

Economic Consequences of Austria's Accession to the European Union in the Area of Agriculture

On 1st January 1995 three member states acceded the European Union, which had been preceded by pre-accession negotiations. The countries which joined the EU were Austria, Finland and Sweden. This paper is concerned only with the case of Austria. This country acceded the EU with a support of three-thirds of its citizens voting in the referendum.¹ The problem of integration of the agricultural market played an important role in the pre-accession negotiations between Austria and the EU - just as in the case of the other countries. Prior to and during the negotiations, the Austrian side paid a special attention to the so-called "mountainous agriculture". This notion pertains to relatively small family-run farms located in the mountainous regions, which are covered in Austria by special measures aimed at keeping the competitiveness level of their production in spite of the difficult conditions of their operation.

1. Situation in the Austrian agricultural sector before it was covered by the common agricultural policy of the European Union - the undertaking of efforts aimed at adjusting the sector to the integration requirements

A traditionally significant role in the Austrian agricultural sector was played by the government's market regulations. They were applied to the milk and cereal markets in particular. Additionally, the government undertook efforts to keep the income per person employed in the agricultural sector at a level not lower than this index in the economy as whole. The government's endeavours were also aimed at keeping small family farms and subsidising the mountain agriculture (in the Alps regions). This was due to the fact that farming in the mountainous regions has to be aimed not only at production but also at protection of the environment.² The main instruments of the government's policy were a system of support for agricultural prices maintained by protectionism in foreign trade and the maintenance of a high

¹ K. Bachman, Strach przed ujemnym bilansem (Fear of a Negative Balance), *Rzeczpospolita* (daily) 163/98.

² M. Schneider, A "Green" Strategy to Help Austrian Farmers Survive in Europe, paper presented to the International Conference on Agriculture and the Environment on 12 and 13 March 1998 in Bled, Slovenia.

level of prices allowing farmers to increase production. At the same time exports subsidies were applied.³

Owing the above-mentioned factors, the prospect for integration of the Austrian market into the European structures in 1995 required reorganisation of the market sector. The overall level of prices of agricultural produce in Austria was about 15% higher than in the European Union.⁴ The accession to the EU meant liberalisation of the market which entailed a pressure on a fall in the price level. Such a fall might affect negatively the situation of Austrian farmers used to a higher support level than in the EU. At the same time the authorities were afraid that starting a system of compensation might have a negative impact by making agriculture less efficient and consequently less competitive.

In spite of these fears, the Austrian government committed itself to efforts aimed at changing the organisation of the market, the price policy and the agriculture-subsidising system in order to transform agriculture and agri-business and adjust them to the requirements of the EU market.⁵

The necessity for important changes in the agricultural market was due not only to Austria's integration with the EU. The GATT/WTO decisions⁶ necessitated some of the changes, namely a reduction in subsidies⁷, including export subsidies⁸ and limitation of protectionism.⁹

1.1. A special case - the milk and dairy market

Austria introduced a system of restrictions on milk producers already in 1978. At the same time a system of subventions for the producers was in operation and the purchase prices were kept at a high level. There was a limit of 30 cows in a farm for breeders wishing to avail themselves of the system. It caused a significant reduction of supply by 1987.

The number of milk producers in Austria fell by 3.8% in the years 1984-1994. In 1994, the number of milch cows was 809,977. Each of them provided on average 26.8 tons of milk per year to the processing plants. This accounted only for 69% of total milk production, as the remaining 31% of milk was used by producers for selling, their own consumption and as fodder for animals. The number of cows was relatively small in most farms. Only 0.57% farms had more than 30 cows.

The small size of Austrian farms as well as their location in mountainous regions have an impact on development of ecological production methods on the one hand but on the other hand they raise the costs of this production. In 1994, one cow in Austria gave on average

³ K. M. Ortner, *The Austrian Farm Sector's Adjustment to the CAP in 1995*, Agriculture after Joining the EU, Bundesanstalt fuer Agrarwirtschaft, Vienna, 1996.

⁴ M. Schneider, *Oesterrichts Landwirtschaft auf dem Weg in den EG-Binnenmarkt*, WIFO Monatsberichte 1/1993, p. 48.

⁵ M. Schneider, *Austrian Agriculture under EU Conditions*, Austrian Economic Quarterly 2/1997, WIFO, Vienna.

⁶ The Agriculture Agreement of the Uruguay Round of the GATT.

⁷ In accordance with the Agriculture Agreement of the Uruguay Round of the GATT, a 20% reduction of internal subsidisation of agricultural production by the economic year 2000/2001 (the base - the average for the years 1986-1988).

⁸ In accordance with the Agriculture Agreement of the Uruguay Round of the GATT, a 36% reduction by the economic year 2000/2001 (the base - the average sum of export subventions paid out in the years 1986-1990).

⁹ K.M. Ortner, *The Austrian Farm Sector's Adjustment to the CAP in 1995*, op.cit.; the tariffication and reduction of customs to the economic year 2000/2001 on average by 36% (the base - difference between the intervention price increased by 10% and the world market FOB price in the years 1986-1988; cf. also Z. Wysokińska, *Wpływ instrumentów polityki handlowej na zmiany strukturalne w produkcji rolnej i handlu towarami rolnymi* (Impact of Trade Policy Instruments on Structural Changes in Agricultural Production and Trade), forthcoming.

4,048 kilos of milk per year whereas this index in the EU was 5,330 kilos. Consequently, the milk production requires a greater support in the case of Austria. In 1993, this sector received over one-third (34%) of all the means assigned by the government for agriculture.

As a result of the changes necessary for adjusting the market to the requirements of the common agricultural policy (CAP), the limit of cows in one farm was increased to 75 in 1994. Producers were allowed to choose a processing plant to which they wanted to sell their milk and processing plants were allowed to sell their products within the entire country.¹⁰

Prior to the integration, both prices paid to producers and market prices of dairy products were regulated in the Austrian dairy industry. The way of price-setting permitted this branch to keep a high employment level. In 1993, this sector produced 2,200 million tons of milk and had a total employment of 6,115 persons. In order to adjust the sector to the Common Market requirements a number of changes were made.

Creameries could purchase crude material at higher prices than the set (minimum) prices as well as purchase and sell their products in any region. Additionally they enjoyed greater freedom in using their profits for goals of their own choice - e.g. investment projects, introducing new products. Exports subsidies were adjusted to the EU standards as regards the rules of their allotment and their level. These changes yielded a drop in the number of processing plants from 184 in 1990 to 117 in 1994.¹¹

2. Consequences of applying the common agricultural policy to Austrian agriculture

Austria's integration into the European resulted in certain changes in the production level and in the prices of agricultural and food products. The direct reasons for these changes were the factors discussed at the beginning of the article. The tables below (Tables 1 and 2) present the above-mentioned changes in greater detail.

The drop in the general price level related to the integration process was most acutely felt by producers of products of plant origin and less by those involved in animal production. Among the plant producers, the changes were the most acute for producers of cereals, including mainly wheat and potatoes and vegetables. Producers of oily plants, fruit and sugar beet lost the least, while producers of white wine gained from integration as the prices of their products went up. Among the producers of products of animal origin, the price drop was the most acute for producers of milk, poultry and eggs. Producers of beef were least affected by the price decline. In sum the drop in the general price level resulting from the integration - excepting production of cereals and industrial potatoes - did not exceed 30% and averaged 23%.¹²

¹⁰ K.M. Ortner, *The Austrian Farm Sector's Adjustment to the CAP in 1995*, op.cit.

¹¹ Ibid.

¹² M. Schneider, *Austrian Agriculture under EU Conditions*, op.cit.

Table 1. Changes in prices of agricultural produce caused by integration into the EU

	1993	1994	1995	1995
	in ASch per quintal	in ASch per quintal	in ASch per quintal	percentage change in relation to the previous year
Total plant production	-	-	-	-20.6
Cereals	320	312	168	-46.2
Wheat grain	423	426	189	-55.6
Bread grain (mixed)	347	332	161	-51.5
Rye	299	300	132	-56.0
Milled barley	293	293	207	-29.4
Fodder barley	273	272	148	-45.6
Fodder maize	267	253	189	-25.3
Rape	180	203	201	-1.0
Sunflower seed	190	227	210	-7.5
Sugar beet	71	72	64	-11.1
Consumer potatoes	146	310	149	-51.9
Industrial potatoes	92	99	46	-53.5
Fruit	-	-	-	-3.5
Vegetables	-	-	-	-35.5
White wine	1310 ^a	1367 ^a	1459 ^a	+6.7
Total animal production	-	-	-	-23.0
Calves	2394	2399	1986	-17.2
Bulls	2606	2621	2163	-17.5
Cows	1829	1832	1519	-17.1
Pigs	1973	1985	1591	-19.8
Poultry	-	1550	1146	-26.1
Eggs	1084 ^b	980 ^b	780 ^b	-20.4
Cow milk	552	552	376	-31.9
Total agricultural production	-	-	-	-22.2

Notes: ^a ASch per hectolitre

^b ASch per thousand

Source: M. Schneider, Austrian Agriculture under EU Conditions, Austrian Economic Quarterly, 2/1997.

Table 2. Changes in the level of production of agricultural produce in Austria in 1991-1995

Product	1991	1992	1993	1994	1995	Percentage change 1994-1995
Wheat	1375	1325	1018	1255	1301	4
Other cereals	3670	2997	3188	3181	3064	-4
Sugar beet	2522	2605	2994	2561	2886	13
Oily plants	221	287	338	414	360	-13
Wine	309	259	187	265	223	-16
Fruit	4295	4561	5539	2025	3114	-23
Milk	3330	3287	3270	3278	3148	-4
Beef and veal	256	249	258	235	208	-12
Pork	458	470	485	466	445	-5
Poultry	93	99	102	102	100	-2
Eggs	97	97	98	101	98	-3

Source: K.M. Ortner, The Austrian Farm Sector's Adjustment to the CAP in 1995, Agriculture after Joining the EU, Bundesanstalt fuer Agrarwirtschaft, Vienna, 1996.

As it follows from Table 2, despite a considerable price fall (Table 1) the production decline was not big. It exceeded 20% only in the case of fruit. This decline did not match the price level decline which was very slight, namely 3% in the case of fruit. An interesting phenomenon is also a 16% decline in wine production with a simultaneous increase of its price. Of animal production, the greatest fall was characteristic of beef and veal which simultaneously recorded the smallest decline in the price level in comparison with the rest of the animal sector. Production of wheat rose despite a considerable fall in its price (-55.6%) and sugar beet. The relation of price changes and production changes in 1995 compared with 1994 are shown in Table no. 3 (below).

Table 3. Changes in prices and production levels of selected agricultural produce in 1995 in relation to 1994

Product	Price change	Production level change
Wheat	-55.6%	4%
Sugar beet	-11.1%	13%
Wine	6.7%	-16%
Fruit	-3.5%	-23%
Milk	-31.9%	-4%
Beef and veal	about -17%	-12%
Pork	-19.8%	-5%
Poultry	-26.1%	-2%
Eggs	-20.4%	-3%

Source: Compiled on the basis of M. Schneider, Austrian Agriculture under EU Conditions, Austrian Economic Quarterly, 2/1997 and K.M. Ortner, The Austrian Farm Sector's Adjustment to the CAP in 1995, Agriculture after Joining the EU, Bundesanstalt fuer Agrarwirtschaft, Vienna, 1996.

Owing to the generally oscillating trend shown by the changes in the production level in 1991-1994 it can be surmised that the changes of below 5% in production in 1994-1995 described in Table no. 2 were not necessarily the result of integration or might have resulted from it to a slight degree. In order to have a closer look at that issue, the changes in the milk branch will be discussed in greater detail further on in the paper. As it follows from Table 3, the prices of that product fell by 31% and its production by 4%.

As a result of joining the EU, prices of agricultural produce fell on average by 22.2% in the first year of membership (1995) in comparison with the previous year. Consequently Austrian farmers turned towards ecological production which in accordance with the reform of the Common Agricultural Policy¹³ guarantees maintenance of high support. At present Austria boasts the highest number of registered ecological farms of all the EU members. Their total number is over 23,000 and these farms account for 10% of total Austrian arable land.¹⁴ Ecological farming dates to the late 1970s but developed rapidly in 1993-1995 when the number of ecological farms rose by about 135% (from 9,713 in 1993 to 22,875 in 1995) and accounted for 9.4% of the total number of farms.¹⁵ This was caused by the development of the ecological agriculture support system in Austria, which is shown by the table below.

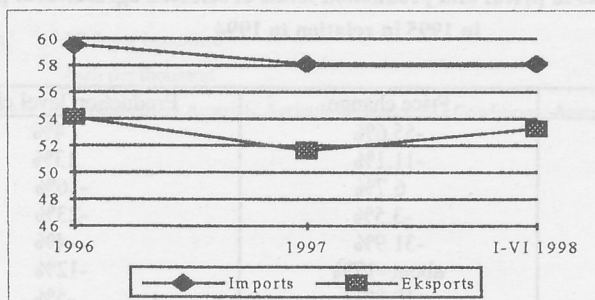
Table 4. Development of support for ecological development in Austria in 1993-1995

	1993	1994	1995
Number of supported farms	8,408	11,567	15,844
Farms covered by the support system in thousands of hectares	118	158	199
Total resources in ASch million	156	216	660
Total resources per farm in ASch	18,520	18,660	41,656
Total resources per hectare in ASch	1,326	1,364	3,316

Source: M.G. Neunteufel, Environmental Aspects of EU-Integration of Austrian Agriculture, Agriculture after Joining the EU, Bundesanstalt fuer Agrarwirtschaft, Vienna, 1996.

2.1. Trade in agricultural and food products after integration into the EU

Graph 1 Share of the EU in Austrian trade in 1996-1998¹⁶ (in %)



Source: EU Country Report 4th quarter 1998.

¹³ The McSharry Plan, Agenda 2000.

¹⁴ Z. Przybylak, Dzikie ekorołnictwo, (Wild Ecological Farming), Nowe Życie Gospodarcze no. 9/1998.

¹⁵ M.G. Neunteufel, Environmental Aspects of EU-Integration of Austrian Agriculture, Agriculture after joining the EU, Bundesanstalt fuer Agrarwirtschaft, Vienna, 1996.

¹⁶ The 1st and 2nd quarters.

It is worth adding that the most important EU partners in the period covered by the graph were Germany and Italy.¹⁷

Table 5 Share of agricultural and food products in Austrian trade with the European Union in 1995-1998¹⁸ (in %)

	1995	1996	1997	Jan-June 1998
Imports (CIF)	5.21	5.49	5.95	5.69
Export (FOB)	3.26	3.81	4.02	3.85

From 1995 on, both the role of the EU in Austrian trade and the share of agricultural and food products in that trade show a slight upward trend (with the exception of 1997 when this tendency occurred only in the latter case). As regards 1998, the slackening of the growth trend may be due to the lack of data for that year. Thus it is necessary to wait before drawing creditable conclusions.

On the basis of the above data it can be concluded that the measures taken by Austria in order to adjust its agriculture and agricultural market to the EU requirements are beginning to yield positive results shown in the growth of trade between the EU and Austria. Profits from the integration in the area of agricultural trade are still below the expectations but they permit good prognoses for the future.

2.1.1. Changes in the structure of agricultural trade after integration into the EU

Austria was a member of the EFTA until 1995. This grouping pursued a fairly complex trade policy with respect to agricultural and food products. It consisted in protecting the input of agricultural produce. The value added of an agricultural and food product was subject to the rules of a free trade area corresponding to industrial products.¹⁹ Tables 6 and 7 below show changes in the proportions in Austria agricultural and food trade with the EU and EFTA after its integration into the EU - in the period 1995-1997 - in the particular commodity groups.

¹⁷ EU Country Report 1998, London, UK.

¹⁸ The 1st and 2nd quarters.

¹⁹ A. Marszałek (ed.) Integracja europejska (European Integration) 1997, Łódź: Łódź University Press, pp. 167-168.

Table 6. Changes in the structure of Austrian exports of agricultural and food products in 1995-1997 in % ²⁰

SITC product	EU			EFTA		
	1995	1997	Percentage change ^b	1995	1997	Percentage change ^b
00						
Live animals	96.0	96.9	0.9	0.3	0.3	0.0
01						
Meat	45.9	88.1	42.2	2.6	9.6	7.0
02						
Dairy products and eggs	95.4	97.1	1.7	3.4	2.0	-1.4
03						
Fish	85.0	52.9	-32.2	3.4	17.4	14
04						
Cereals	90.7	81.9	-8.8	4.4	4.5	0.3
05						
Vegetables and fruit	73.4	80.9	7.5	5.0	3.6	-1.4
06						
Sugar, confectionery products and honey	73.5	85.8	12.3	14.0	7.3	-6.7
07						
Stimulants	64.7	76.2	11.5	5.3	6.1	0.8
08						
Animal feed	70.2	62.8	-7.4	14.6	11.1	-3.5
11						
Beverages	70.3	75.9	5.6	15.9	14.6	-1.3
Tobacco and tobacco products	30.9	87.0	56.1	13.4	4.6	-8.8
22						
Oily seedd and fruit	53.1	75.7	22.6	5.3	6.8	1.5
41						
Animal oils and fats	85.0	87.4	2.4	6.1	0.4	-5.7
42						
Vegetable oils and fats	51.0	41.9	-9.1	5.9	3.5	-2.4
43						
Processed animal and vegetable oils and fats	90.5	84.6	-5.9	0.6	0.6	0.0
Total ^a	81.0	78.9	-2.1	8.0	7.0	-1.0

Notes: ^a including unspecified

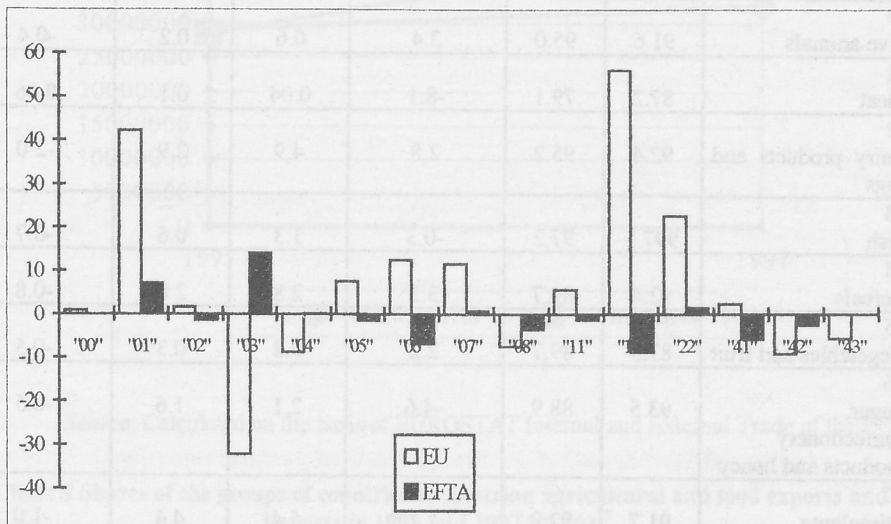
^b in percentage points

Source: Calculated on the basis of EUROSTAT Internal and External Trade of the EU.

²⁰ EU, EFTA, CEFTA = 100%

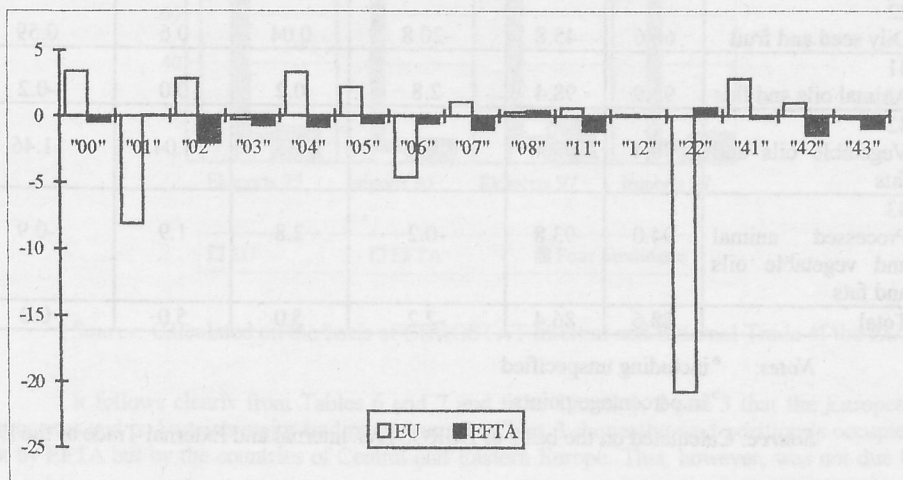
The changes in trade flows shown in Table 6 can be observed and followed more clearly in the chart below.

Chart 1 Changes in the size of Austrian export flows to the European Union and EFTA in 1995-1997, by commodity group



Source: Calculated on the basis of EUROSTAT Internal and External Trade of the EU.

Chart 2 Changes in the size of Austrian imports from the EU and EFTA on 1995-1997, by commodity groups



Source: Calculated on the basis of EUROSTAT Internal and External Trade of the EU.

Table 7 Changes in the structure of Austrian agricultural and food imports in 1995-1997²¹

SITC product	EU			EFTA		
	1995	1997	Percentage change ^b	1995	1997	Percentage change ^b
00						
Live animals	91.6	95.0	3.4	0.6	0.2	-0.4
01						
Meat	87.2	79.1	-8.1	0.04	0.1	0.06
02						
Dairy products and eggs	92.4	95.2	2.8	4.9	2.9	-2.0
03						
Fish	997.5	97.2	-0.3	1.3	0.6	-0.7
04						
Cereals	92.4	89.7	3.3	2.8	2.0	-0.8
05						
Vegetables and fruit	87.5	89.7	2.2	0.8	0.3	-0.5
06						
Sugar, confectionery products and honey	93.5	88.9	-4.6	2.1	1.6	-0.5
07						
Stimulants	91.7	92.8	1.1	5.4	4.4	-1.0
08						
Animal feed	94.0	94.3	0.3	0.96	1.3	0.4
11						
Beverages	95.1	95.7	0.6	0.9	1.5	-1.1
Tobacco and tobacco products	99.8	99.9	0.1	2.6	0.06	0.02
22						
Oily seed and fruit	66.6	45.8	-20.8	0.04	0.6	0.59
41						
Animal oils and fats	95.9	98.4	2.8	0.2	0.0	-0.2
42						
Vegetable oils and fats	98.4	99.4	1.0	1.5	0.04	-1.46
43						
Processed animal and vegetable oils and fats	94.0	93.8	-0.2	2.8	1.9	-0.9
Total	88.6	86.4	-2.2	5.0	5.0	0.0

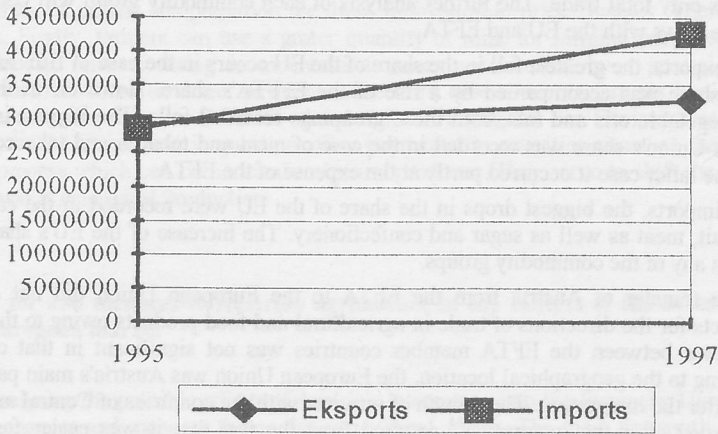
Notes: ^a including unspecified

^b in percentage points

Source: Calculated on the basis of EUROSTAT Internal and External Trade of the EU.

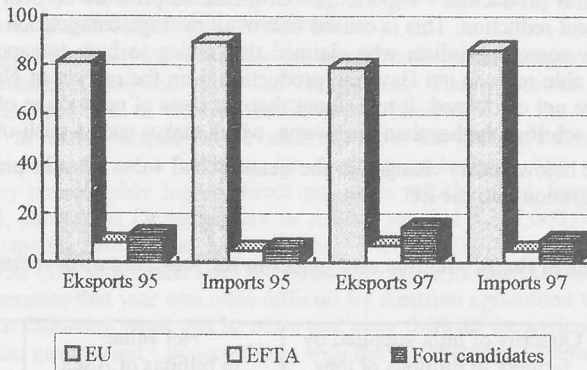
²¹ EU, EFTA, CEFTA = 100%

Graph 2 Changes in the sizes of Austrian agricultural and food exports to and imports from the EU in 1995 and 1997 (ECU thousand)



Source: Calculated on the basis of EUROSTAT Internal and External Trade of the EU.

Chart 3 Shares of the groups of countries in Austrian agricultural and food exports and imports in 1995 and 1997 (in %)²²



Source: Calculated on the basis of EUROSTAT Internal and External Trade of the EU.

It follows clearly from Tables 6 and 7 and from Charts 1, 2 and 3 that the European Union was and is Austria's major trading partner. As Chart 3 shows the next position is occupied not by EFTA but by the countries of Central and Eastern Europe. This, however, was not due to

²² "Four candidates" - Poland, Hungary, the Czech Republic and Slovakia.

a drop in favour of the EFTA, for the share fell in the case of exports and remained at an unchanged level in the case of imports. Chart 3 shows that the share rose only in trade of the Central and Eastern European countries (Poland, Hungary, the Czech Republic and Slovakia). This concerns only total trade. The further analysis of each commodity group will concern only shifts in trade flows with the EU and EFTA.

In exports, the greatest fall in the share of the EU occurs in the case of fish and the fall of the EU's share was accompanied by a rise of the EFTA's share. However, in the case of fodder and vegetable oils and fats, both these groupings recorded falls. The biggest increase in the European Union's share was recorded in the case of meat and tobacco and tobacco products but only in the latter case it occurred partly at the expense of the EFTA.

In imports, the biggest drops in the share of the EU were recorded in the case of oily seeds and fruit, meat as well as sugar and confectionery. The increase of the EU's share did not exceed 5% in any of the commodity groups.

The transfer of Austria from the EFTA to the European Union did not cause any tangible effects for the directions of trade in agricultural and food products owing to the fact that mutual turnover between the EFTA member countries was not significant in that commodity group.²³ Owing to the geographical location, the European Union was Austria's main partner both before and after the integration. The growth of turnover with the countries of Central and Eastern Europe recorded after the integration²⁴ resulted from the fact that it was easier for Austrian agricultural and food products to compete in the markets of these countries than in the internal EU market.

2.2. Situation in the milk and dairy market after the integration

In order to exemplify the changes we shall focus again on the earlier discussed case of the agricultural market, and more specifically on the ways of adjusting it to the integration requirements and to the CAP reform. From the time of integration, the milk sector - like the other sectors of agricultural production - experienced an increased pressure on cost reduction among others by employment reduction. This is caused first of all by high competition from abroad. The prediction made by some specialists who claimed that owing to high transport costs Austrian products would be able to push out Bavarian production from the market of Northern Italy after the integration were not confirmed. It turned out that the costs of production of one kilo of milk in Austria are 0.44 schilling higher than in Bavaria, which makes such a push-out impossible.

The table below shows changes in the quantity and value of milk produced in Austria caused by the integration into the EU.

Table 8. Changes in the production and prices in the Austrian milk sector in 1993-1995

	Quantity of milk supplied by farmers in millions of tons	Net value in billions of ASch	Net price ASch/t
1993	2,200	12,035	5,470
1994	2,206	11,968	5,425
1995	2,288	8,540	3,733
Change (in %)	+4%	-29%	-31%

Source: K. M. Ortner, *The Austrian Farm Sector's Adjustment to the CAP in 1995*.

²³ A. Marszałek (ed.) *European Integration*, op.cit. p. 167.

²⁴ See diagram 3.

Analysing the data presented in the above table it can be noticed that a growth of production occurred simultaneously with a decline of its value. This is caused by a drop of unit prices paid to farmers for the product (visible in column 3 of table 8). Austrian farmers can count in certain cases on partial compensation for these unfavourable price changes. There are three possibilities. Firstly, farmers can use a grater quantity of milk for farming purposes - e.g. for fodder. Secondly, farmers acting in mountainous areas are covered by a special protection programme and can count on direct payments. The third case concerns farmers participating in the programme under directive 2078/97 (the Austrian Programme for Environmentally Sound Agriculture).²⁵ The programme in question offers payments for activities aimed at changes in the production process which can be undertaken by any producer. They serve to shift the production of a farm towards ecological production.

3. Chances for and menaces to Austrian agriculture in the context of the accession to the single European market

Analysing the possible effects of Austria's integration into the European Union, one can notice both chances and menaces facing the agricultural sector. The most frequently mentioned ones are:

the lowering of the level of agricultural prices to the level existing in the European Union by a reduction of the support for and costs of processing,

the opening up of the EU market for Austrian producers and consequently a reduction of the export subsidisation level thanks to elimination of subsidisation of exports to the member countries,

possibility of a reduction of costs in the processing industry and growth of profits by competing in the markets of the EU,

growth of demand for agricultural and food products by a reduction of prices and enriching the offer with products coming from other EU countries.²⁶

According to the analyses preceding the integration, Austrian agriculture faced more threats than advantages connected with the integration. They were to result from the unfavourable starting position in which Austria found itself due to the occurrence of the discussed factors.²⁷ In reality, despite partial confirmation of the predicted threats, the first year in the European Union was not a bad year for Austrian agriculture. The price decline was compensated for by considerably higher direct payments which saved farmers from income declines.²⁸ In 1994, subvention for agriculture in Austria totalled 9,827,000,000 schillings, and a year later that amount rose to the level of ASch 24,728,000,000 or by 251.6%.²⁹ In the following year - 1996 - the subvention level fell slightly to ASch 22,840,000,000 and for this and a number of other reasons that year was more difficult for Austrian agriculture than 1995.³⁰ It can be expected that the following years will be more and more difficult for agriculture owing to the fact that the Austrian government - in accordance with the membership agreement - has the right to sustain a higher agriculture subsidisation level only in a 4-year transition period.³¹

²⁵ K.M. Ortner, *The Austrian Farm Sector's Adjustment to the CAP in 1995*, op.cit.

²⁶ As above.

²⁷ M. Schneider, *Chancen and Risiken der Landwirtschaft im EU-binnenmarkt*, Monatsberichte 1994, WIFO, Vienna.

²⁸ M. Schneider, *Landwirtschaft bewältigt erstes "Eu-jahr" gut*, Monatsberichte 10/1996, WIFO, Vienna.

²⁹ Ibid.

³⁰ M. Schneider, *1996 schwaches Jahr fuer die Agrarwirtschaft*, Monatsberichte 8/1997, WIFO, Vienna.

³¹ K. Bachman, *Fear of a Negative Balance*, op.cit.

4. Conclusions

After Austria joined the European Union, the level of prices of agricultural products in that country dropped as a result of increased competitive pressure of products imported from the EU in the Austrian market. This did not cause a decline in production in every case thanks to the intervention measures undertaken by the Austrian government in the transition period.³²

In order to adjust their production to the assumptions of the reforms of the CAP³³ Austrian agricultural producers have been intensifying ecological production, which has resulted in the highest number of ecological farms in Europe.³⁴

Starting from 1995, Austrian external trade in agricultural produce recorded a shift of trade flows from the EFTA countries to the countries associated with the EU - Poland, Hungary, the Czech Republic and Slovakia.³⁵ Austria's integration into the EU accounts indirectly for this fact. Agricultural and food products face higher competition in the internal EU market than in the markets of the countries associated with the EU. What additionally influences just these directions of trade is the geographical location of Austria and the above-mentioned associated countries. What's more, two other countries belonging previously to the EFTA joined the EU together with Austria, and consequently the EFTA has only 4 members, which decreased its trading possibilities.

In the light of the available data, the transition period had an impact on a decline in the share of the EU in Austrian agricultural and food trade in 1995-1997. There are no full data available for 1998. It is possible that just as in the case of total trade, 1998 will bring a change in the trend.

³² See Table no. 3.

³³ The McSharry Plan, Agenda 2000.

³⁴ Z. Przybylak, *Wild Ecological Farming*, op.cit.

³⁵ See diagram 3.