

# GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations

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## GROUP 3(e) - BASIC DOCUMENTATION

### Agricultural Policies

#### Addendum

#### AUSTRIA

### DESCRIPTION OF THE AUSTRIAN AGRICULTURAL POLICY

The primary objectives of Austrian agricultural policy are laid down by the Agricultural Law and the Market Regulation Law. In its statement of 5 November 1974, the Austrian Federal Government stressed the focal points of its agricultural policy forming the basis of the present and future activities in this field.

In the first place, the Agricultural Law provides measures for the preservation of an economically sound peasantry in an adequately functioning rural area. The interaction between the preservation of an economically sound agriculture and the preservation of rural areas is of particular importance in regions placed at a disadvantage because of unfavourable natural conditions and the fact that they are situated a considerable distance from markets. This applies especially to the mountain areas, as will be explained in more detail.

A further aim is the participation of farmers in the positive development of Austria's economy, i.e. an improvement of the farmers' economic situation. Here the Government set itself the task of bringing the economic, social and cultural level of the rural population to that of other parts of the population, thus removing any existing discrepancies. In this connexion, the improvement of social services and of the general education and professional training of the rural population is considered of paramount importance. Furthermore, productivity and the ability to compete are to be steadily increased, especially as a result of measures aiming at structural improvements. In this field, a number of measures have already been taken and existing ones were improved upon during the last few years. Farmers wishing to retire

because of old age can now do so more easily by being paid a rent, and those wishing to change their profession are aided by retraining, placement in new jobs, readjustment allowances, etc. The land thus made available is taken over by corporations specially created for this purpose and then passed on to farmers wishing to enlarge their enterprises; the purchase being facilitated by cheap loans granted to agricultural full-time enterprises. The exodus of labour from agricultural enterprises is considerable, amounting to some 18,000 persons (4.5 per cent) in 1973. As the number of enterprises decreases, the remaining enterprises are placed in a position of steadily increasing in size.

Efforts are made to eliminate the natural disadvantage from which Austrian agriculture suffers as compared with other industries and to adjust it to the changed economic situation. This is closely connected with one of the most important objectives of the Austrian Agricultural Law, namely to provide the population with optimal food supplies. Austria needs an adequate agricultural production capacity, which is economically sound, versatile and flexible, and which also in times of crisis will provide the population of this neutral country with an adequate supply of basic foods.

During the first post-war years, the foremost objective was to effect - as rapidly as possible - a quantitative increase in agricultural production, since during that period the immediate need was to supply the population with essential foods. Nowadays, the Market Regulation Law in force aims mainly at the adjustment of agricultural production to the absorptive capacity of domestic and foreign markets. Further objectives include an even supply of the market with high-quality products, economical delivery, processing and distribution of the products concerned, the avoidance of excessive price fluctuations and the protection of inland production. In its statement, the Austrian Government therefore made clear that, as far as the development of the Market Regulation Law is concerned, emphasis is also laid on economic integration, adjustment to market needs as well as structural improvements of production, processing and distribution of basic foods.

Taking into consideration the problems and special features of Austrian agricultural production techniques, the market regulations and measures governing the trade of Austria's neighbouring countries and main trade partners, the Market Regulation Law created the appropriate conditions for a regulation of the food market, which is in the interest of both producer and consumer. This law regulates milk, corn and cattle, other agricultural products being covered by similar legislation.

On account of the considerable geographic and climatic differences prevailing in Austria, agricultural production varies in different areas according to local conditions. The plains and hilly areas, for instance, are specially suitable for

the production of corn, sugar beet, vegetables and wine. During the post-war years, the production of bread grain was high, occasional surpluses - especially of wheat - being entirely absorbed by the home market as a result of measures taken. These included a reduction of prices paid to farmers and government measures such as storage and denaturation of the products. The production of high-quality wheat has, however, been encouraged and organized on a long-term basis, thus completely meeting the mixing requirements of the Austrian mills. Wheat production in excess of domestic demand would be possible, but it is not considered desirable in view of the current situation on the export market. A change from bread grain to feed grain production - facilitating the balance of the home market - was effected by changes in the price relations, technical progress (e.g. introduction of suitable maize varieties) and promotion measures (e.g. construction of maize drying installations).

With regard to sugar, the production capacity also exceeds home demand. According to an agreement between sugar beet growers and sugar factories, the annually produced quantity is however limited to home requirements in order to avoid fluctuations and other difficulties in the world market.

The natural conditions underlying production in areas which have to be populated and cultivated for the purpose of landscape preservation and environmental control are of special importance. In mountain areas, the cultivated landscape created mainly by agriculture and forestry is constantly gaining in importance as it serves as recreation area for millions of people living in densely populated areas home and abroad. The public, too, is getting increasingly appreciative of all measures aiming at the preservation of pure air and water and at the protection against the destructive forces of nature - activities which go beyond the productive function of agriculture. The Austrian Federal Government therefore stressed its determination to consolidate, within the framework of its programme, the agricultural and forestry enterprises whenever necessary for the preservation of the cultivated landscape. In fact, the Government drew up a special mountain farming programme, aiming to preserve the functional capacity of mountain areas. One of the respective measures is designed to provide the local population with opportunities for subsidiary and supplementary occupations. Within the framework of this programme, farms situated in extremely unfavourable sites were also granted direct subsidies.

As far as agricultural production in these areas is concerned, it is usually dependent on the utilization of the grassland available and, thus, on cattle production. Owing to these structural factors, Austria has to rely partly on the export of cattle and milk products. Under the present market conditions a large number of breeding cattle as well as beef cattle is exported to the neighbouring countries, especially to Italy. These exports, however, occasionally involve certain difficulties as for instance those caused by the increase of the EEC guide price of cattle for 1974/75, leading to a higher adjustment levy.

Regarding milk products, too, Austria must endeavour to preserve the existing outlets in other countries. However, in order to reduce milk production to a reasonable level, a number of measures were taken, including some aiming at an increased beef-cattle production with a proportionate decrease in milk production. At the same time, the production of dual-purpose cattle (milk and meat) is continued for reasons connected with the structure of Austrian agricultural enterprises. Further measures aim at an increase with regard to calvings, the rearing of male calves and the fattening of female calves (in order to attain higher carcass weights). This leads to a relief of the milk market, while gradually reducing the cow population and to an increased utilization of available feed for rearing and fattening of beef-cattle. The above-mentioned measures also facilitate the sale of cattle for fattening and fattening cattle in other countries when necessary and practicable in view of the current market regulations. As far as the production of milk products is concerned, emphasis is also laid on the final products (such as hard cheese and milk powder) which find a ready market in other countries.