive effect in connection with the parameters under consideration (soil, water, biodiversity, diversity of habitats, genetic diversity, landscape, socio-economy, etc.), deficits and potentials for improvement have been identified in various fields, which have to be analysed in greater detail within the framework of the up-date-evaluation and to be taken into account in the course of the revision of the programme.

Processing and marketing (1%)

The subsidisation aims at strengthening the competitiveness of the food and raw material processing industries in Austria. As a result of the expansion of the storage, marketing, and processing capacities, the optimal harmonisation of the individual steps of treatment and processing, the improvement of the extent of utilisation, the optimisation of logistics and process innovations the production

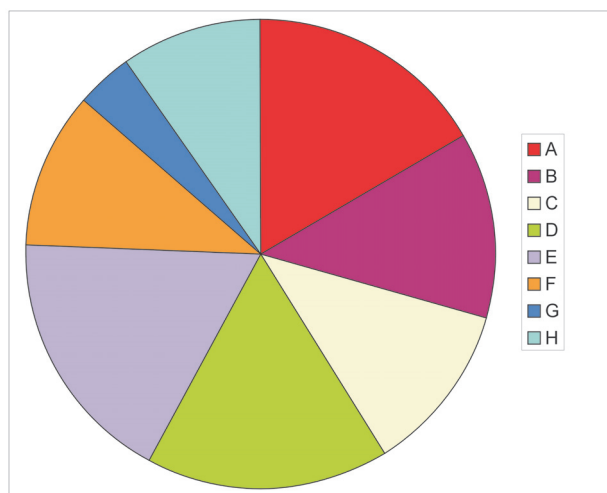


Figure 2. Agri-environmental Measures 2002, distribution of the funds on sub-measures A – Basic subsidy, B – Organic Farming, C – Renunciation of means of production, D – Reduction of means of production, E – Erosion and groundwater protection, F – Alpine farming and cultural landscape protection, G – Nature protection, H – Others

and cost structures have been further improved. Moreover the introduction of quality assurance measures as well as investments in the field of environmental protection and hygiene have been promoted. The original sectors of meat, eggs and poultry, breeding animals, milk, cereals, seeds, fruit and vegetables and wine have been supplemented by oilseeds and protein plants, live animals (instead of the restriction to breeding animals), oil squash, medicinal plants and spice plants, fibre flax and hemp. The priority sectors on which the funds have been spent so far comprise milk (35%), meat (17%), wine (13%) and cereals (8%). A cross-sectoral survey of all projects within the framework of the evaluation has revealed that from the indicators evaluated the environmental indicators have shown the most positive development. A continuously positive trend has also been found as far as the investments in hygiene and animal welfare are concerned.

Forestry (2%)

In Austria the share of forests in the total area amounts to about 47%. In particular in the Alpine region areas without the protective function of forests cannot be settled. Therefore, not only economic measures, measures in the field of agricultural policy, and integrated policy measures, but also forestry measures have high priority in the rural areas of Austria.

The major part of the funds, which have been spent within the framework of forestry so far, have been allocated to development measures (infrastructure, 49.6%), followed by silvicultural measures for the preservation of the economic and ecological value of forests (16.4%) and to the regeneration of the protection forests (10.6%). So far the subsidisation within the framework of the rural

development programme has given important impulses for the improvement of the health of forests by means of the development and the subsidised use of modern technologies in forestry. The effect can be measured by a considerable decline in stem and soil damage. There are still deficits in tending and in the production of high-grade timber as far as deciduous forest and mixed forest plantations are concerned. An improvement of the ecological function of forests has been achieved so far by means of the conversion of stands of secondary coniferous trees. As far as the protective function of forests is concerned there are as a consequence of unfavourable site and environmental conditions very long regeneration periods. The controlling introduced for some sub-sectors has turned out to be a very useful steering instrument for the implementation of protection forest projects.

Adaptation and development of rural areas (3%)

The promotion of the adaptation and development of rural areas comprises a wide range of subsidisation instruments, which aim at safeguarding and improving the vitality of rural areas. The primary goal is to open up, by means of Article 33, new opportunities for additional sources of income and types of pluriactivity of agricultural activities and close-to-agriculture activities in the trade and the service sectors as well as to safeguard existing jobs and to create new employment opportunities in rural areas. In total an amount of about 104 million € was spent on this measure. As far as the funds which have been spent so far on the measure “Adaptation and development of rural areas“ are concerned absolute priority has been given to the sub-sectors “development of transport infrastructure“ and “diversification“ (this includes also the measure “energy from biomass and alternative sources of energy”). 78% of the funds spent were allocated to these two priority actions alone. Other measures concern water management and environmental protection.

Within the framework of the bundle of measures “diversification“ a total of 629 projects was implemented and subsidised in the course of the observation period 2000–2002. Most of these projects were oriented, according to objectives of diversification, to the field of tourism. All in all the projects carried out within the framework of this measure gave rise to creation of 160 new jobs and safeguarded another 810 jobs. The creation of plants for an increased use of the potential of regional and renewable energy and raw materials (“energy from biomass“) constitutes another diversification measure, with a total of 101 projects applied for and paid for in the field of long-distance heating and bio-gas. The priority in the field of subsidisation measures has been given to small-scale biomass short-distance supply systems (200 kW–500 kW). As far as this type of plants is concerned increase rates are also predicted for the future. In the field of “transport development“ a total of 541 km of transport routes has been opened up so far, so that the target values can be considered to be achieved. Attention is paid to the concerns of nature and landscape protection as well as to the respect

for the natural scenery in the course of the planning, project development and construction processes and in the integration of the road network.

Programming of the Rural Development Program for the next period (2007–2013)

On the basis of the old program, the evaluation results and the new regulations (e.g. EC 817/2004) the programming of the Rural Development Program for the period 2007–2013 is already in process. Different working groups composed of the responsible persons for the program in the Ministry for Agriculture, Forestry, Water Management and Environment and from the provinces of Austria as well as evaluation experts, representatives of the farmers and NGOs discuss the new strategies and measures. The experience shows that it will not be easy to reach the goal of simplification of the program, tightening of the measures and saving money. It is relatively easy to install new measures but hardly possible to give up measures which have been in force some years. It is a difficult negotiation process between different agricultural, environmental and water management groups, overlapped also by a regional competition for subsidies between the provinces and regions of Austria.

Recent Reform of the Common Agricultural Policy

In June 2003, a further fundamental reform of the CAP was agreed, which again represents a change in the way the EU supports its farm sector including the strengthening of the rural development policy. It enters into force in 2004 and 2005 and is in line with the overall aims of Agenda 2000 but goes one step further. The vast majority of aid will be paid independently of the volume of production in order to give farmers the freedom to produce whatever the market wants. More money should go to the second pillar – rural development. One way to achieve this is what is referred to as Modulation which means that a certain amount of the money which is saved in the first pillar should go to the second pillar, and the subsidies there should be expanded (this happens with subsidies above 5,000 € with increasing percentage, 80% of the free money stays in the Member States, the rest is distributed, depending on the amount of agricultural area, the gross domestic product and agricultural employment). An amount of around 600 million € is expected to be saved by this measure EU-wide. The rural area is to be supported more than is the case now to avoid closures of basic services, moving to cities or loss of the rural way of life. To promote food quality and animal welfare more importance is placed on what is referred to as Cross Compliance (farmers receiving compulsory payments have to meet special environmental and other requirements).

Severing the link between production and subsidies should make the EU farmers more competitive and more market-oriented in their production while income stability is provided. The trade-distorting instruments are thereby reduced. The

subsidised EU exports will be reduced, which is also an advantage for developing countries.

In reality, the actual implementation of the CAP reform will not be as tough as it seems in its aims and slogans. Every Member State has a lot of different options for its implementation. In Austria the modifications concern the modulation for strengthening the rural development, but in Austria 68% of the farm enterprises get subsidies below the threshold of 5,000 €, thus the cut-effect will not be very big. On the other hand, Austria will profit from the EU-wide shift to the second pillar (18 million euros 2006 and increasing afterwards, *Federal Ministry of Agriculture, Forestry, Environment and Water Management, 2003*). The reference period for the single farm payments are the years 2000–2002, depending on the amount of cultivated area and the number of animals. In Austria there are exceptions for suckler cows and additional premiums for energy plants, protein plants, wheat, milk and partly for slaughtering. Cross compliance will cause no major problems in Austria as there is a relatively good standard even now because majority of farmers are involved in the agro-environmental programme and are required to follow good agricultural practice and other regulations for soil and water protection.

Experts have estimated the effects of the CAP reform in Austria: the prices for cereals will not change very much (slight decrease), but supply and demand will have more impact on price. In the case of beef bigger variation in price is expected and only slight changes in production. The milk price will slightly decrease further but the national quotas make it relatively stable and there will be no changes in the amount of production. On the farm level the income for farmers will slightly decrease, and incentives to shift production e.g. from milk production to suckler cows will be offered. The effects on rural development and regional economy are not estimated very high because in Austria the second pillar is already very strong. This is different in countries with a high share of first-pillar subsidies. So, the CAP reform signals a shift from product subsidies to rural development, food safety, animal welfare and environmental care. A large number of special regional arrangements show the demand for regional orientation with respect to the diversity of production.

The CAP reform effects have to be combined with the effects of EU Enlargement. A special rural development regime has been defined for the new Member States (Temporary Rural Development Instrument), which provides almost 6 billion € for the ten new Member States (agro-environmental programs, early retirement, forestation and compensatory payments for less favoured areas plus additional measures for particular challenges). There are two types of programmes: The TRDI and the Objective One programs, which also include rural development measures. A special Leader+ measure is also funded by the agricultural funds. The direct payments for farmers in the new Member States will be set up in gradual steps to 100% in the year 2013, premiums are calculated on the basis of current production and not on potential. This means that the

short-term impact of Enlargement will not be very strong; more significance is expected from the long-term effects, when agricultural production will have increased its competitiveness. But income and demand in the new Member States will also increase so the effects will not be one-dimensional. Generally speaking, there will be new opportunities for quality products and special-brand products, in Austria, for example, for fruit, wine and pork. On the other hand, the new Member States will have good prospects in the case of fruit for industrial processing and in the cereals sector due to an increasing demand, in vegetables, beef and poultry.

For the period after 2006, strict budgetary limits for CAP expenditures have been laid down. For 2007 to 2013 direct payments shall be kept below the 2006 figures. This applies only to market-relevant measures and not to rural development measures. The importance of the second pillar is once again brought to mind. The latest WTO agreements also show developments along the lines of the CAP reform.

Different functions of agriculture in the case of the reference area Austria/Hungary

In the case of the reference area Austria/Hungary (Sopron/Eisenstadt), we tried to emphasise the importance of the broader context of functions of agricultural areas in accordance with the CAP development. The shift from production to rural development and cross compliance makes it necessary to be aware of the side effects of agricultural production as there are effects on resource protection (soil, water, air), habitats, recreation and spatial structuring. The evaluation system for these functions was developed in another EU project but at a lower level and in another type of region (Greif, Pfusterschmid, Wagner, 2002). It is now in the implementation stage in the local planning administration. In the Iron Curtain project we want to show the effects and significance of agriculture at a regional planning level and in the special cross-border situation. The particular level of the different functions in the evaluated units indicates the sustainability of agriculture – the more different functions with high levels the more sustainability. The distribution of the different functions in the regions gives hints to possible deficits in the development towards sustainable agriculture – if CAP developments like decoupled production or cross compliance are taken into account. It was difficult to get real comparable data and indicators for both sides of the former Iron Curtain but the results reflect very well the different situation for the two parts of the reference area although the natural conditions are very similar if we look across the border.

The evaluation scheme takes into account:

- production of food and raw materials potential (potential of soils),
- resource protection (soil values for water and wind erosion and leaking in relation to the agricultural land use),
- habitat function (parcel structure as indicator for diversity),

- recreation function (parcel structure as indicator for the amenity of the agricultural landscape in relation to the demand for recreation areas),
- spatial structuring function (length of interference lines on agricultural areas as indicator for buffering and carrier demand on agricultural areas).

The result (Figure 3) shows the relatively high production function value almost throughout the region due to the favourable natural conditions in the reference area. In the case of resource protection, the situation is different because of high wind speeds and high groundwater levels, and in some cases intensive agriculture can cause problems. But in connection with the cross-border national park at Lake Neusiedl/Fertő and the CAP agro-environmental programme, the situation is in many ways better than in former days (revival of cattle keeping in extensive rough pastures in co-ordination with nature protection, high share of set-aside areas, integrated production).

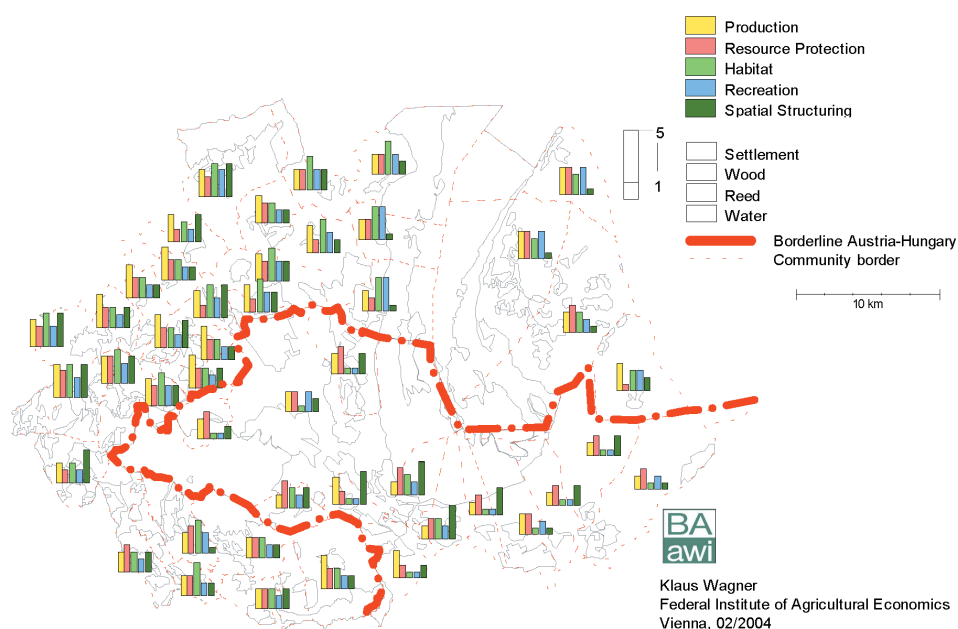


Figure 3. Evaluation of agricultural functions in the reference area Austria/Hungary

The habitat function is less developed in the eastern part of the reference area (including the eastern part on the Austrian side) because of the more intensive and more monotonous agricultural structures but very diverse and favourable in many small-structured communities. The recreation function shows a similar pattern but is also related to the demands of inhabitants and tourists. On the one hand it shows the communities with an attractive agricultural landscape, and on the other the communities that need to raise the attractiveness of the landscape if they want to be more competitive in tourism. The spatial structuring function

results give the impression of a very highly developed and intensively used region with – in most cases – high significance of maintaining the agricultural areas as carriers of infrastructure and buffer zones. Generally speaking, the development of agriculture in the reference area Austria/Hungary is very much in line with the trends in the CAP and WTO. In most cases there is a small-scaled structure with emphasis on quality products with a high share of areas under agro-environmental measures and with a high awareness of the relation to wildlife protection and tourism.



Figure 4. Extensive and intensive land use directly related to the agricultural policy in the reference area Austria/Hungary
Source: K. Wagner, 25 Jul. 2004

Figure 4, showing the Austrian side of the reference area, gives a very good impression of the different potential landscape appearance in relation to the Agricultural Policy. While the natural and stable vegetation of this landscape type would be a deciduous forest (hornbeam, common oak and immigrated black locust), in former times of relatively extensive agriculture the whole hill was used as rough pasture and became known to locals as “the naked hill” although it is now mostly covered in woodland. In times of intensive agriculture until 1990 nearly all of the steep areas were used as vineyards and the flat areas at the foot of the hill were used for more or less intensive arable crops (cereals, sunflowers). With the decrease of profits in agriculture some of the areas became fallow land without maintenance and developed to shrub vegetation with woodland as final stage. Since the agro-environmental programme came in force a huge extensification has taken place e.g. with greening of vineyards to avoid soil erosion and leaking of nitrate and pesticides and with maintained set-aside areas to keep the landscape open for reasons of nature conservation, biodiversity and amenity. But once again the policy made a slight turn because of the landscape’s traditional image as a wine-growing region. Too many vineyards had disappeared so now the restructuring of vineyards is subsidised and an increase of vineyards is noticeable in the landscape. These different develop-

ment steps over the course of time demonstrate clearly that the functions of the agricultural area are definitely changing. Roughly estimated values of the functions in regard to the landscape in Figure 4 are given in Figure 5.

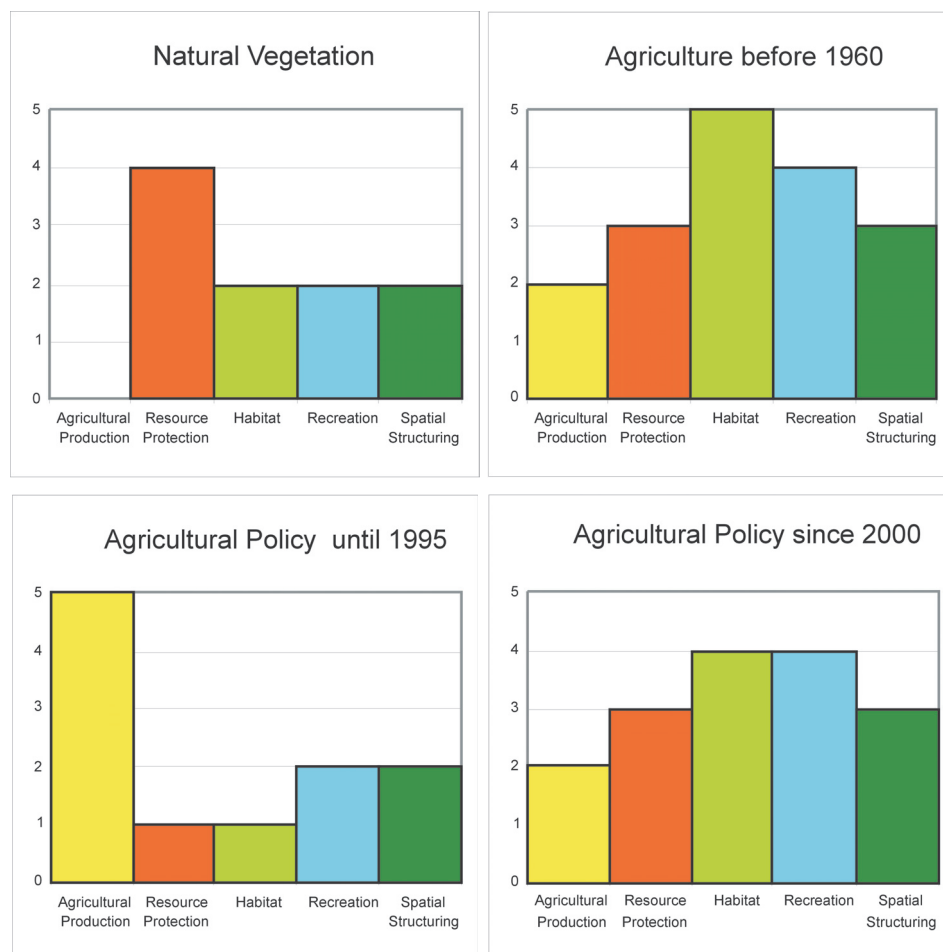


Figure 5. Agricultural area functions in different agricultural policy periods on the example of a sub-area within the reference area Austria/Hungary

The CAP along with its reform is partly already anticipated on the Austrian side of the reference area because of the huge amount of areas under rural development measures (agro-environmental programme measures cover nearly 80% of the agricultural area, 5% are cultivated organically). The charts show the positive aspects of the CAP since the Agenda 2000 if we regard rural development as an integrated topic.

Effects of the CAP-Reform in the case of the reference area Germany/Germany (based on elaborations of Bernhard Ströbl, Friedrich Schiller University Jena)

In the German/German reference area (Biosphere Reserve Rhön) the CAP and its reform play a major role in the scenarios for the region's further development. Calculations have therefore been made on the basis of the national implementation of the CAP (decoupling of bonus payments until 2012, uniform bonus per area, related to production data from 1999 and 2001 where spatial units were considered as one farm). The status quo 2004 and the situation under the CAP reform in the following years until 2012 have been estimated, taking into account the different agricultural structures in the three concerned Bundesländer Bavaria, Hesse and Thuringia. Accordingly, the bonus payments for arable land will decrease to an average of 80 percent and bonus payments for grassland will increase up to between 200 and 400 percent. This means a reduction of payments for arable land from around 19 million € in the year 2004 to 16 million € in the year 2012 and a rise from around 7 million € up to around 19 million € in the case of grassland; in total, increased expenses of approx. 9 million €.

Conclusions

The new direction taken by the Common Agricultural Policy - shift from subsidies for quantitative production to subsidies for increased market orientation, rural development, food security, environmental care, landscape maintenance and animal welfare – originating in the year 1992 – was strengthened in the Agenda 2000 and re-intensified with the CAP reform 2003 and also slightly assisted by WTO agreements. Austrian agriculture followed this track very early and intensively, which is explainable because of the natural conditions and agricultural structures. Here Austria differs considerably from other Iron Curtain reference areas. This means that the CAP reform will not have such new and strong effects as in the other parts of the reference areas in Germany, Czech Republic, Hungary or Greece. The CAP implementation provides not only a large number of options to Member States but also many exceptions including a phasing-in schedule over several years. So both the CAP reform and the new WTO agreements obviously have a larger impact on politics and public discussion than on agriculture itself but the direction of the development is clear and very favourable in terms of integrated rural development and environment. The evaluation of agricultural functions in the reference area Austria / Hungary shows the broad context in which the agriculture already contributes to rural development from a comprehensive point of view (environment, tourism) upon which the region's sustainable development can be based. But it also shows a number of deficits in different communities, which indicate the required priorities for measures if the situation should be improved as elaborated in the scenarios for the reference area.

References

- Federal Ministry of Agriculture, Forestry, Environment and Water Management, 2003, *Die Reform der EU-Agrarpolitik*, Vienna.
- Federal Ministry of Agriculture, Forestry, Environment and Water Management, 2003, *Evaluierungsbericht 2003*, Vienna.
- European Commission: *Agriculture – CAP leaflet: The Common Agricultural Policy – A policy evolving with the times*, in:
http://europa.eu.int/comm/agriculture/publi/capleaflet/cap_en.htm, 2 Aug. 2004
- European Commission Directorate-General for Agriculture, Prospects for Agricultural Markets 2004–2011 Update for EU-25, July 2004 in:
<http://europa.eu.int/comm/agriculture/>, 2 Aug. 2004
- Greif F. Pfusterschmid S., Wagner K., 2002, *Beiträge zur Landwirtschaftlichen Raumplanung*, Publication Series No. 93, Federal Institute of Agricultural Economics, Vienna.