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Agricultural Economy and Policy Report

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Agricultural Situation

Agriculture in the Economy

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Report Highlights:

Austria is a small but highly developed agricultural and food market with a high income level and a high standard of living. Despite the fact that foods and beverages from Austria, Germany, and other EU countries dominate the shelves of Austrian retail, there are good market opportunities for U.S. products.

Using official data, Austria imports \$ 151 million worth of U.S. agricultural, fishery and forestry products but this does not include significant transshipment of U.S. goods through other EU countries. Consumer oriented food and beverage products are the most important agricultural imports from the United States.

Political and Macroeconomic Situation

Austria is a democratic republic and a federal state, consisting of legislative institutions at the national and provincial levels. Austria has been a member of the European Union since 1995, and its trade policy issues with the U.S. mirror those of the general EU trade policy issues. Austria is led by a coalition government. The coalition consists of the center-left Social Democratic Party and the center-right People's Party.

Austria has a well-developed market economy and a high standard of living. It has a population of 8.5 million (2014). As a condition of its accession to the European Union, Austria adopted and implemented all EU laws and regulations. Thus, the Austrian economy is closely tied to other EU economies, especially Germany's. The Austrian economy, however, has consistently performed better than the EU average. The economy features a large service sector, a sound industrial sector, and a small but highly developed and intensive agricultural sector. Tourism is Austria's largest single industry and biggest foreign exchange earner. Timber is a key industry with forestry taking place on 47 percent of the land area.

Agriculture and Economy

In 2014, the total production value of agriculture and forestry decreased by 1.7 percent to about € 8.54 billion, of which agriculture accounted for € 6.93 billion and forestry for € 1.61 billion. The total share of agriculture, forestry and fisheries in the GDP was 1.3 percent. Almost 50 percent of the Austrian agricultural output is derived from animals and animal products. Slightly over 40 percent of the output comes from crop production. Austrian agriculture consists of small-to-medium sized farms. On average, an Austrian farm has only 19 hectares of utilized agricultural area.

Domestic Agricultural Policy Overview

Agriculture and forestry are important parts of Austria's historical and cultural tradition and remain indispensable contributors to the economy. Some 80 percent of Austria's land is used for agriculture and forestry purposes. Agriculture in Austria is not only geared towards production of high quality food products but also towards the preservation of the landscape which is important for the Austrian tourism sector.

Austria's farm policy continues to favor small-scale and sustainable agriculture. Austria supports EU policies that limit subsidies for large farms, that are linked to environmental programs, and that promote lifestyle concepts such as "sustainable", "organic", "range fed," and "alpine" farming. In Austria, there is high potential for environmental ("Green") interests and issues to dominate the

agricultural agenda. NGOs have significant influence on the strong anti-biotech sentiment in Austria. All political parties, especially the Green Party, promote environmentally friendly, sustainable, and biotech-free agriculture. Austria's small-scale farming is dependent upon producer subsidies. The subsidies for Austria's agriculture and forestry totaled almost € 2.06 billion in 2014. For the period 2014-20 Austrian agricultural subsidies are expected to be reduced by an overall 2.8 percent because of the EU budget cuts.

Although major trade issues are handled at the EU level, Austria remains one of the leading forces within Europe opposed to the use of biotechnology in agriculture. Austria continues to be one of the leading forces in Europe opposed to the use of agricultural biotechnology. Austria was an initiator and always a supporter of the opt-out option for cultivation of biotech crops. A law to allow for a nationwide biotech cultivation ban (according to EU directive 2015/412) has recently been adopted. Austrian opposition to biotech crops is a major controversial factor during the negotiations on the Transatlantic Trade and Investment Partnership (T-TIP). All major political parties have enshrined anti-biotech policies. NGOs and farmer organizations, the food-processing sector, and the retail sector all have marketing campaigns promoting GMO-free foods. Furthermore, Austria is promoting the local production of non-biotech soybeans in the Danube region.

Organic farming plays an important role in Austrian agriculture. The share of organic farms in 2014 was 17.1 percent of total farms; the share of agricultural area under organic management was 20 percent. This makes Austria a key player in European organic farming and policy.

The Austrian Government supports and promotes the production of agricultural crops for bioenergy. Austria supports and promotes the production and use of liquid biofuels in the transport sector and the use of biomass for heating purposes and has even more ambitious targets than the EU. Recently, the broad term "bio-economy" has been heavily discussed and promoted.

Agricultural Trade

In 2014, Austria's global agriculture, fish and forestry imports amounted to \$ 18.8 billion, and exports totaled \$ 18.7 billion. In sum, more than 85 percent of all imported agricultural products arrive from within the EU and about 76 percent of all exported goods are delivered to other EU Member States. Germany and Italy are Austria's major trading partners.

Austria's imports from the United States in 2014 were valued at \$ 151 million including agricultural, fishery and forestry products not including significant and steadily increasing transshipments from other EU countries. Major trade items from the United States include almonds, dried fruits and nuts, convenience food products, whiskeys, red meats, wood and forestry products, tobacco, wine, and dog

and cat food. As a member of the European Union, Austria has the same wide range of agricultural trade issues as other member states.

Food Security

Austria has a highly developed market economy and an extensive mandatory social security system. In addition, Austria is a net exporter of many agricultural products. Thus, food availability in Austria is a marginal issue. Nevertheless, for very low income people and families, communities provide so called social markets where people with special passes (only very low income limits qualify) can buy food at a 30-50 percent discount.

The Austrian Development Cooperation (ADC) supports global poverty reduction, ensuring peace and human security and preserving the environment through an international framework. The Federal Ministry for European and International Affairs coordinates Austrian development policy and plans. ADC works on bilateral and multilateral levels.

USDA Stakeholders

Currently, about 10 U.S. organizations operate USDA-funded marketing programs in Austria. U.S. cooperators in Austria include California Wine Institute, American Soybean Association, Cranberry Marketing Association, Alaska Seafood Marketing, U.S. Meat Export Federation, and Almond Board of California. State Regional Trade Groups include Food Export USA – Northeast, Southern United States Trade Association, and Western U.S. Agricultural Trade Association.