

# Chapter 39

## Economic Transformation of Austrian Agriculture Since EU Accession

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### ABSTRACT

*After joining the European Union (EU) in 1995 Austria adopted the Common Agricultural Policy (CAP). This chapter reviews the changes in agricultural production and the economic situation of agriculture since the accession to the EU. The analysis is primarily based on macro-economic data from the Economic Accounts for Agriculture (EAA) over the period between 1995 and 2014. Select examples identify the developments applicable for Austria – also in comparison to other EU countries and groups of countries as well as to Switzerland. Expectations and forecasts regarding the consequences of integration, e.g. changes in the price levels, have been more or less fulfilled but there is a need for further research on the development of regions and on special issues such as the resilience of Austrian agriculture.*

### INTRODUCTION

With its accession to the EU Austria adopted all rights and obligations pursuant to the Common Agricultural Policy (CAP) (Art. 137 of the Act of Accession). Market organisations, price policies and payments to agriculture and forestry (in short: “farm payments”) had to be adjusted to the EU regime (Schneider, 1997). In general, competition was endorsed by the CAP, interventions in agricultural and food markets were reduced and measures to support prices were cut drastically and replaced by direct payments. With respect to structural policies, more emphasis was devoted to efficiency and performance.

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Environmental aspects got increased attention; regional policy including programs for rural areas was upgraded (Schneider, 1997, p. 156). In order to mitigate losses of income due to inherent competitive weaknesses, structural disadvantages and accession-related price cuts, temporary transitional assistance in the form of degressive compensatory payments and aid for the write-down on agricultural products were granted (Ortner, 1996; Sinabell, 2004; Hofreither, 2006, p. 23).

Since then the CAP was subject to four reforms, the last of them in 2009 and 2013. These reforms were gradual adaptations of the mechanisms that were put in place to achieve the objectives spelled out in the Treaty of Rome (Hambrusch, Heinschink, & Tribl, 2015). In the context of these reforms new objectives have been added (Regulation Establishing Rules, 2013; Regulation on Support, 2013). These encompass economic objectives (ensuring food security through sustainable agricultural production, improving competitiveness and increasing Value Added in the food chain), environmental objectives (sustainable use of natural resources and combating climate change), and territorial objectives (ensuring economic and social dynamics of rural areas) (Massot, 2013).

The current chapter addresses the question of how, in this context, the economic situation of Austrian agriculture has developed since accession to the EU. The chapter is organised in several sections, starting with the history of agricultural developments and events in Austria. A brief introduction into the methodology applied is followed by an outline of the importance of agriculture by its Value Added and its contribution to the overall economy; a description of the components of agricultural output and the development of their shares; a portrayal of the composition and significance of farm payments for the development of the economic situation in agriculture; and an illustration of the development of agricultural income. Based on these results authors highlight strategies of how to mitigate or adapt Austrian agriculture to current challenges, followed by a section on possible fields of further research.

The chapter is based on statistical data from Economic Accounts for Agriculture (EAA). Key developments in Austria and other EU countries as well as Switzerland are addressed. Furthermore, payments for Austrian agriculture are compared to the overall budget and the net contribution to the EU budget using data of National Accounts (NA), reports of the Ministry of Finance (Bundesministerium für Finanzen, 2013, 2015), reports of the Ministry of Agriculture (Bundesministerium für Land- und Forstwirtschaft, Umwelt & Wasserwirtschaft, 2015) and the Financial Report of the European Commission (2015b).

## **BACKGROUND**

Austrian agriculture was perceived as a sensitive area with regard to EU integration. The main problems of the sector were:

- Inadequate preparation for the Single Market;
- The country's idiosyncratic natural and structural features;
- Differences in agricultural policies (Schneider, 1989, 1993, 1994).

The adoption of the CAP was associated with a fundamental transformation of economic conditions including profound changes in market organizations, price policy, agricultural support, and competitiveness.

Traditionally, the role of government in agriculture has been strong in Austria, in particular in the dairy and cereals sectors where marketing boards administered prices, managed production and exports. In addition, equity considerations and environmental concerns remained very important. Politicians com-

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