

“Agricultural Policies for Less-favored Areas in the European Union: Focusing on Germany”, by Tomoko ICHIDA, *Research Monograph Series, No.5, 221p.*

Compensatory allowances for Less-favored Areas (LFA) have been implemented since 1975 as a part of EU common agricultural policy. Originally it is intended to compensate income deficit in areas disadvantaged with production for continuing farming and living, in order to maintain countryside landscapes and to avoid depopulation. Today agri-environmental policy and rural development policy are carried out in addition to LFA compensatory allowance. This study aims to describe contradictions among multiple purposes of LFA allowance, details and implementation of other main policies for LFA, and relation among LFA allowance and other policies, focusing on Germany.

In conclusion, first, LFA compensatory allowance was criticized that their main purposes as continuing farming, maintenance of countryside landscape and avoidance of depopulation conflicted with one another, and they overlapped with the purposes of agri-environmental policy and rural development policy. After CAP reform and Agenda 2000, its target is going to be limited. Second, both environmental payment and 5b program assist LFA allowance in making LFA allowance's original purposes clearer, that is to say, the former emphasizes environmental protection, while the latter stresses avoidance of depopulation and creation of job opportunities. The income deficit of farms with LFA allowance was temporarily enlarged after 1992 CAP Reform, but is rather decreasing, although the EU aims to make CAP more market-oriented. Farm income in LFA is supported not only by LFA allowance but also by environmental payment and rural tourism. In the Bavarian case, farm income in mountainous areas is higher than that of cropland because of the grassland premium since 1998. Third, the financial expenditure for agricultural sector in Germany is gradually decreasing, as the system of social market economy since the end of World War II becomes unstable after the reunification in 1990, and the change of cabinet to the coalition by the Social Democratic Party (SPD) and the Green Party in 1998. Since the 1996 national budget for the 'common tasks' has been so reduced, co-financing by the EU and federal states becomes more important.

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