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**Agriculture and Forestry in Austria in a New
Agricultural Policy Environment**

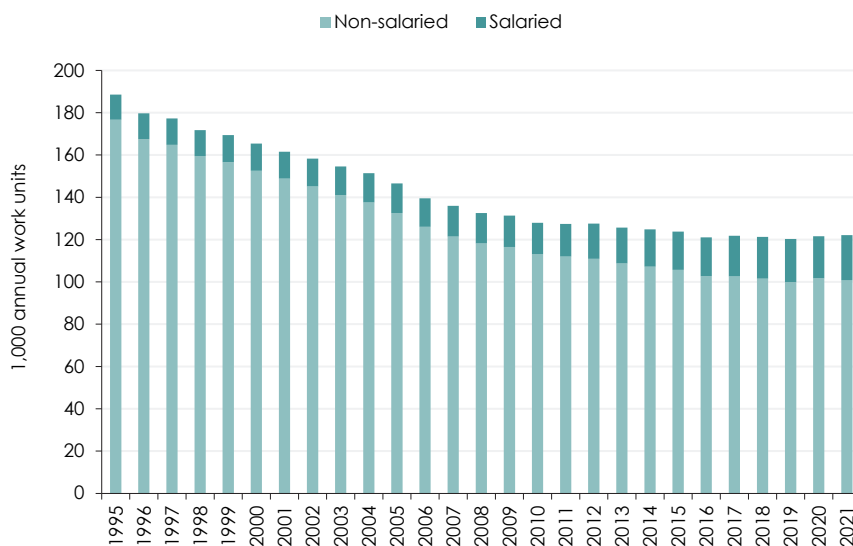
Franz Sinabell

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- Income in Austrian agriculture increased in 2020 and 2021 after falling in 2018 and 2019.
- Although more agricultural goods were imported in 2021 than in the previous year, the corresponding foreign trade balance was again almost balanced.
- In the forestry sector, prices for sawn roundwood developed very favourably. Timber felling increased.
- Austria prepared its CAP Strategic Plan in 2021. This was approved in September 2022, thus setting the agricultural policy framework for the coming years.
- Although the objectives of the CAP strategy were set by the EU, the member countries have a wide margin of manoeuvre in achieving the objectives.
- The Austrian strategic plan provides for almost 100 measures and is very complex.

Labour input in Austrian agriculture



"In 2019, employment in domestic agriculture had reached its all-time low of around 120,000 full-time equivalents. In 2021, it was up by about 2,000 workers."

Labour input in domestic agriculture has declined significantly since 1995. In 2021, as in the previous year, a slight increase was recorded (source: STATcube – Statistical database of Statistics Austria, EAA01 Economic Accounts for Agriculture according to ESA 2010 at current prices, revision status July 2022).

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September 2022

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In 2021, the agricultural policy course was set anew within the framework of the Common Agricultural Policy (CAP). In December 2021, the national CAP strategic plan was submitted to the European Commission. It sets out the measures to be taken in the coming years to make the agricultural sector more climate and environmentally friendly, more competitive, and more attractive for young farmers. The new plan is also intended to stimulate the economic revival of rural regions and to improve food security. In 2021, the economic conditions for agriculture and forestry were favourable. This was reflected in higher prices for goods produced in the primary sector and an increase in factor income in agriculture. The sector also benefited from payments to mitigate economic losses related to the COVID-19 crisis.

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1. Recent increase in factor income per worker in the domestic agricultural sector

After agricultural incomes in Austria fell in 2018 and 2019, increases were recorded again in 2020 and 2021.

After two years of strong declines, income in domestic agriculture increased again in 2020 and 2021 (factor income per annual work unit, +0.2 percent and +6.4 percent, volume, respectively). These results are from calculations by Statistics Austria (2022) on the economic accounts for agriculture. The nominal increase compared to 2020 was 7.8 percent. Factor income measures remuneration based on the production factors land, capital and labour used in agriculture. Net entrepreneurial income per non-salaried annual work unit increased in real terms by 2.9 percent (2020) and 5.7 percent (2021). This key figure is of particular importance in the case of Austria, where most farms are family farms.

If the sector level is considered instead of the "farmers level", the increases were somewhat stronger (factor income +8.2 percent, net corporate profit +6.1 percent compared to 2020; volume). This is a special development. In the past decades, income or company profit per annual worker had consistently grown somewhat more strongly than at

the sector level, as the labour force employed had continuously decreased. In 2021, on the other hand, as in the previous year, employment in the agricultural sector expanded (2021 +0.4 percent, 2020 +1.1 percent compared to the previous year; in terms of annual work units). Different developments were observable depending on whether one considers the non-salaried (family members) or the salaried labour force. In 1995, just under 12,000 paid workers were employed in the Austrian agricultural sector (in annual work units). Their number increased steadily to around 20,400 by 2019, shrank slightly in 2020 and increased again in 2021 (to 21,400). The number of non-salaried workers (which are self-employed farmers), which had fallen just below 100,000 annual work units in 2019, rose to 101,600 in 2020 and was 100,700 in 2021. Total employment in agriculture had reached its lowest point ever in 2019 (120,000 annual work units). In 2021, there were around 2,000 more employees. The share of agriculture in total employment in Austria was 3.1 percent in 2021,

the same as in the previous year (2019: 3.0 percent).

In the European Union, agricultural incomes – measured by Indicator A, the index of real factor income per annual work unit – developed very differently, as in the previous

year. On average in the EU 27, income rose by 1.3 percent. Double-digit increases were recorded in Bulgaria, Romania, Estonia and Spain. By contrast, incomes declined significantly in Denmark, Slovenia, Poland and Germany.

2. Agricultural production significantly higher than in 2020

The production value of Austrian agriculture in 2021 amounted to 8.5 billion € and was thus 11.5 percent higher than in the previous year (in nominal terms). The production volume increased by only 0.7 percent, but producer prices rose strongly (+10.7 percent). At 47 percent, crop production had the highest share of the total production value in 2021, ahead of livestock production with 43 percent. The remaining 10 percent was accounted for by the production of agricultural services and ancillary agricultural activities (Table 1). Measured in terms of production value, the ratio between animal production and crop production reversed compared to 2020. This is due to the strong increase in the price of plant products.

Crop production increased its production volume slightly in 2021 compared to the previous year (+0.1 percent). As prices increased by 20.1 percent, the production value rose by 21 percent to 4 billion €. The increase in production value was mainly due to higher revenues for cereals (+37.6 percent), oilseeds and oil crops (+39.5 percent) and protein crops (+18.8 percent). The production volume of sugar beet expanded strongly in 2021 (+44.3 percent). As sugar beet prices also increased by over 20 percent, the increase in value compared to 2020 was 74 percent. This means that the difficult phase in the domestic sugar industry following the elimination of the quota

regulation has come to an end. The production volume of potatoes decreased by almost 16 percent in 2021. However, as prices increased by 17.2 percent, the production value rose by 1.2 percent compared to 2020. The harvest volume of vegetable production, on the other hand, was increased (+3.8 percent). As prices rose by 19.3 percent at the same time, the production value increased to 388 million € (+114.5 percent). Wine and fruit production also expanded significantly in 2021 (+13.6 percent and +14.7 percent respectively). In fruit and wine production, yields have fluctuated strongly for several years. This has been mainly due to the changing weather conditions.

In livestock production, the changes in production value, volume and prices were much weaker than in crop farming. The production value increased by only 0.7 percent compared to 2020. The production volume of beef production (+0.2 percent) and the volume of milk produced increased slightly (+0.3 percent). While the production volume of pigs declined slightly (–0.9 percent), other animal production expanded significantly (+3.3 percent), especially that of poultry and eggs. The prices for cattle, milk and other animals each rose by over 5 percent, while the prices for pigs fell by 5.4 percent. Overall, the price index for animal products in 2021 was 3.2 percent above the previous year's level.

The production value of domestic agriculture in 2021 was 11.5 percent higher than in the previous year (in nominal terms). Producer prices increased by 10.7 percent, production volume by 0.7 percent.

3. Gross value added rose strongly despite higher production costs

The production value of the domestic agricultural sector rose to 8.5 billion € in 2021 (+11.5 percent). Of the 4.9 billion € in intermediate inputs (Table 1), more than one third was accounted for by animal feed. A large part of this is produced by the agricultural enterprises themselves and valued at production costs, which were almost 18 percent higher in 2021 than in the previous year. Expenditure on other important inputs developed differently in 2021. Those for seeds increased noticeably (+5.2 percent), those for the maintenance of machinery and equipment only slightly (+1 percent), while expenditure on the maintenance of buildings

fell (–7.1 percent). Expenditure on veterinary services and medicines (+2.1 percent), plant protection (+4.4 percent), fertilisers (+2.1 percent), energy (+15.3 percent) and agricultural services (+2.7 percent), on the other hand, also increased.

As expenditure on intermediate consumption rose less strongly (+8.4 percent) than production value (+11.5 percent), gross value added in agriculture increased strongly (+16 percent compared to 2020). Depreciation increased by 7.6 percent in 2021, the net value added by +29.6 percent.

The production value of the agricultural sector increased by 11.5 percent in 2021. Gross value added even increased by 16 percent. Expenditure on intermediate consumption increased by 8.4 percent. Net value added increased by almost 30 percent, as depreciation increased by only 7.6 percent.

Table 1: Production, value added and income in Austrian agriculture

	Nominal value				Volume 2021 Index, 2020 = 100	Nominal price 2021
	2019	2020 Million €	2021	2021 Percentage changes from previous year		
Production value at producer price						
Crop output ¹	3,133	3,332	4,029	+ 20.9	100.1	120.8
+ Animal output	3,618	3,594	3,738	+ 4.0	100.7	103.2
= Agricultural goods output	6,751	6,926	7,767	+ 12.1	100.5	111.7
+ Agricultural services output	263	290	283	- 2.6	95.7	101.8
= Agricultural output	7,014	7,217	8,049	+ 11.5	100.2	111.4
+ Secondary activities (inseparable)	452	448	498	+ 11.4	108.9	102.5
= Output of the agricultural 'industry'	7,466	7,664	8,548	+ 11.5	100.7	110.9
Production value at basic price						
Crop output	3,126	3,325	4,022	+ 21.0	100.1	120.8
+ Animal output	3,604	3,583	3,725	+ 4.0	100.7	103.2
= Agricultural goods output	6,730	6,908	7,747	+ 12.1	100.5	111.7
+ Agricultural services output	263	290	283	- 2.6	95.7	101.8
= Agricultural output	6,993	7,198	8,029	+ 11.5	100.3	111.3
+ Secondary activities (inseparable)	452	448	498	+ 11.4	108.9	102.3
= Output of the agricultural "industry"	7,445	7,646	8,528	+ 11.5	100.8	110.7
- Total intermediate consumption ¹	4,394	4,523	4,905	+ 8.4	99.1	109.3
= Gross value added at basic prices	3,051	3,122	3,622	+ 16.0	103.2	112.8
- Fixed capital consumption	1,860	1,926	2,072	+ 7.6	103.8	103.8
= Net value added at basic prices	1,191	1,196	1,550	+ 29.6	102.1	127.5
± Balance of other taxes or other subsidies on production	1,282	1,367	1,224	- 10.5		
= Factor income	2,472	2,563	2,774	+ 8.2		
Factor income per annual work unit (1,000 €)²	20.55	21.08	22.72	+ 7.8		

Source: STATcube – Statistical database of Statistics Austria, EAA01 Economic Accounts for Agriculture according to ESA 2010, at current prices, revision status July 2022; WIFO calculations. – ¹ Including on-farm produced and consumed feed. – ² Agricultural labour input (paid and unpaid) measured in annual work units or full-time equivalents (number of employment relationships converted to normal working hours).

Table 2: Subsidies and taxes in Austrian agriculture

	2019	2020	2021	
	Million €		Million €	Percentage changes from previous year
Total subsidies	1,461	1,531	1,497	- 2.2
Subsidies on products	4	4	4	- 1.2
Crop output	0	0	0	
Animal output	4	4	4	- 1.2
Other subsidies	1,457	1,527	1,493	- 2.2
Basic payment scheme	456	451	445	- 1.2
Agri-environmental programme ¹	450	446	437	- 2.0
Compensatory allowance for permanent natural handicaps	259	257	255	- 0.8
Taxes and duties	200	183	293	+ 60.5
Taxes on products	25	23	24	+ 5.8
Other taxes on production	176	160	269	+ 68.3

Source: STATcube – Statistical database of Statistics Austria, EAA01 Economic Accounts for Agriculture according to ESA 2010, at current prices, revision status July 2022 (<https://www.statistik.at/statistiken/land-und-forstwirtschaft/land-und-forstwirtschaftliche-oekonomie-und-preise/landwirtschaftliche-gesamtrechnung/landwirtschaftliche-gesamtrechnung-auf-nationaler-ebene>); Federal Ministry of Agriculture, Forestry, Regions and Water Management, Green Report 2022, Table 5.1.2., Table 5.1.4; WIFO calculations. – ¹ According to the Austrian Programme for Environmentally Sound Agriculture (ÖPUL) including top-up.

The year 2021 still fell within the period of the Multiannual Financial Framework 2014-2020 and the Rural Development Programme for the same period. The volume of subsidies (Table 2) usually changes little within a period, as the multi-annual programmes are

implemented. Subsidies paid to domestic agriculture decreased by 2.2 percent in 2021 (to 1.5 billion €), partly contributed by the reduction of COVID-19 support by 7 million €. The tax and production levy burden increased significantly in 2021

(+60.5 percent). The balance of other taxes on production and subsidies was 1.2 billion € (Table 1), lower than the net value added of 1.55 billion €. As a result, factor income increased by 8.2 percent. As mentioned, the

increase in nominal factor income per annual work unit was somewhat weaker (+7.8 percent compared to 2020) due to the increase in employment volume.

Table 3: **Agricultural foreign trade 2021**

Combined Nomenclature – CN

	Export	Import	Balance	
	Total		Total	EU 27
	Percentage shares		Million €	
I Live animals; animal products	21.0	17.5	+ 485.5	+ 185.0
01 Live Animals	0.8	1.6	- 104.2	- 137.7
02 Meat and edible meat offal	9.2	6.2	+ 408.2	+ 141.6
03 Fish, crustaceans, molluscs and other aquatic invertebrates	0.5	2.3	- 249.4	- 137.2
04 Dairy produce, birds' eggs, honey	10.1	6.6	+ 479.0	+ 335.2
05 Products of animal origin not elsewhere specified or included	0.5	0.8	- 48.0	- 16.8
II Vegetable products	13.8	30.7	- 2,345.3	- 1,591.9
06 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.3	3.0	- 374.4	- 369.8
07 Edible vegetables, roots and tubers	1.2	4.4	- 455.1	- 373.2
08 Edible fruits and nuts, peel of citrus fruit or melons	2.3	8.7	- 893.8	- 362.6
09 Coffee, tea, mate and spices	1.3	3.7	- 333.9	- 198.2
10 Cereals	3.7	4.5	- 122.8	- 123.9
11 Products of the milling industry; malt; starches; inulin; wheat gluten	2.1	1.0	+ 152.7	+ 121.7
12 Oil seeds and oleaginous fruits	2.9	4.6	- 241.2	- 235.1
13 Lacs, gums, resins and other vegetable saps and extracts	0.1	0.7	- 70.9	- 49.0
14 Vegetable products not elsewhere specified or included	0.0	0.1	- 5.7	- 1.8
III Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	3.0	5.3	- 318.5	- 298.2
15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	3.0	5.3	- 318.5	- 298.2
IV Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	62.1	46.5	+ 2,134.7	+ 519.8
16 Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates	4.1	3.5	+ 84.2	+ 98.5
17 Sugars and sugar confectionery	2.2	2.4	- 31.8	- 87.4
18 Cocoa and cocoa preparations	3.5	4.0	- 78.8	- 89.3
19 Preparations of cereals, flour, starch or milk; pastrycooks' products	8.9	8.2	+ 98.4	- 7.5
20 Preparations of vegetables, fruit, nuts or other parts of plants	5.7	6.4	- 99.3	- 17.8
21 Miscellaneous edible preparations	6.9	6.5	+ 51.2	- 115.8
22 Beverages, spirits and vinegar	23.5	6.7	+ 2,326.2	+ 1,009.0
"Energydrinks"	2.0	0.4	+ 225.0	+ 191.1
23 Residues and waste from food industry; prepared animal fodder	7.3	6.5	+ 109.7	+ 51.3
24 Tobacco and manufactured tobacco substitutes	0.0	2.3	- 325.2	- 321.3
			Million €	
Total Austrian agricultural food trade by Combined Nomenclature (CN)	13,840.07	13,883.65	- 43.6	- 1,185.3
Total Austrian Agri-food trade by Standard International Trade Classification (SITC) Rev. 4	13,601.93	13,885.44	- 283.5	- 1,387.6
			Percentage changes from previous year	
Total Austrian agricultural food trade by Combined Nomenclature (CN)	+	8.5	+	8.8
Total Austrian Agri-food trade by Standard International Trade Classification (SITC) Rev. 4	+	8.4	+	8.9
			-	196.0
				- 3.5
				- 6.7

Source: WDS – WIFO Data System, Macrobond. 2021: final values. Totals by CN and SITC nomenclature differ due to the respective aggregation procedure (SITC 0, 1, 21, 22, 29, 4) and the increasing number of items with secrecy in the CN foreign trade database; A positive sign of changes in balances should be interpreted as a decrease in the import surplus.

4. Foreign trade balance in agricultural goods and food almost balanced again

The volume of Austrian agricultural foreign trade grew again in 2021. The expansion was significantly stronger than in the previous year (exports +8.5 percent, imports +8.8 percent). In addition to agricultural raw materials, agricultural goods according to the Combined Nomenclature (CN) also include highly processed foodstuffs such as

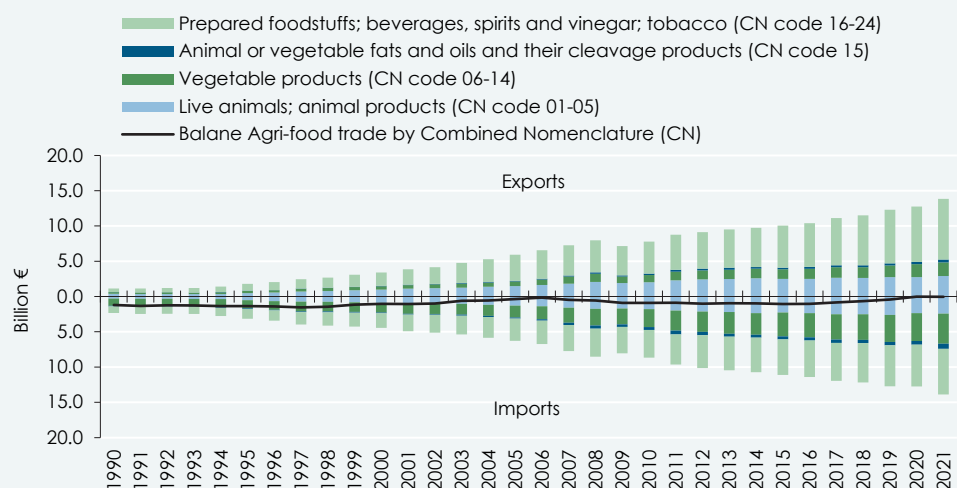
beverages and fruit preparations. In 16 of the 24 items, more goods were imported than exported in 2021 (Table 3). There were notable export surpluses in the areas of meat and meat products, milk and milk products, milling products and, above all, beverages. In 2019, the surplus of imports over exports still amounted to 0.44 billion €.

As in previous years, both exports and imports of agricultural goods increased in 2021. The foreign trade balance for agricultural goods and food was again almost balanced.

In 2020, on the other hand, an almost balanced foreign trade balance was achieved for the first time. In 2021, too, imports only just

outweighed exports (by around 44 million €; 2020: 15 million €).

Figure 1: Austrian agricultural foreign trade by Combined Nomenclature (CN)



Source: WDS – WIFO Data System, Macrobond.

Table 4: Structure of agricultural exports over time

	Ø 1995-1997		Ø 2019-2021	
	Million €	Percent	Million €	Percent
I Live animals; animal products	583.01	27.9	2,801.25	21.6
01 Live Animals	75.22	3.6	128.48	1.0
02 Meat and edible meat offal	259.00	12.4	1,203.56	9.3
03 Fish, crustaceans, molluscs and other aquatic invertebrates	2.08	0.1	59.17	0.5
04 Dairy produce, birds' eggs, honey	229.25	11.0	1,354.10	10.4
05 Products of animal origin not elsewhere specified or included	17.46	0.8	55.93	0.4
II Vegetable products	343.26	16.4	1,802.72	13.9
06 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	6.00	0.3	40.52	0.3
07 Edible vegetables, roots and tubers	39.71	1.9	164.15	1.3
08 Edible fruits and nuts, peel of citrus fruit or melons	69.67	3.3	312.01	2.4
09 Coffee, tea, mate and spices	46.59	2.2	166.05	1.3
10 Cereals	110.18	5.3	462.04	3.6
11 Products of the milling industry; malt; starches; inulin; wheat gluten	23.05	1.1	251.16	1.9
12 Oil seeds and oleaginous fruits	43.99	2.1	387.75	3.0
13 Lacs, gums, resins and other vegetable saps and extracts	2.82	0.1	17.26	0.1
14 Vegetable products not elsewhere specified or included	1.25	0.1	1.78	0.0
III Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	33.40	1.6	343.00	2.6
15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	33.40	1.6	343.00	2.6
IV Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	1,131.23	54.1	8,014.89	61.8
16 Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates	48.30	2.3	540.28	4.2
17 Sugars and sugar confectionery	110.63	5.3	288.11	2.2
18 Cocoa and cocoa preparations	149.26	7.1	427.14	3.3
19 Preparations of cereals, flour, starch or milk; pastrycooks' products	138.68	6.6	1,189.73	9.2
20 Preparations of vegetables, fruit, nuts or other parts of plants	189.90	9.1	718.28	5.5
21 Miscellaneous edible preparations	84.47	4.0	874.55	6.7
22 Beverages, spirits & vinegar	260.75	12.5	3,060.00	23.6
"Energydrinks"	97.39	4.7	916.14	7.1
23 Residues and waste from food industry; prepared animal fodder	51.85	2.5	0.65	0.0
Total Austrian agricultural food trade by Combined Nomenclature (CN)	2,090.89	100.0	12,961.86	100.0

Source. WDS – WIFO Data System, Macrobond.

As the long-term development of the agricultural trade balance shows (Figure 1), integration into the Common Market exhibited a strong dynamic from which both exporters and importers who benefitted from an ongoing increase in trade volume. In 2006, exports had still been almost equal to imports. Since then, imports have usually risen somewhat faster than exports. Since 2015, however, the volume of exports has been approaching that of imports again.

Integration into the Common Market from 1995 onwards led both to a profound change in the agricultural policy framework and to changes in agriculture itself. Above all, the convergence of the prices of the most important agricultural goods with a lower price level on the world market led to

far-reaching adjustments. Within agriculture, the importance of cereal, cattle and pig production declined. At the same time, milk production, fruit, vegetable, gardening and viticulture gained in importance, as did agricultural services and non-separable secondary activities in the non-agricultural sector (Sinabell, 2020a).

The changed focal points of production are also reflected in the changed export structure of agricultural goods, food and beverages. The importance of processed products increased significantly over time (Table 4). The increase in the share of these products in total exports points to an increasing international competitiveness of the domestic food and beverage industry.

5. High sawn timber prices boost forestry and the wood processing industry

In Austria, forestry is the sector with the greatest amount of land use. Only a few areas are untouched and left to themselves. Most forest areas are intensively used in several ways: for timber extraction, for hunting, as recreational space, for ecosystem services or for carbon storage. All these uses are affected and increasingly diminished by climate change. Factors that are detrimental to forests include high pressure from pests, in particular bark beetle, drought in certain locations and the associated risk of forest fires, as well as higher frequency of violent storms and ice breaks.

One consequence of the expansion of forest areas, which has been ongoing for decades, and the progressive automation of timber harvesting is the increase in felling (Table 5). Damage to the forest often requires early harvesting and thus contributes to the increase in timber volume. The actual amount of timber harvested depends not only on the amount of timber harvested triggered by weather and damage events, but also on the economic framework conditions.

Forestry is the sector with the largest amount of land use in Austria. Most forest areas are intensively used in several ways: for timber extraction, for hunting, as recreational space, for ecosystem services or for carbon storage.

Table 5: Logging

	2019	2020	2021	2019	2020	2021
	1,000 solid cubic meter under bark			Percentage changes from previous year		
Timber (raw wood, material use)	13,325	11,462	13,521	- 4.5	- 14.0	+ 18.0
Saw timber (sawmill roundwood)	9,870	8,504	10,420	- 5.1	- 13.8	+ 22.5
Industrial wood (industrial roundwood)	3,454	2,958	3,101	- 2.8	- 14.4	+ 4.8
Woodfuel (raw wood for energetic use)	5,579	5,327	4,900	+ 6.4	- 4.5	- 8.0
Total logging (raw wood)	18,904	16,790	18,420	- 1.5	- 11.2	+ 9.7
	Percentage shares					
Damaged timber	62.1	53.1	32.8			

Source: Federal Ministry of Agriculture, Forestry, Regions and Water Management, Timber Felling Report (Holzeinschlagsmeldung; <https://info.bml.gv.at/themen/wald/wald-in-oesterreich/wald-und-zahlen/Holzeinschlag.html>).

In the years 2015 to 2020, however, the most important reasons for harvesting decisions were not economic considerations, but damage events (Figure 2). Otherwise, it would not be possible to explain why the harvested timber volume was expanded even though timber prices have been falling since 2013 (Figure 3). In many cases, very low timber prices do not cover the costs of an unplanned harvest and thus pose major economic challenges for forest owners. Due to the long-term production cycles, rapid

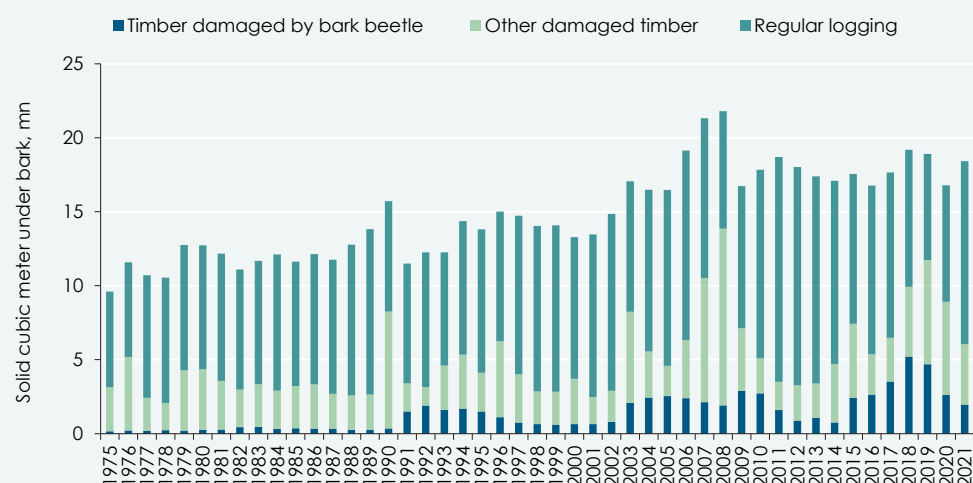
adaptation to changing climate conditions is only possible to a limited extent. At the same time, the achievement of climate targets becomes increasingly difficult when the ability of forests to remove excess carbon dioxide from the atmosphere decreases due to damaging events.

The long-term trend of ever lower timber prices did not continue in 2021. The good business in construction in the USA generated brisk demand on the international

timber markets. As a result, prices for sawn timber rose sharply. In contrast, industrial wood was even cheaper in 2021 than in the

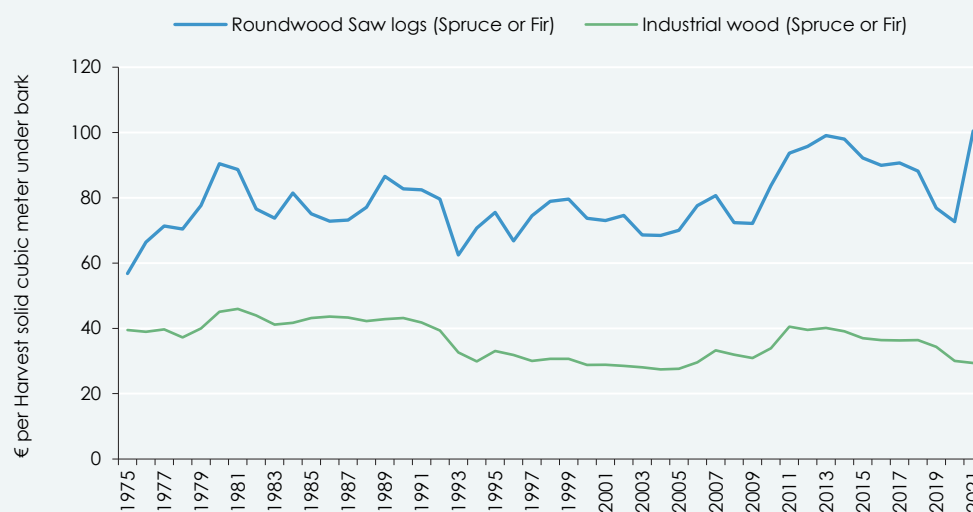
previous year. Only at the beginning of 2022 did industrial wood prices also rise.

Figure 2: Logging in Austria



Source: Federal Ministry of Agriculture, Forestry, Regions and Water Management, Timber Felling Report ("Holzeinschlagsmeldung"; <https://info.bml.gv.at/themen/wald/wald-in-oesterreich/wald-und-zahlen/Holzeinschlag.html>); The Austrian Research Centre for Forests (BFW), Documentation of forest damage factors (<https://www.bfw.gv.at/dokumentation-waldschaedigungsfaktoren/>).

Figure 3: Development of nominal timber prices in Austria



Source: Statistics Austria, Producer prices for agricultural and forestry products (<https://www.statistik.at/statistiken/land-und-forstwirtschaft/land-und-forstwirtschaftliche-oekonomie-und-preise/erzeugerpreise>).

6. The current reform of the Common Agricultural Policy and the CAP Strategic Plan

6.1 The reforms of the Common Agricultural Policy and current challenges

One of the aims of the EU's Common Agricultural Policy (CAP) is to enable people working in agriculture to earn an adequate

income. For three decades, this goal was pursued primarily through a price policy, specifically through minimum prices set by politicians (Winters, 1987), as was also the case in Austria (OECD, 1987). Immediately after the Second World War, the primary

objective was to secure food supplies. This goal was largely achieved in the last quarter of the 20th century. From the 1980s onwards, overproduction of individual agricultural goods occurred, as accompanying measures to curb production were not very effective (OECD, 1993). The effects on the environment, such as contamination of groundwater by pesticides and nitrates, were also visible in Austria (Hofreither & Sinabell, 1994), which pursued an agricultural policy similar to that of the European Community.

The overproduction of agricultural goods in the European Union was associated with high costs and had negative consequences worldwide, as large quantities of agricultural goods were sold on export markets on a price-supported basis. In the course of the Uruguay Round to improve trade relations, a paradigm shift in the CAP was initiated. This was followed by a move away from interventions in the price system (Sinabell, 2020b). Payments to farmers, the amount of which was initially (from 1992) linked to production and subsequently (from 2005) to farms (Schmid & Sinabell, 2003), replaced direct market interventions (Hofreither & Sinabell, 2014). Since 2015, the amount of support has been based on the area under cultivation.

Since 1995, in addition to payments for productivity enhancement and income support, substantial amounts have been spent on rural development in the EU. Since 2007, these have been financed by the European Agricultural Fund for Rural Development (EAFRD). Of these so-called "Second Pillar" payments, 1.09 billion € flowed to Austria in 2019. According to the Multiannual Financial Framework of the EU adopted in 2020 (Bachtrögler et al., 2021), 49 billion € per year are earmarked for the Common Agricultural Policy in the period 2021-2027, of which 11 billion € (at 2018 prices) are allocated for the Rural Development Programme (Council of the European Union, 2020).

6.2 The objectives of the Common Agricultural Policy from 2023 onwards

The funds earmarked for the CAP are used for measures to pursue the objectives set out in the CAP strategy regulation (Regulation (EU) 2021/2115 of the European Parliament and of the Council). There is a hierarchy of objectives with three overarching goals, which in turn are based on the UN Sustainable Development Goals (SDGs). These include, firstly, "promoting an intelligent, competitive, resilient and diversified agricultural sector that ensures long-term food security", secondly, "supporting and strengthening

environmental protection, including biodiversity, and climate action", with the CAP "also contributing to the achievement of the Union's environmental and climate-related objectives, including its commitments under the Paris Agreement", and finally, thirdly, "strengthening the socio-economic fabric in rural areas".

These three general objectives are further defined in nine "specific objectives"¹. These include

- to support viable farm income and resilience of the agricultural sector across the Union in order to enhance long-term food security and agricultural diversity as well as to ensure the economic sustainability of agricultural production in the Union;
- to enhance market orientation and increase farm competitiveness both in the short and long term, including greater focus on research, technology and digitalisation;
- to improve the farmers' position in the value chain;
- to contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as to promote sustainable energy;
- to foster sustainable development and efficient management of natural resources such as water, soil and air, including by reducing chemical dependency;
- to contribute to halting and reversing biodiversity loss, enhance ecosystem services and preserve habitats and landscapes;
- to attract and sustain young farmers and new farmers and facilitate sustainable business development in rural areas;
- to promote employment, growth, gender equality, including the participation of women in farming, social inclusion and local development in rural areas, including the circular bio-economy and sustainable forestry;
- to improve the response of Union agriculture to societal demands on food and health, including high-quality, safe and nutritious food produced in a sustainable way, to reduce food waste, as well as to improve animal welfare and to combat antimicrobial resistance.

A key point of the CAP reform was to transfer more competences to the EU member countries. This takes into account the fact that both the initial situation and the development opportunities vary greatly from country to country. The new CAP is intended to reduce the density of rules and the number of interventions on the part of the EU by

In the EU, the Common Agricultural Policy (CAP) is one of the policy areas with the longest tradition. However, the political weight of the CAP is decreasing as employment in the agricultural sector decreases.

A new phase of the CAP was supposed to come into force as early as 2021. However, since the decisions on the Multiannual Financial Framework have been delayed, the reformed agricultural policy will not be implemented until 2023.

¹ Quoted in abbreviated form according to Regulation (EU) 2021/2115, Art. 6.

giving the member countries more freedom in the design of measures. The concrete implementation of the CAP will therefore be defined in national plans, which were submitted to the European Commission at the end of 2021.

A core element of the national strategic plans is the analysis of the strengths, weaknesses, threats and opportunities (SWOT analysis) of the respective agricultural sector with regard to the stated goals set by the EU (Federal Ministry of Agriculture, Regions and Tourism, 2021b). From the SWOT analysis, "needs" are derived, i.e. necessary changes to meet the target requirements. The needs identified in the course of a comprehensive participation process were prioritised and defined as operational objectives. Subsequently, "interventions" (synonymous with measures) were defined with which the goals are to be achieved in certain stages. The EU Commission has reserved the right to review the achievement of objectives and the national implementation plans for achieving the objectives.

According to the Strategy Plan, the CAP should be geared towards results. For this purpose, an "implementation model" is established. The EU only sets general parameters such as the objectives of the CAP and its basic requirements, while it is the responsibility of the member countries how they achieve the objectives. This is to take better account of conditions and needs on the ground, the specific nature of agricultural activity, and structural and natural differences between different agricultural areas.

6.3 The Austrian CAP Strategic Plan

Austria's CAP Strategic Plan was submitted to the European Commission in December 2021. Fundamental decisions on important elements, such as the reduction of direct payments to larger farms, were only taken in Austria shortly before. After several consultations and minor changes, the plan was approved by the European Commission on 13 September 2022².

The Austrian CAP Strategic Plan is structured according to the detailed and extensive requirements of the EU digital platform, the so-called System for Fund Management in the European Community (SFC) 2021. It is very detailed and comprises 45 "needs", i.e. prioritised objectives. The achievement of these sub-objectives is to be ensured by 98 interventions, whereby the spectrum of instruments includes direct payments, sectoral interventions, area-based interventions and project-based interventions in the field of rural development. To monitor success in the performance framework, 26 output

indicators (e.g. number of beneficiaries of certain measures) and around 36 result indicators (e.g. reduction of greenhouse gas emissions) are used.

Accompanying the CAP strategy process, a strategic environmental assessment (ÖIR, 2021) and an ex-ante evaluation (Bachtrögler et al., 2021) were carried out. In the course of the ex-ante evaluation, a strategic assessment of the allocation of financial resources was made, focusing on the long-term development of financial resources.

In 2000, the EU had disbursed almost 1.6 billion € to Austria's agriculture from market organisation and rural development funds. By 2027, the payments will fall to about 1 billion €, i.e. by almost one third. In addition, the loss of value due to inflation also contributes to the decrease in CAP subsidies over time, as the nominal amounts were fixed in the Multiannual Financial Framework. At the same time, the CAP Regulation has increased the number of objectives addressed (e.g. to include the bioeconomy). In view of the budget decline, either fewer objectives will have to be addressed or reductions will have to be made, affecting either all or only the additional objectives.

At the beginning of the 21st century, climate change and adaptation to it, ecosystem services or societal demands (such as ensuring animal welfare) did not yet have the same weight in agricultural policy as they do in 2022. Moreover, due to the price policy that was still predominant at that time, the administrative requirements for farms were significantly lower. The increased complexity of the CAP can be partly mitigated by digitalisation and better training, and the Austrian strategic plan addresses both areas. At the same time, however, the demands placed on farms by the market and by product and environmental regulation are continuously increasing. Therefore, agricultural policy should be transparent, comprehensible, easy to communicate and involve as little administrative burden as possible for the beneficiaries.

As the evaluation of the Austrian CAP Strategic Plan shows, the planned funds are not distributed equally across the needs or the targeted objectives. With almost 50 percent, a large part of the funds is earmarked for specific objective 1 (promotion of sustainable agricultural incomes as well as the resilience of the agricultural sector to increase food security).

Now that the allocation of funds has been drafted in the course of a comprehensive stakeholder process at the national level,

On 13 September 2022, Austria's CAP Strategic Plan was approved by the European Commission; this sets the course of agricultural policy for the coming years.

² <https://info.bml.gv.at/themen/landwirtschaft/eu-agararpolitik-foerderungen/nationaler-strategie-plan/gsp-approval.html>.

approved by agricultural policy makers in Austria and now also endorsed by the EU, the central framework of Austria's agricultural policy for the coming years is established. Subsequently, it is now a matter of observing to what extent it is possible to achieve the sub-goals laid down in the

strategic plan, to decide on changed priorities and to adapt existing interventions. This will be crucial to ensure that the goals are achieved even under changed economic conditions, for example in view of high energy and agricultural commodity prices.

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