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AGRICULTURE IN THE ALPINE AREAS OF AUSTRIA AND ITALY

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Directorate General Internal Policies of the Union

Policy Department Structural and Cohesion Policies

AGRICULTURE AND RURAL DEVELOPMENT

AGRICULTURE IN THE ALPINE AREAS OF AUSTRIA AND ITALY

NOTE

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CONTENTS:

- I -
INTRODUCTION

1. ALPINE AGRICULTURE

Alpine agriculture shares certain common characteristics which distinguish it from other less favoured mountain areas of the European Union. Of note among these are the following:

- It is located at an altitude above 600 m (Italy) or 700 m (Austria, Germany, Slovenia) and is classified as a less favoured area (LFA) under Article 18 of Regulation (EC) 1257/99.

- Because of its geomorphological characteristics, the cultivable area (CA) is modest; even where the land base shows a slow but gradual fall there are numerous farms, which are generally small in size; high land prices ultimately create problems both for agricultural restructuring and improvements in competitiveness.

- A sizeable percentage of the population is still employed in the primary sector, ranging from 8% of the total in the Bavarian Alps to 5.9% in the Austrian Alps, 4.9% in the Eastern Italian Alps and 2.8% in the Central Italian Alps.

- It embraces a diverse agriculture where two major patterns for soil use exist side by side: the first is an intensive one in the areas of lower altitude, which are geared to quality output and high value added; the other, more extensive model exists in the more marginal, higher altitude areas.

- Because of their specialised output, Alpine farms have a very low level of public support under the first pillar of the CAP; this is offset by specific mountain policies which, although the Alps are set apart by their multisectoral approach, include specific measures which are essentially regional in nature and promote the primary sector and rurality (under the second pillar of the CAP, forestry programmes, etc.).

- The constraints of climate and the relief of the terrain mean that a high and wide-reaching level of professional skill is required to ensure that output is competitive when compared to other more favoured areas.

- The wooded area is much greater than the agricultural area and, in contrast to the latter, it is growing each year; these woodlands are largely owned publicly or by the municipalities and are managed using natural forestry techniques, although this does not preclude a large processing industry associated with primary activity (principally the timber industry).

- Although its importance in terms of GVA is relatively low, Alpine agriculture stands out because of its multifunctional nature: the fact that it safeguards a very scattered habitat means that it plays an important role in regional planning and the countryside, ensures the supply of traditional local products and finally, thanks to its close links to other economic activities (industry and tourism), helps preserve the cultural and physical heritage.

- The protected natural ranges cover a broad swathe of the land, adding to the multifunctional role played by farming and forestry.

- II -
TRENTINO-ALTO ADIGE / SÜDTIROL
(ITALY)

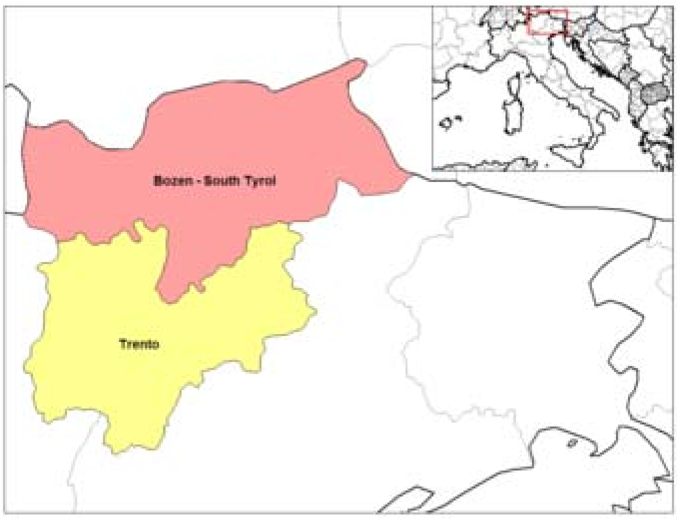
2. PHYSICAL GEOGRAPHY

The Autonomous Region of *Trentino-Alto Adige*, to use its Italian name, is also known by its German and Ladino name *Trentino-Südtirol*. Situated in the north-eastern part of the Alpine range it is bounded to the north and north-east by Austria and the Swiss Canton of Graubünden. It also bounds the Italian regions of Lombardy to the west and the Veneto to the East (Figure 1).

It covers a total area of 13 607 km² (of which 6 145 km² fall within the province of *Trentino*, and 7 400 km² within that of *Bolzano*). The region is extremely mountainous and is crossed not only by the foothills of the Dolomites and the Southern Alps, where forestry is predominant, but also by deep river valleys (such as those of the *Adige/Etsch* or the *Isarco/Eisack*), where most of the people live; the valleys also give access to the Austrian Tyrol.

It is very rich in terms of its environment and countryside and is to a large extent incorporated in to the *Natura 2000 Network* to ensure it is safeguarded (31 *Special Protection Areas – SPA*, covering 116 453 ha; and 103 *Sites of Community Importance - SCI*, covering 301 443 ha). However, this physical and biological heritage also faces risks, both of a hydrological nature (avalanches, floods) and forestry-related (fire).

Figure 1



3. POLITICAL GEOGRAPHY, LANGUAGE AND DEMOGRAPHY

Trentino-Alto Adige is an *Autonomous Region with Special Status* within the Italian constitutional structure, and comprises two *Autonomous Provinces: Trentino*, or *Trento*; and *Alto Adige/Südtirol* ([1]) or *Bolzano* (*Bozen* in German, *Balsan* in Ladino).

[1] Since 18 October 2001 the Italian Constitution has officially recognised the Province's dual toponymy: Alto-Adige/Südtirol (Article 116).

The capital of the Province of *Trentino*, which has 223 municipalities organised into 11 *comunità comprensoriali* [districts], is Trento (111 044 inhabitants in 2006), and is to all intents and purposes Italian-speaking, with some communities which are historically German-speaking (*Mocheni* and *Cimbri*). As for the Province of *Alto Adige*, which has 116 municipalities organised into eight *comunità comprensoriali*, its capital is *Bolzano* (98 657 inhabitants in 2006), and has a majority of German speakers (69.4%), a significant community of Italian speakers (26.3%) who are mainly concentrated in the provincial capital, and a minority of Ladino speakers (4.3%).

Although the official regional capital is Trento, the two provincial capitals alternate every two years as the seat of the Regional Parliament. Moreover, almost all regional powers have been handed down to the Provinces, with the result that their position is *de facto* similar to that of Autonomous Regions.

Trentino-Alto Adige has a total population of 950 495 (2006), the equivalent of 1.6% of the Italian State, with an average density of 70 inhabitants/km², making it one of the most sparsely populated regions in Europe. The population is divided almost equally between the two provinces (481 133 inhabitants in *Bolzano*; 477 359 in *Trento*) and can be subdivided into three major linguistic groups: Italian (with 62% of the population), German (with 35%) and Ladino (3% of the total population). Moreover, it is calculated that the number of foreigners living in the area is as high as 55 747 (2006), representing some 5.6% of the region's total population.

4. GENERAL ECONOMIC STRUCTURE OF THE REGION

The tertiary sector is predominant, with a significant and growing economy based on summer tourism, but more particularly winter tourism, thanks to its highly regarded ski resorts. The region is also a major exporter of energy, owing to its significant hydroelectric resources. This energy base in turn feeds two major industrial subsectors: the chemicals and metal industries. There is also a significant paper industry based on logging.

Trentino-Alto-Adige, which is largely covered by meadowlands and woodland, has 43 917 farms encompassing a CA of 401 078 ha. These farms rely essentially on family labour (there are 43 134 farm owners and 65 811 staff, taken from among spouses and other relatives). As in the rest of Italy and the Union the number of farms is continuing to fall (-17.7% over the last five years), as is the CA (-3.2% over the same period) and the agricultural work force (-2.4% between 2003 and 2005), mainly relatives, who are in part being replaced by salaried workers.

Agricultural production is concentrated in the valleys. The principal specialities are fruit and vegetable growing (39% of final agricultural output), viticulture (21%), dairy products (16%) and bovine meat (8,5%). In support of its gastronomic wealth, the Region of *Trentino-Alto Adige* holds 16 Protected Designations of Origin, essentially wines (8) and cheeses (5), to which must be added the many *traditional food products* recognised under Italian law (109 in Trento and 91 in Bolzano), which embrace a large number of subsectors (pastas, breads, meats etc.). Additionally, there are 862 farms given over to organic farming, a figure which is growing year on year.

5. THE AGRI-FORESTRY ECONOMY OF THE AUTONOMOUS PROVINCE OF TRENTO

5.1. Basic structural data

With a total area of 614 500 ha, *Trentino* is distinguished by its extremely mountainous relief: 60% of the area is at an altitude of over 1 000 m; only 15% is situated below 400 m, although the latter is home to 50% of the population.

The relief of the terrain places constraints in its turn on the use of the soil and means that the province's climate and countryside is very varied, encompassing 297 Alpine lakes (including *Lake Garda*, which enjoys a Mediterranean climate). This environmental wealth is backed up by the fact that 103 678 ha of the area (16.7% of the total for the Province) are classified as protected natural ranges in various forms (national natural parks, Natura 2000 Network, provincial parks, etc.).

Of the Province's 614 500 ha, 54.9% are woodland areas, 28.8% natural ranges, 13.1% Cultivable Area (CA) and 2.8% are urban areas. With a CA of barely 146 989 ha, most primary activity is focused on the more level areas, which are subdivided in turn into 34 694 farms, most of which are small in size (average 4.23 ha, barely 7.5% of all farms are bigger than 5 ha).

Of the CA, 61.75% are pasture and grasslands (120 119 ha), followed by permanent or ligneous crops (fruit growing and viticulture), with 22 745 ha. Pasture is the land base for a significant livestock population, with 8 831 dairy cows (falling), 14 141 non-dairy cattle and 21 874 sheep, among others. Fruit growing comes top in terms of production (EUR 161 million in 2004), followed by the first-stage processing industry and viticulture (around EUR 153-155 million) and cattle (EUR 109 million).

The contribution to Provincial GDP accounted for by the agricultural sector is around 3.4% (2004) compared to 26.5% for industry and 70.1% for the service sector. The average economic size of a holding, measured in ESUs, is 11.5 (1 ESU=EUR 1 200). However, only 1.3% are over 100 ESUs. Given this background and a developed environment (GDP per capita in Trento stood at EUR 28 380 in 2004, higher than the Italian average of EUR 23 875), the agrarian sector is experiencing difficulties in keeping its income at the same level as that of other economic activities, leading to increasing diversification in farms, if not the discontinuance of farming.

Of the wooded area (323 183 ha) only one section can be classified as productive (276 988 ha), essentially for the timber industry. Smallholdings nonetheless predominate, with the average size of a woodland holding standing at 1.51 ha.

5.2. Rural Development Programme 2007/2013 for the Province of Trento

Only 22% of the population of Trento can be described as urban; they live in the areas around the municipalities of Trento and Rovereto. The rest of the population, some 78%, lives in rural municipalities which occupy 97.5% of the territory. The employment rate for the province in 2006 stood at 65.3%, although that figure fell to some 43.7% in rural areas.

Demographic development in the Province has been positive since the 1990s thanks to the migratory balance (there was an increase of 9.2% in 2005). The result is that the rural population in 2005 reached 391 000 (compared to a figure of 363 000 for 1997).

Although outside the Convergence Objective, the entire Province of Trento is classified as a less favoured mountain area. It is currently waiting for the Commission to approve the new Rural Development Programmes (RDP) 2007/2013, as the basic axis for the second pillar of the CAP.

The document submitted has many points of similarity with the previous RDP 2000/2006, although it incorporates greater flexibility in management and its main objective is to ensure sustainable development of less favoured mountain areas; it has a Total Community Budget under the EAFRD of EUR 100 652 000 (compared to 94.2 million under the Programme for 2000/2006). In outline it can be subdivided into three axes:

- Axis 1, to ensure the competitiveness of agrarian undertakings (with Community support of EUR 30.5 million, 30.3% of the total);
- Axis 2, to assess the economic activity bound up with the land (EUR 53.2 million, 52.92% of the total);
- and Axis 3, to sustain activities in the areas of diversification, environmental protection and countryside conservation (with EUR 10.3 million from the EAFRD, 10.29% of the total).

To these three axes must be added the LEADER Programme, a horizontal programme which places particular emphasis on territorial integration as a means of achieving the greatest synergies possible (with a budget from the EAFRD of EUR 6 million, 5.96%). There are also budgeted funds of EUR 503 000 for technical assistance (0.5%).

For purposes of comparison, extending the measures under the Rural Development Programme 2000/2006 to the current axes, the previous RDP allocated 40.5% of Community resources to Axis 1, 47.1% to Axis 2 and 12.4% to Axis 3. Meanwhile, the LEADER Programme accounted for barely EUR 3.9 million. In short, in the new programming period Community support for Trento’s rural development has increased and its environmental aspect has been strengthened, as has the LEADER initiative, but at the cost of measures included in axes 2 and 3.

6. AGRI-FORESTRY ECONOMY OF THE AUTONOMOUS PROVINCE OF BOLZANO

6.1. Production systems

Bolzano, with a total area of 7 400 km², is characterised by its extremely mountainous relief, 85.9% of its territory being situated at over 1 000 m and 64.4% at over 1 500 m. Only 3.9% of the area lies below 500 m. Moreover, most of the land is occupied by pasture (244 123 ha, 33% of the total) and woodlands (310 782 ha, 42%). The extreme relief places constraints on the distribution of the population, the use of the land and, ultimately, these give rise to different agrarian and socio-economic systems:

- At one extreme are the areas of lower altitude, below 900 m (*zone di fondivalle* [valley bottoms] and *zone pedemontane* [foothills]), centred around five municipalities (Bolzano, Merano, Laives, Lana and Brunico) with population densities of over 250 inhabitants/km², where the lion’s share of economic activities are concentrated and, as far as agriculture is concerned, this means high-yield ligneous crops.

- At the other end of the spectrum are the higher-altitude areas with a very low population density (6 to 9 inhabitants/km²); the population of these areas is in obvious decline and there has been a gradual economic decline both in livestock farming based on extensive foraging and in forestry.

6.2. Guiding principles

With at total CA of 620 363 ha, only 3.9% (22 828 ha) is given over to ligneous crops and 0.9% (5 505 ha) to arable crops or horticulture. The remainder is pasture, grassland or woodland. In terms of output, agriculture in Bolzano has (2006) significant livestock numbers, with 144 000 cattle, 45 000 sheep, 17 300 goats and 6 100 horses. Additionally, there are 255 000 poultry. With 6 200 producers, commercial milk output stands at 412 million litres, an increasing proportion of which is used to produce dairy products.

Where fruit-growing is concerned, apples stand out, with 18 431 ha and an output of 921 314 t in 2006. Of that amount, 65 810 t are processed and the rest are consumed fresh; to that end there is extensive refrigerated storage capacity (enough for 771 400t). Viticulture covers 5 250 ha, and is showing an annual increase of 1%. Finally, there were 369 holdings practising organic farming in 2006, a number shortly to be swelled by 69 other holdings currently in conversion.

In this, Italy’s wealthiest region (NUTS 2), with a *per capita* GDP equivalent to 159.6% of the average of the EU15 (2002), and with virtually full employment, it is proving difficult for the primary sector to maintain its economic attractiveness and it is experiencing gradual abandonment (whether total or partial) essentially to make way for services. Although it accounted for 6.9% of Provincial GDP in 1996, that figure was around 4.4% in 2006, way behind the 21.7% accounted for by industry and the 73.9% of the tertiary sector.

Despite everything, the rural population has a strong attachment to the land and families only reluctantly give up their farms despite the fact that farming as an activity is declining or disappearing. Currently *Alto-Adige* has over 26 000 farm holdings, a number which has remained virtually unchanged since 1982, and their average area is 11.3 ha; however, over half of them are 5 ha in area or smaller. Moreover, in 2005 the Province of *Bolzano* recorded 2 639 farms dedicated to agri-tourism, 17% of the total for Italy, which put it in second place among the Italian regions, only surpassed by *Tuscany*.

The region is currently waiting for the Commission to approve the RDP 2007/2013, which as a general rule follows the previous programme for the period 2000/2006, although this time it does so under the mantle of the EAFRD and a new programming format.

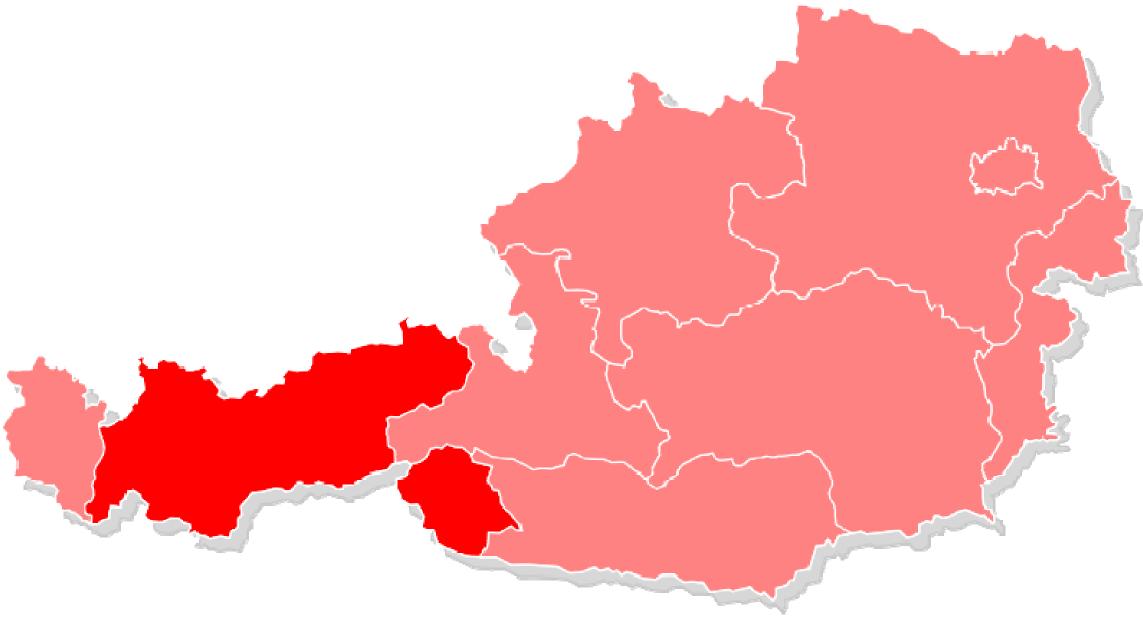
- III -
TYROL (NORTH and EAST)
(AUSTRIA)

7. GEOGRAPHY, DEMOGRAPHY AND GENERAL ECONOMIC DATA

The Tyrol is one of the nine *Bundesländer* in the Federal Republic of Austria. With a total area of 12 648 km² (15% of the country), it is noteworthy for its lack of physical continuity (Figure 2).

Most of the territory makes up *North Tyrol*, where the capital of the Land, *Innsbruck* (126 000 inhabitants), is located, and which in turn is subdivided into seven districts (*Politische Bezirke*). Further to the south, separated by an area forming part of the *Land* of *Salzburg*, is *East Tyrol*, whose major location is *Lienz* (12 000 inhabitants), the main town in the district of that name.

Figure 2



The Tyrol has a population of 687 000 (8.4% of the country's total), and a population density of 53 inhabitants/km² (less than the State average of 97 inhabitants/km²). However, if Innsbruck, the Land of which it is part, and the more northern areas of Kufstein, Kitzbühel and Schwaz are excluded, the remaining districts of the Tyrol have much lower demographic indices (around 25 to 31 inhabitants/km²), with a strong rural component.

The economy of the Tyrol is geared essentially to the service sector, especially tourism (with 71% of GDP), followed by the industrial sector (28%), and finally the primary sector, which contributes a shade over 1%. However, the agri-forestry sector plays an essential role in land and countryside planning and management while at the same time underpinning two important industrial subsectors, namely food and forestry.

8. THE AGRI-FORESTRY ECONOMY OF THE TYROL

8.1. Basic structural data

In 1999, the date of the last census, Tyrol had 18 238 farm and forestry holdings, with a total area of 1 188 337 ha, the Cultivable Area (CA) of which was 434 863 ha.

According to the latest analyses these data, albeit provisional, have changed substantially; between 1999 and 2005 holdings have fallen in number: currently there are only 11 598, a rate of decline of -7% (which in any event is lower than in other Austrian Länder). By contrast, the total area has increased to 1 222 332 ha and, more significantly, so has the CA, to 457 063 ha. In any event, the overwhelming majority of the CA continues to be extensive grassland (*Extensives Grünland*) (289 527 ha) and pasture (*Wirtschaftsgrünland*) (90 978 ha).

These structural changes are a reliable reflection of the significant restructuring process experienced in a farming environment, which essentially comprises five major aspects:

- the fact that almost all agrarian employees are relatives (with an average of 1.53 work units per holding, the equivalent of 5.7% of the economically active population);

- their small size in physical terms: most holdings (66.4%) are between 2 ha and 20 ha in area, and only 27% are larger than 20 ha, a factor at the heart of efforts to increase the land base;

- the major constraints of the relief and climate on the pursuit of farming: only one third of all holdings are in areas classified as free of structural handicaps (*Ohne Erschwernis*), whereas in Austria as a whole the figure is some 61%.

- all these structural constraints explain the growth in diversification: for most holdings agriculture is merely an additional source of income. It should be borne in mind that the average income per farming employee reached EUR 12 703 in 2005 (this figure was substantially higher than that of previous years, owing to the stability of prices on the bovine meat and milk markets and public aids). This means that with an average of 1.53 work units per holding, as stated above, the average annual income per holding amounted to EUR 19 400.

- in these circumstances public support has an essential role to play in maintaining primary activity and represents on average 27.2% of final agricultural output in the Tyrol, although for mountain farms with greater structural handicaps this figure may be as much as 38%.

In 2005, the final agricultural output (FAO) of the Tyrol reached EUR 338.64 million; this was essentially down to animal production and pastureland which can accommodate high livestock numbers, especially cattle. In 2006, 10 045 livestock farms had 182 833 head of cattle, and this also explains why the principal sectors of the FAO were dairy (27.7% of the total) and bovine meat (18.3%). There are also 72 050 sheep, 16 894 pigs, 10 584 goats and 8 291 horses. Additionally, in poultry farming (hens) there were 172 073 birds. Vegetable output overall amounted to 26.3% of FAO in the same year (2005).

In addition to livestock farming, forestry plays an essential role in the Tyrol’s primary sector and, moreover, is in full expansion. In 2005 output was EUR 111 million, an increase of 9.8% on the previous financial year.

8.2. An active rural policy

In view of the difficult conditions in which Tyrolean farmers must work (steep slopes, short flowering season, scattered nature of parcels, etc.) a very active support policy for Alpine agriculture is in place which seeks to enable farms to continue competing on the market, as well as ensuring the conservation of a unique area and countryside which also underpins a significant tourist sector as well.

The most important measures under rural policy currently in force under the mantle of the Rural Development Programme 2000/2006, are as follows: compensatory allowances to less favoured areas (*Ausgleichszulage - Benachteiligte Gebiete*) of EUR 46.84 million in 2005; agri-environment measures (*ÖPUL - Agrarumweltmassnahmen*), amounting to EUR 50.68 million; and structural aids to improve the competitiveness of farms (investment incentives, settlement of young people, training, adjustment, etc.), of EUR 20.4 million.

It should be noted that both the amounts of the compensatory allowances and the agri-environment aids exceed market aid in Tyrolean agriculture (area payments, livestock premiums), which amount to only EUR 31.4 million annually. This is one feature which clearly marks it out from the other farming sectors in the Union. Notwithstanding this, it should be noted that since 2005 and the introduction of *single farm payments*, previous market aid has been decoupled from output. As a result, in 2006, 41.4% of aids were exclusively *income payments*.

The final tranche of Austrian rural policy is the RDP 2007/2013, which was submitted to the Commission at the end of 2006, having been negotiated with the authorities of the *Länder*. In the event that it is approved as requested, Austria could receive a Community contribution of around EUR 3 900 million to its rural development policy.

- IV -
FRAMEWORK OF TRANS-ALPINE COOPERATION

9. Cooperation on the increase in very different forms

The Alps are an imposing natural barrier across which several national frontiers have been constructed. Despite everything, they form a homogenous zone and their peoples share similar problems and have deep-seated ties regardless of the State they are located in.

In the framework of the European Union these relationships have been strengthened through various forms of trans-Alpine cooperation. The INTERREG III Programme currently in force is the clearest example of these changes: it brings together various lines of action, namely: INTERREG IIIA, trans-frontier cooperation between Italy and Austria; INTERREG IIIB, transnational cooperation across the Alpine Area (which includes the Alpine regions of France, Switzerland, Liechtenstein, northern Italy, southern Bavaria and Baden-Württemberg, Austria and Slovenia); and INTERREG IIIC, intra-regional cooperation.

Additionally, in 1998, the Euroregion *Tirol Südtirol/Alto Adige-Trentino* was formed. As a result, this Euroregion could be described as the subject of the visit by the Delegation from the European Parliament Committee on Agriculture and Rural Development which will take place on 2 to 4 October 2007, with a special emphasis on the Province of *Alto Adige* in Italy and the North *Tirol* (*Ötztal*) in Austria.

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