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"Development of socio-economic and agricultural structures in selected rural regions in the new German Bundesländer after the German unification"

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Abstract

This study focuses on the socio-economic and agricultural structural changes in rural Germany, particularly the new German Bundesländer, after the German unification. The accession of East Germany to the EU, however, is a special case compared to all other countries, as the major objective had been the unification of Germany and which automatically led to the integration to the EU. The study focuses on the identification of key features of agricultural and rural transformation at the national level and in the Altmark region. It is also examine the directions/trends of rural changes focusing on the socio-economic and agricultural structural conditions since unification and draw conclusions on the successful/unsuccessful measures for managing rural and agricultural changes in the new German Bundesländer.

Executive Summary

The accession of East Germany to the EU is a special case compared to all other countries, as the major objective had been unification of Germany which automatically led to the integration to the EU.

This political process was accompanied by a rapid transition of the socialist central planning system to a market economy. During the first years the industrial sector almost completely collapsed while agricultural production declined. Particularly animal husbandry had been given up as it had become totally unprofitable under CAP regulations.

The collective farms were transformed into private individual farms, but many of them into legal entities, like agricultural producer cooperatives or limited liability companies. Private family farming did not emerge as the dominant type of agricultural production as anticipated, and hoped for, by mostly Western politicians. Hence, average farm size is much bigger than in West Germany or EU-27.

The transition was accompanied by a sharp increase in unemployment. In the agricultural sector employment declined from about 850,000 workers in 1989 to about 160,000 in a few years. This sharp decline of the workforce without any political resistance was only possible due to the generous public welfare and re-education schemes funded by the federal government. Similarly a large number of East Germans migrated to the West in search for employment and income.

While economically East Germany still lags behind the West and is characterised by unemployment rates double of those in the West, agricultural production has become a real success story. East German farms cultivate relatively large areas and they are competitive not only at the EU level, but also globally.

The major factors have been the generous support programmes by the federal state during the early 1990s in order to avoid a complete collapse of all farms. But also EU programmes like the set-aside premium, the price support system and programmes improving the agricultural competitiveness supported the financial potential of the farms. In these days, East German farms benefit, on average, about two to three times more from the compensatory payment schemes than their colleagues in the West as these farms are by far

smaller. However, the production systems and the cost structures are to some extent different.

With respect to rural areas in general, they did not benefit very much from unification and EU accession. Since 1990, there had been a sharp decline in population figures in the rural areas due to lack of employment opportunities. Particularly, the young persons are leaving and the older population remains. In many areas, the financial carrying capacity for funding necessary public infrastructural facilities is no more given.

However, programmes focusing on the quality of life and rural diversification contributed to a situation that rural life did not come to a complete stand-still. Particularly, programmes for the renovation and development of villages proved to be successful. With the help of these programmes people were encouraged to accumulate own funds as well and small economic cycles in the rural areas could be encouraged.

However, these programmes could not stop the ongoing process of rural emigration. They could just slow it down. Up to now, there are only very few examples where this process could be reversed, but then large-scale investments had been executed. Hence, it can be concluded that even after more than 15 years of unification and integration to the EU, life in rural East Germany still lags behind of the European standards.

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LIST OF ABBREVIATIONS

AWU	Agricultural Working Units
CAP	Common Agricultural Policy
DM	Deutsche Mark (German currency up to 31 December 2001)
dt	deciton
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agricultural Guidance and Guarantee Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
FIFG	Financial Instrument for Fishery Guidance
GDR	German Democratic Republic (official name of East Germany, 1949-1990)
GNP	Gross National Product
GVA	Gross Value Added
ha	hectare
n.a.	not available
NMS	New Member States (in Germany)
OECD	Organisation for Economic Co-operation and Development
OMS	Old Member States (in Germany)
pcs	pieces
SWOT	strengths, weaknesses, opportunities and threats
UAA	utilised agricultural area

Currency Exchange

1 EUR = 1.95583 DM (West German currency; after 1990 for the united Germany)

1 M (East German currency) = 1 DM (official exchange rate)

1 INTRODUCTION

The unification of Germany represents a specific case concerning the enlargement of the EU. Legally, East Germany (or at that time the German Democratic Republic) had already been part of the EU since its foundation, as West Germany (or the Federal Republic of Germany) and with it the Western world did not recognize the division of Germany and the Eastern part as an independent state. At least in political statements, many West German politicians still regarded the Eastern part as part of (an anticipated, at that time fictitious united) Germany. In reality, East Germany had been totally independent from the West and member of the Council for Mutual Economic Assistance (COMECON) under the dominance of the Soviet Union. Nevertheless, it had a special status concerning the EU which had some limited impact when it came to trade with agricultural products. During the late 1980s, about one fifth of all agricultural exports of the GDR went to West Germany (Teller, 1990).

The unification process and the integration of East Germany to the EU had been rather quick after the “opening of the Berlin Wall” at 9 November 1989. At 1 July 1990, the West German currency (i.e. the DM) had been adopted (“currency union”), at 1 August 1990 all EU regulations with respect to agricultural markets (CAP) came into force and at 3 October 1990 the Eastern part of Germany joined the Federal Republic, i.e. unification, and the Democratic Republic of Germany ceased to exist. Contrary to all other countries joining the EU, there had been no negotiations about joining the EU and no adjustment periods. It all happened almost over night.

The total area of Germany covers 357,000 km², of which about 57% is made up by West and the rest by East Germany. In these days, about 54% is used as agricultural land and 29% is forested. However, every year the agricultural area is being reduced, mainly due to increases of construction sites and, to a small extent, of open and forest areas. At the eve of unification, just 27% lived in the Eastern part. The development of the population is given in Table 1.1.

Table 1.1 Population in Germany, 1985 - 2005

Year	East Germany	West Germany	Total
1985	16,640,000	61,020,000	77,661,000
1989	16,434,000	62,679,000	79,113,000
1990	16,028,000	63,726,000	79,753,000
1995	15,476,000	66,342,000	81,817,000
2000	15,119,000	67,140,000	82,260,000
2005*	16,740,000	65,698,000	82,438,000

Source: Statistical Yearbook, 2006

Note: * The population of West Berlin comes under East Germany and no more under West Germany

The overall picture shows a gradual increase of the population at national level. This population increase, however, was the result of an average positive net-migration (at state level this was due solely to the international immigration of refugees, asylum seekers and so-called Aussiedler, i.e. ethnic Germans particularly from the former Soviet Union), whereas natural population change was negative in urban and rural regions, alike. This is due to the low total fertility rate, which is far below the reproduction rate. One result is that the gap between crude birth rate and crude death rate is negative and relatively large. Another effect is that the share of young people is low and the shares of elderly

people relatively high - a situation that will be accentuated in the future. Since about a decade, however, the population increase slowed down steadily (Copus et al, 2006). Since a few years the immigration figures cannot counteract the negative effect of the natural population decrease. Hence, overall population is declining. In Germany, the number of population peaked in 2002 with about 82.537 million inhabitants. Since then, the number of inhabitants is gradually declining. In 2006, its number stood at 82.315 million.

The averages of national statistics mask the strong West-East divide of the population development in Germany. Between 1990 and 2001, population increased in the OMS (i.e. West Germany) by 6.1%, whereas it decreased in the NMS (i.e. East Germany) by 5.8%. This extreme decline was caused by a drastic slump in birth rates together with an ongoing migration to the OMS, which could not be compensated by migrants from the West. Moreover, the high share of educated young people among the migrants to the OMS, who go to train or study or for employment, represents a significant loss of human capital for the NMS. In particular, sparsely populated rural areas have very uncomfortable prospects concerning their demographic situation. Only by 2005, the number of inhabitants of NMS increased due to the fact that West Berlin has been statistically assigned to this part. In 2005, the average population density stood at 231 inhabitants per square kilometre. On average, the OMS are more densely populated (i.e. 264 inhabitants/km²) than the NMS (i.e. 154 inhabitants/km²).

At the time of unification West Germany had been the fourth important economic state in the world. Also, the German Democratic Republic had been recognised as a major industrial economy at that time. In 1989, the value of GNP of East Germany made up more than one third of the one of the West (i.e. 827 billion M versus 2,245 billion DM) reflecting the relatively high standard of economic development at that time. With unification, strong economic growth rates could be witnessed in the OMS, while the economy in the NMS collapsed almost over night. Since the mid-1990s only modest economic growth could be achieved in the OMS and, through that, in total Germany. The NMS depended on massive financial transfers from the West in order to re-build the economy. On average, these financial transfers amounted to about 80 billion EUR, annually or more than 1.3 trillion EUR in total up to now. As shown in Table 1.2 the economic size of the NMS amounts to just about 13% of the one of the OMS in these days.

Table 1.2 GDP in Germany at current prices (billion EUR), 1985 - 2005

Year	East Germany	West Germany	Total
1985	n.a.	955.30	n.a.
1991	146.50	1,387.10	1,534.60
1995	200.93	1,559.33	1,760.27
2000	234.59*	1,827.91	2,062.50
2005	257.94*	1,987.56	2,245.50

Source: Statistical Yearbook, 2006

Note: * East Germany includes Berlin

The real GDP growth rates fluctuated during the period of 1985 and 2005. During the 1980s real growth rates oscillated at about 2 percent annually (Table 1.3). There had been a unification boom in West Germany before and after unification when real GDP climbed up to more than 5 percent annually in 1990 and 1991. From then on real GDP growth rates declined and in 1993 and 2003 they were even negative amounting to -0.8 and -0.2 percent, respectively. Real GDP growth rates, in general, were positive but growth had

been modest. Only in 2000, the growth rate came up to 3.2 percent. From then on, it declined again and only in 2006 the real GDP growth was larger than 1.5 percent, i.e. it came up to 2.7 percent. Most of the economic growth had been observed in the Western part of the country and only since a few years, particularly the Southern federal states in East Germany saw a higher growth than the national average (Statistical Yearbook, 2007).

Table 1.3 Real GDP growth in Germany, 1985 - 2005

Year	1985*	1990*	1995	2000	2005
Percentage	2.3	5.3	1.9	3.2	0.9

Source: Statistical Yearbook, 2007

Note: * West Germany, only

This development is reflected in the low average income in the NMS compared to the situation in the OMS, as shown in Table 1.4. On average, GDP per capita is just over half of that in the OMS. Already this rough average figure shows the strong incentive for particularly young persons to migrate from the East to the West.

Table 1.4 GDP per Capita in Germany at current prices (EUR), 1985 - 2005

Year	East Germany	West Germany	Total
1985	n.a.	15,700	n.a.
1991	9,400	20,200	19,186
1995	13,000	23,500	22,636
2000*	15,500	27,200	25,095
2005*	15,700	30,300	27,230

Source: Statistical Yearbook, 2006

Note: * East Germany includes Berlin

One of the big achievements of unification has been that it had to be financed by rising taxes and public debts, but not by an increase of the inflation rates. During the whole 1990s and the first years of this decade the annual inflation rates almost never exceeded the two percent mark. The development of the consumer price index looked at follows (Table 1.5):

Table 1.5 Consumer Price Index in Germany (2000 = 100)

Year	1991	1995	1999	2001	2005
Index	81.9	93.9	98.6	102.0	108.3

Source: Statistical Yearbook, 2007

With respect to the contribution of the major sectors to the gross value added (GVA) a certain adjustment between the relative significance of the various sectors can be observed, as it is summarised in Table 1.6. At the end of the socialist regime, the agricultural sector had been much more important for the national economy than in West Germany. More than 10% of the GVA had been contributed by this sector in the late 1980s. In comparison, the agricultural sector of West Germany had been of minor importance at that time, already. Since then, the share of the agricultural sector in the East declined

rapidly although it is still more important than in the West. While the agricultural sector had to be restructured, the industrial sector declined rapidly during the 1990s and the service sector gained in importance. However, as reflected in the economic data, this sector is still not that productive as in the West. In these days, it can be deduced that the agricultural sector does not contribute very much to the national economy anymore.

Table 1.6 Share of Major Sectors to Gross Value Added in Germany, 1985 - 2005

Year	East Germany			West Germany			Germany, total		
	prim.	second.	tertiary	prim.	second.	tertiary	Prim.	second.	tertiary
1985	12.0	n.a.	n.a.	1.7	42.6	55.7	n.a.	n.a.	n.a.
1990	10.4*	n.a.	n.a.	1.7	41.4	56.9	n.a.	n.a.	n.a.
1995	2.2	35.4	62.4	1.0	34.6	64.4	1.2	34.6	64.2
2000	1.8	25.8	72.4	1.1	30.8	68.1	1.2	30.1	68.7
2005	1.3	25.4	73.3	0.8	30.4	68.8	0.9	29.7	69.4

Source: Statistical Yearbook, various issues

Note: * for 1989: Share of agriculture to Gross National Product of the GDR

Germany used to be a popular destination when it comes to foreign direct investments. The overall figures are reproduced in Table 1.7. But there seemed to have been ups and downs. In the early years of unification, there had been a surge in foreign investments which cooled down in the following years, particularly when the situation in Central and Eastern Europe became more stable and, hence, attractive. Only recently, the attractiveness of Germany for foreign investments has increased again.

Table 1.7 Foreign Direct Investment in Germany, 1985 - 2005 (in million)

1985*	1989*	1995*	2000	2005
88,286 DM	127,076 DM	232,340 €	277,136 €	345,167 €

Source: Statistical Yearbook, various issues

Note: * for West Germany only

The situation at the labour market reflects the pattern of economic development. During the socialist period there had been full employment in East Germany (Table 1.8). The labour participation of females had been extremely high. There had been no open unemployment. In West Germany the size of gainfully employment opportunities increased steadily during the 1980s and the unemployment rates oscillated between 5% and 7%. With unification, the number of jobs declined rapidly in the East while it gradually increased in the West but stagnated since then. Since 2005 only, an increase of employment has been recorded in the West and, to a small extent, in the East.

Unification and opening of the markets in East Germany quickly showed that most of the industrial sector was not competitive in a market-economic environment. In addition, the traditional markets in Central and Eastern Europe and the former Soviet Union collapsed as well. This led to an almost complete decline of the industrial sector ("de-industrialisation"). This, again, led to rising unemployment rates in East Germany despite large-scale migration to the West. In the two years following unification, the unemployment rate increased sharply to about 15 percent and more. In West Germany unemployment rates increased gradually. In general, the percentage of unemployment is almost double in East Germany compared to the West. In 2000, the average unemployment

rate for Germany comes up to 9.6%, amounting to 7.7% in West Germany, but to 17.1% in East Germany (Table 1.9). During the first years of this century, the figures even increased. In 2005, the average figure for Germany stood at 11.7%, at 9.9% in the West and at 18.7% in the East. Since then, in line with a stronger economic growth a modest decline has been observed. In August 2007, the average figure stands at 8.8%, i.e. at 7.3% in the West and at 14.7% in the East (BFA, 2007a).

Table 1.8 Gainfully Employed Persons in Germany (in thousand), 1988 - 2005

Year	East Germany	West Germany	Total
1988	8,547	27,742	36,289
1991	8,468	30,153	38,621
1995	6,058	31,543	37,601
2000*	7,483	31,661	39,144
2005*	7,121	31,662	38,783

Source: 1988, 1995: Statistical Yearbook; 1991: BMWi 2007; 2000, 2005: BfA 2007a

Note: * East Germany includes Berlin

Table 1.9 Unemployment Rate in Germany, 2000 - 2005 (%)

	West Germany	East Germany	Germany, total
2000	7.6	17.1	9.6
2005	9.9	18.7	11.7

Source: Federal Office for Employment www.pub.arbeitsamt.de

The employment structure reflects the transformation of the economy in East Germany during the 1990s and the general economic development pattern, as shown in Table 1.10. While at the end of the socialist regime more than 10% of all employed persons had a job in the agricultural sector, that share declined fast. Overall, in Germany just over 2% of the work force is employed by this sector. That share seems to be a little higher in East Germany. In both parts of Germany, employment opportunities by the service sector become more and more important. But as shown above, the service activities in the East seem to be, on average, not that productive as in the West.

Table 1.10 Employment Structure in Germany (%), 1991 - 2005

Year	Sector		
	Primary	Secondary	Tertiary
1991	3.9	36.6	59.5
1995	2.9	32.6	64.6
2000	2.4	28.9	68.7
2005	2.2	25.9	71.9

Source: Statistical Yearbook, various issues

2 MAIN CHARACTERISTICS OF AGRICULTURAL AND RURAL CONDITIONS BEFORE AND AFTER ACCESSION AND NATIONAL KEY FEATURES OF RURAL TRANSFORMATION

In the following chapter the main issues referring to agricultural and rural development will be analysed. It will be started by a discussion about the importance of agriculture, its major characteristics, farm structures and their changes over the last 20 years. This is followed by a discussion about rural areas in Germany and the major approaches to rural development in Germany. The main emphasis is laid on the analysis of changes which occurred since unification and accession to the EU, respectively.

2.1 Importance of Agriculture

Overall, the share of the agricultural sector gradually declined with economic development (see Table 1.6 above). While it stood over 2% in the early 1990s, it came down to 1.2% in the year 2000 and in these days it contributes less than one percent to the national GDP. As shown above, the agricultural sector used to be quite important during the 1980s in East Germany. After the sharp decline during the early 1990s, it went down to 2.2% in 1995 and stands at 1.3% in 2005. Hence, in East Germany the share of the agricultural sector is somewhat higher which reflects its competitiveness on the one side, but more importantly, the poor status of the industrial and service sectors on the other.

With respect to agricultural area it can be roughly estimated that about one third is located in East Germany and the other two thirds in the West (Table 2.1). Particularly, during the early 1990s there had been a sharp decline in the size of the cultivated area due to various reasons: Following the currency union at 1 July 1990 and the full adoption of the EU-system at 1 August 1990, agricultural production under the given input-output relations had become totally unprofitable on East German farms. At the same time, traditional export markets, e.g. for livestock, broke down. In addition, the national market for food products almost collapsed completely. Consumers switched to West German food products. Therefore, many farms reduced farm production, particularly animal husbandry (Böse et al., 1991). It had been a blessing for East German farms that the EU introduced the set-aside programme which solved their severe cash-flow problems. The area under cultivation declined by more than 10% and stayed at that level. In West Germany farmers also reduced their area under cultivation due to the set-aside programme, but they also had to give up land for other uses, e.g. construction sites. However, the decline had not been that big.

Table 2.1 Agricultural Area in Germany, 1984 - 2005 (thousand ha)

Year	East Germany	West Germany	Total
1984	6,240.2	11,952.3	18,192.5
1989	6,171.3	11,791.0	17,962.3
1995	5,521.4	11,725.5	17,246.9
1999	5,605.6	11,545.9	17,151.6
2005	5,581.2	11,442.8	17,024.0

Source: Statistical Yearbook, various issues

Agricultural production used to be completely differently organised in both parts of Germany. While in East Germany the socialist type of agricultural production cooperatives and state farms predominated, was West German farming characterised by family farms. Hence, their number looked completely different, as will be shown below. Following the collectivisation of agricultural production during the 1950s and the amalgamation of these

farms during the 1970s, there had been just a relatively small number of farms left. By the end of the 1980s there had been about 4,200 collective and about 500 state farms. These farms cultivated about 94% of all agricultural land and employed about 99% of the agricultural work force. In general, these farms cultivated more than 1,000 ha each. Besides these large-scale farms, there had been about 5,500 private holdings comprising private gardeners, part-time farmers and a few full-time farmers and 55 church-owned farms whose land had not been collectivised (Wilson and Wilson, 2001). Since transition in East Germany, there had been increase in the number of farms which peaked at about 28,000. Since a few years, however, their number is gradually declining (Table 2.2). Similarly, in West Germany the number of farms is declining steadily over time by a rate of about 3% annually, i.e. from about 631,000 farms in 1985 to about 338,000 farms in 2005. These figures exclude those farms smaller than two hectares UAA. But their number also keeps declining over time. While in 2000, about 37,300 farms had been came up under this category, their number declined to 28,900 in 2005 and, again, to about 26,700 in 2006. Most of these farms are located in West Germany. In East Germany just about 2,000 farms belong to this category (BMELV, various years).

Table 2.2 Number of farms larger than 2 ha UAA in East and West Germany, 1985 - 2005

Year	East Germany	West Germany
1985*	10,355	631,003
1991	14,959	526,417
1995	25,852	459,943
1999	27,978	406,152
2005	27,632	337,612

Source: BMELV: Annual Reports, various numbers

Note: * East Germany: 1989

Agricultural employment had declined as all over Europe, as shown in Table 2.3. However, in East Germany it had been extremely rapid during the early 1990s. As shown above, the number of employed persons in the agricultural sector in East Germany has been quite high. Its number came up to about 860,000 persons or about 10.8% of the total labour force. This share is somehow misleading as a more detailed look at this figure reveals that actually not all of the employed persons were dealing with agricultural production itself. More than half of them, or 53% (about 455,000 persons), actually did so. However, even, not counting the non-farm jobs, there has been a tremendous cut of jobs after unification in the agricultural sector. By 1991 the number stood at 362,000 going further down to 145,000 in 1998. Since then, a modest increase in agricultural employment can be observed. In West Germany a steady decline in the number of labour force could be observed (BMELV: various years).

During the late 1980s, East German farms were characterised by an employed labour force while in the West more than 90% of it was made up by family labour. Although the employment structure at the farm level is changing since unification, a clear East-West divide can still be deduced. Due to the different farm structure (see below) permanent employed workers are predominant in East Germany as shown in Table 2.4. Family farms and, hence, family labour is not that relevant for farm production. Since a few years, seasonal employed labourers are getting more and more employed. In West Germany, the labour force is only gradually changing. The significance of family labour is declining in

favour of permanent-, but especially seasonal employed labourers. This trend seems to reflect the rising farm size and a higher specialisation of farms leading to more pronounced labour piques.

Table 2.3 Agricultural Employment in Germany, 1985 - 2005

Year	East Germany	West Germany	Total
1989	859,200	1,432,000	2,291,200
1993	179,100	1,397,300	1,576,400
1995	161,400	1,248,400	1,409,800
2001	161,700	1,268,200	1,437,100
2005	165,100	1,111,300	1,276,400

Source: BMELV: Annual Reports, various issues

Whereas in West Germany family farms with a low proportion of female farm holders prevail, East Germany is characterised by a large-scale farm structure with a high share of non-family labour force (> 60%) in regular agricultural labour force and 18% of holders being female. Germany has a comparatively favourable age structure of farm workforce with a relatively high share of young holders <35 years and the lowest shares of family labour and sole holders >65 years in the EU (Copus et al., 2006).

Table 2.4 Composition of the Agricultural Labour Force in Germany (1000 persons), 1990 - 2005

Year		Family labour	Employed labour		Total labour force	
			permanent ¹	seasonal	Persons	AWU
1990	West	1,411.8 n.a.	84.6	73.3	1,569.7	748.7
	East		n.a.	n.a.	859.2 ²	n.a.
1993	West	1,227.7 42.0	80.5	89.1	1,397.3	646.0
	East		128.1	9.0	179.1	146.3
1995	West	1,099.2 47.8	72.0	77.2	1,248.4	571.1
	East		106.2	7.4	161.4	127.3
2001	West	822.1 38.0	99.0	240.0	1,161.1	456.0
	East		89.6	34.1	161.7	105.4
2005	West	743.8 38.9	103.4	264.1	1,111.3	458.5
	East		84.0	42.2	165.1	100.6

Source: Statistical Yearbook, various years

Notes: ¹ includes full and part-time employed labourers

² 1989

Although the GDR had been an industrialised country during the 1980s, the population had to spend a relatively high share of its disposable income for food and semi-luxury food products. During the 1980s about 30% of household incomes were allocated to these items, as shown in Table 2.5. This high figure has to be seen in light of the GDR policy objective of achieving self-sufficiency in major food items and of ensuring low consumer prices for food. For example, in 1988, about 13% of the total state budget had been allocated for food subsidies. Nevertheless, people had to spend a lot on food as all other, i.e. not basic food items, were relatively scarce and expensive. During the same period, West Germans

spent, on average, less than 20% of their income on food including semi-luxury products, while for food proper just about 15-17%. Since unification, the share of food expenditures declined even further, to a little more than 11%. In this respect, Germans spend much less of their income compared to most other Europeans. Due to their lower average incomes, it can be assumed that East Germans still spend a higher share of their incomes on food than West Germans.

Table 2.5 Food Expenditures as a Share of the Total Disposable Household Income in Germany, 1980 - 2005 (%)

Year	East Germany	West Germany	Total
1980		15.9	
1985	30.0		
1990	30.6*	13.4	
2000			11.5
2005			11.4

Source: East Germany 1985 and 1989: Statistical Yearbook of the GDR, 1990; West Germany 1980 and 1990; United Germany 2000 and 2005: German Farmers Union, 2007

Notes: East Germany 1985 and 1989 includes besides basic food also semi-luxury food products, including tobacco. The comparative figure for West Germany in 1990 stood at 17.6%.

* 1989

2.2 Agricultural Production and Land Use

Agricultural production is determined by the natural conditions. In the flat fertile plains crop production is dominant focusing on cereals, sugar beets, potatoes, fruits and vegetables. In the sunny middle mountain areas wine production and fruit growing is predominant. About two thirds of the arable land is cultivated by cereals, mostly winter and summer wheat and barley (Table 2.6). The area under potatoes and sugar beets is gradually declining while that one under rape seeds is increasing in light of the changing competitiveness of the respective crops. The areas under permanent grass land and under permanent crops declined gradually over the last 15 years. Average yields of all dominant crops increased over time.

In the more alluvial, not so fertile flat plains and the mountain areas animal husbandry, particularly milk and livestock production is predominant. Pig production is mostly determined by its location to harbours as most of the feeds are imported. Over the last years there is gradual decline in the number of livestock while the number of pigs remained roughly at the same level (Table 2.6). However these figures hide the fact that after currency unification and the adoption of the GAP in 1990, there had been a sharp decline in animal husbandry as it will be discussed in more detail in Chapter 4.

Farm production in Germany used to be dominated by animal husbandry as all activities under this heading ensured the main source of income for most farmers. As it is shown in Table 2.7, there is a steady trend in favour of crop production. There are two major reasons: The first one refers to the declining profitability of animal husbandry and milk production in general over the last decade or so. The second reason refers particularly to East Germany. With unification and EU accession, livestock production was completely unprofitable. The prices did not even cover the variable costs. Hence, livestock production was given up immediately by most farmers. Due to special subsidies, only, at least a minimum level of animal production had been continued as a complete collapse was not

politically acceptable. Since then, animal production is only managed at a rather low level compared to the West.

Table 2.6 Major Indicators about Agricultural Production in Germany, 1991 - 2005

Product		Unit	1991	1995	2001	2005	
Agricultural utilized	agricultural arable	Area area land	1,000 ha	17,136 11,559 6,560 342 554 950 5,350 248	17,344 11,835 6,527 315 613 1,026 5,230 228	17,042 11,813 7,046 282 448 1,138 5,013 216	17,035 11,903 6,839 277 420 1,344 4,929 203
-		cereals					
-		potatoes					
-	sugar	beets					
-	rape	seeds					
-	permanent	grass	land				
- permanent crop areas							
Animal livestock	Husbandry						
- milking	cows	1,000 pcs	17,134 6,058 26,063	15,890 5,229 23,737	14,227 4,475 25,958	12,919 4,164 26,989	
Yields cereals,							
- winter	winter	total	dt/ha	59.9	61.1	70.6	
winter	rape	wheat	dt/ha	68.2	69.2	79.2	
potatoes		seeds	dt/ha	31.4	32.4	36.9	
sugar		beets	dt/ha	298.5	314.1	407.8	
milk yields			kg/cow	467.9	507.9	552.4	
				4,899	5,470	6,235	
						6,750	

Source: Statistical Yearbook, 2006

Table 2.7 Contribution of Crop Production and Animal Husbandry to Total Farm Production Value in Germany, 1985 - 2005

	1985/85	1988/89	1994/95	1999/2000	2005
Crop production (%)	32.4	35.4	39.5	54.2	49.1
Animal husbandry (%)	67.6	64.6	60.5	45.8	50.9
Total (million*)	59,541	57,783	61,441	79,812	37,121

Source: Statistical Yearbook, various years

Notes: 1985 - 1989: West Germany only; since 1994: United Germany

* 1985 - 2000: DM; 2005: EUR

2.3 Farm Structure

The unification of Germany led to a re-organisation of farms in the East. Private ownership of land and other assets had been confirmed and the collective farm entities had to be dissolved and be transformed into legal entities which were compatible with the market economic system. Particularly among the (West German) politicians it had been the explicit objective to re-introduce family farms in East Germany. But after lengthy discussions about the Agricultural Transformation Law and its revision in 1990 and 1991,

respectively, other legal entities, like limited liability companies, joint stock companies or genuine (i.e. member-oriented) agricultural producer cooperatives, were put on an equal setting (see for more details below). The main political objective had been to foster agricultural production to be competitive within the EU-market, to ensure an adequate level of income to the agricultural work force, and to support an environmentally friendly and sustainable agriculture. The issues which guided these objectives can be summarised under the key words of de-collectivisation (restructuring), restitution, and privatisation (Wilson and Wilson, 2001; Koester and Brooks, 1997; Forstner and Isermeyer, 2000).

Table 2.8 Agricultural Production by Legal Entity in Germany, 1989 - 2005

Year		Individual	Partnership	Agric. Cooperative	Capital company ¹	Other	Total number
1989	West ²	5,604	-	4,286	-	465	551,100
	East ³						10,355
1998	West	414,000	7,400	100	700	800	423,000
	East	21,700	3,000	1,200	1,700	100	27,700
2001	West	364,900	14,500	200	700	1,300	392,600
	East	21,800	3,300	1,200	1,900	200	28,400
2005	West	319,100	15,400	100	700	1,200	337,600
	East	21,000	3,200	1,100	2,100	200	27,600

Source: Statistical Yearbook: various years

Notes: ¹ limited liability companies, joint stock companies

² 1990

³ individual: includes church estates; agricultural production cooperatives of the Soviet style; other: state farms

The transformation of East German agriculture resulted in the re-emergence of individual farming, as it is shown in Table 2.8. In addition, many individual farmers joined to form a partnership. In general, these are close relatives who got registered under this legal setting. Most collective farms, if not liquidated, were transformed into legal entities. But during the 1900s also a number of individual farms got re-registered as a legal entity, in general, as limited liability companies. However, the number of individual farms did not increase that much as anticipated during the early 1990s. Their number is already declining since a few years mostly due to the fact that farm operators do not have farm successors. The legal form of a limited liability company seems to be the only type whose number is still increasing.

In West Germany individual farms are by far predominant. Partnerships are becoming more popular, in most cases due to the will of smoothing the general transfer of the farm. During the 1990s, due to the good experience in East Germany, farmers were more open to register their farms under different legal entities. But nevertheless these numbers are still rather small in the West compared to the East.

In line with the increase of the number of farms the average farm size declined in East Germany, as it is shown in Table 2.9. While at the end of the socialist regime it stood at more than 500 ha, it declined to about 200 ha during the 1990s. Since a few years the average farm size increases gradually, again, as particularly smaller farms are giving up farming at all. In West Germany, in line with the declining number of farms, a gradual increase of the average farm size can be observed. During the last 20 years, it almost

doubled from 18.7 ha in 1985 to 33.8 ha in 2005. Nevertheless, the average farm size in West Germany is about six times smaller than the one of the East.

Table 2.9 Average Farm Size (ha) in Germany, 1985 - 2005

	1985*	1991	1995	1999	2005
West	18.7	22.1	25.3	28.4	33.8
East	510.0	345.7	213.3	200.3	201.9
Germany, total	n.a.	31.3	35.3	39.4	46.4

Source: Statistical Yearbook, various years

Notes: Average farm size of all farms larger than 2 ha UAA

* for East Germany: 1989

This different number of farms and average farm sizes in West and East Germany are reflected in the pronounced difference in the share of the respective farm size groups among the total number of farms and the agricultural area utilised as shown in Table 2.10 and 21, respectively. Before 1990, most farms in East Germany had been relatively large. Right after the transformation in 1991, about two thirds of all farms cultivated an area of less than 50 ha, about 40% even less than 10 ha. But these farms just cover less than 5% of all UAA. On the other side, more than one fourth of all farms cultivated more than 100 ha. These farms have more than 90% of all UAA at their disposal. With respect to West Germany, about 94% of the farms cultivated in 1985 an area of less than 50 ha and almost 42% even less than 10 ha. These farms cultivated about three fourth of the total UAA. Here, less than one percent of the farms had more than 100 ha at their disposal cultivating about 7% of the total UAA.

Since then, in both parts of Germany a trend towards larger farms could be observed. In 2005, less than 60% of all farms in East Germany cultivated an area of less than 50 ha, but they just comprise about four percent of the total UAA. About one third of all farms cultivate more than 100 ha making up about 93% of all UAA. In West Germany, less than 80% of all farms cultivate less than 50 ha. Their share of total UAA declined to about 40%. Those, however, cultivating more than 100 ha make up about 6% of all farms and cultivate about 30% of the total UAA.

Due to the restitution process in East Germany, but also due to the larger average farm size and the higher relevance of legal entities in farm production, there is a distinctive difference between East and West Germany concerning leasing of agricultural land. East German farms are characterised by a very high share of rented land. In the early 1990s, the tenancy rate of individual farms had been close to 90% and those of the legal entities almost 100%. In these days the tenancy rate in East Germany is estimated to stand at about 90%. During the early days after transformation, legal entities had problems with access to financial services as they had no land for collateral. Special support programmes had been implemented by the national and state governments. In these days, this is no problem anymore as they have shown their economic viability over the years. In West Germany the tenancy rate is much lower and stands at about 50%.

In conclusion, it can be stated, that the organisation of agricultural production and the average size of cultivated areas differs greatly among the various legal entities and among them between West and East Germany (Statistical Office, 8 Dec. 2006). As shown in Table 2.9, in 2005, while the average farm size in East Germany comes up to about 202 ha, the one of individual ones stands at 62.7 ha, of partnerships at 387.5 ha and those of legal entities (i.e. agricultural cooperatives and other legal entities together) at 874.7 ha.

Combined, these legal entities cultivate more than half of the total agricultural area. In other words, agricultural production is dominated by legal entities. On the other side, the average farm size in West Germany stood at about 34 ha. Here, individual farms cultivate, on average, about 47.8 ha (2006), partnership about 68.5 ha and legal entities about 61.1 ha. Here, individual farms cultivate more than 98% of the agricultural area. Hence, most of the agricultural production in West Germany is made up by individual farms.

Table 2.10 Distribution of Farms among major Farm Size Groups in Germany* (%), 1985 - 2005

Year	Germany	< 10 ha	10-50 ha	50-100 ha	>100 ha	Total Number
1985	West	41.9	52.2	5.1	0.8	631,003
	East	n.a.	n.a.	n.a.	n.a.	10,355
1991	West	38.5	51.8	8.2	1.5	526,417
	East*	39.4	26.7	7.1	26.8	14,959
1995	West	37.3	49.3	10.8	2.6	459,943
	East	35.8	25.6	8.4	30.2	25,852
1999	West	35.6	47.8	12.8	3.8	406,152
	East	33.4	26.7	8.9	31.0	27,978
2005	West	32.8	45.5	15.4	6.3	337,612
	East	32.1	26.6	8.9	32.4	27,632

Source: Statistical Yearbook, various years

Notes: Farms smaller than 2 ha UAA are excluded

* 1989

Table 2.11 Distribution of Utilised Arable Area among major Farm Size Groups in Germany, 1985 - 2005

Year	Germany	< 10 ha	10-50 ha	50-100 ha	>100 ha	Total UAA (1,000 ha)
1985	West	11.8	63.6	17.7	6.9	11,806.4
	East	n.a.	n.a.	n.a.	n.a.	n.a.
1991	West	9.2	55.9	24.7	10.2	11,646.7
	East*	n.a.	n.a.	n.a.	n.a.	5,170.7
1995	West	7.7	47.8	28.9	15.6	11,620.5
	East	0.8	2.8	2.9	93.5	5,514.5
1999	West	6.6	41.8	30.9	20.7	11,516.4
	East	0.8	3.1	3.2	92.9	5,604.1
2005	West	5.1	33.6	31.8	29.5	11,395.1
	East	0.8	3.1	3.2	92.9	5,580.1

Source: Statistical Yearbook, various years

Notes: Farms smaller than 2 ha UAA are excluded. Therefore, the total area is smaller than in Table 2.1 above

* 1989

2.4 Rural Population, Employment and Income Levels

Germany is one of the most densely populated countries in Europe with an average population density of 231 inhabitants/km². In Germany - as all over Europe - there is no

uniform countryside but different types of rural areas. Concerning development chances and hindrances there are partly greater differences between rural areas than between rural and urban areas. In order to depict the existing variety of rural areas classical criteria such as population density are not sufficient (Schubert and Todt, 2000).

The definition of rural areas in Germany is not always consistent with international standards (OECD, 2007). Within Germany, there is no strictly defined and applied national definition of rural regions. Furthermore, the federal states may have their own categorisation systems. Based on the classification of the Federal Office for Building and Regional Planning (BBR) basically three territorial categories can be distinguished, i.e. agglomerations, urbanised areas and rural areas. Rural districts have a lower population density than 150 inhabitants/km² and can be found in all three of these territorial categories. Within these different categories four different types of rural areas can be distinguished:

- rural areas of agglomerations, i.e. counties with population density of <150 inhabitants/km²
- rural districts of urbanised regions, i.e. counties with population density of <150 inhabitants/km²
- rural districts of major density of rural and peripheral regions, i.e. counties with population density >100 inhabitants/km²
- rural districts of minor density of rural and peripheral regions, i.e. counties with population density of <100 inhabitants/km²

Others, like OECD, in order to ensure an international comparability, adopt a standard definition. This definition is based on the assessment that rural regions have a significant number of communities with low population density and do not contain a major urban centre. Regions are thus not classified as being rural or urban per se. Depending on the share of population living in rural communities, they are classified as predominantly rural (PR), intermediate (IN) or predominantly urban (PU). Therefore, each of the three types of regions contains some rural and some urban communities but to a different degree.

According to the OECD definition of 'predominantly rural' regions, Germany's rural regions account for 29% of the surface area, 12% of the population and 9% of GDP. The German district classification results in a doubling of weight of rural areas. They account for 59% of the surface area, 27% of the population and 21% of GDP (OECD 2007). Among rural districts, approximately half of the land, population and output are attributable to rural areas near urbanised areas and agglomerations, and the other half to peripheral rural districts of varying population density.

Compared to many other EU countries, the population is relatively well dispersed across the territory. The 439 districts (both urban and rural) range from a population density of approximately 40 to 4,000 inhabitants per km², a difference of a factor of 100. Germany is one of the countries with the lowest score on the regional population concentration index among the industrialised countries. For example, no city accounts for more than 5% of the country's population. This settlement pattern is reinforced by Germany's 'decentralised concentration' approach to planning (OECD, 2007).

The service sector is the most important employer in Germany, also in the rural areas employing about 60% of the rural labour force whereas more than 70% in PU regions (following the OECD categories). The employment share of the industrial sector is higher in rural areas (i.e. in both IN and PR regions about 33%) than in urban areas (about 25%). The employment share in agriculture is generally very low amounting to 2.7% in persons and 1.7% in AWU (2003). In the PR regions, however, it reaches a higher significance with 7.3%

in persons and 4.9% in AWU. In this respect, it can be concluded that farming plays a minor and declining role in the German rural economy. Based on the rough German categories the development between 1999 and 2004 looks as follows (Table 2.12):

Table 2.12 Employment by Industrial Category and District Type in Germany, 1999 and 2004 (%)

	Year	Core cities	Urbanised districts	Rural districts	Germany, total
Agriculture, fishing and mining	1999	0.8	2.1	3.4	1.9
	2004	0.7	1.7	3.0	1.6
Manufacturing, total	1999	19.9	32.3	26.7	26.3
	2004	18.7	31.2	27.4	25.6
Services, total	1999	79.3	65.5	69.9	71.8
	2004	80.6	67.0	69.7	72.8

Source: OECD, 2007

Note: Categories based on German system

The sectoral trends in rural regions have changed slightly over the last years, but not always in the same direction as other region types. Between 1999 and 2004, rural regions experienced a decline in the percentage of employment attributable to agriculture, an increase of the secondary sector and approximately a stagnation of the share of the service sector. These figures reflect the still unbalanced employment structure of rural regions as both primary and industrial sectors are supposed - according to development theory - to continue to decline over time. The challenge is to find alternative employment opportunities for all rural people which will be basically in the service sector (Copus et al., 2006).

In general, agricultural wages and income levels lagged behind those of the other sectors. While it can be assumed that with the ongoing mechanisation of agricultural production, the need for well educated workers will increase, the hourly wages, on average, remain in-between those for qualified and unqualified workers, as it is shown in Table 2.13. There is no difference between the East and the West. But there is still a striking difference in the wage level. On average, wages for agricultural workers as well as for other types of workers are still about 40-50% below the level of West Germany. Whether this reflects the lower productivity is doubtful, particularly in the agricultural sector. With respect to salaries in the service sector, the difference between the East and West is not that high, but still quite significant.

This table is in line with figures about GDP per capita shown in Table 1.4 above. In East Germany, the average income during the last years just made up for a little more than 75 percent of the EU-25 average. In this respect, this part of Germany still lags far behind West German standards. On the other side, other regions in the EU are even worse-off and in more urgent need of external support. Therefore, starting from 2007 East Germany does not come under Objective 1 areas anymore, but will belong to the category of conversion areas.

Table 2.13 Gross Wages per Hour in Germany, 1985 - 2005

Year	Germany	Qualified worker	Agricultural worker	Unqualified worker
1985	West	13.87	12.62	10.82
	East	n.a.	n.a.	n.a.
1989	West	15.08	14.40	13.13
	East	n.a.	n.a.	n.a.
1995	West	19.37	17.37	16.82
	East	13.16	13.08	11.58
2000	West	20.89	21.34	19.44
	East	14.01	14.00	12.32
2005	West	11.56	10.75	10.09
	East	7.58	7.33	6.48

Source: Statistical Yearbook, various issues

Notes: 1985 - 2000: wages in DM;

2005: wages in EUR

Rural incomes are on average lower than in the urban areas. With respect to GDP per capita in German rural districts it stands at about 80% of the national average (OECD, 2007). This disparity has remained stable over the last years. However, this figure should be interpreted with care as rural areas in general have more out-commuters than in-commuters and will have a lower GDP per capita because the GDP is counted where the persons work but the population count is based on where the person lives. In addition, rural areas have a higher share of inactive population which helps to drive down in part the GDP per capita. If applied the GDP per worker only, the rural-urban gap just stands at about 10% (OECD, 2007).

Table 2.14 Number and Share of Part-Time Farming among Individual Farmers in Germany, 2005

Type pf farm	West Germany	East Germany	Germany, total
Full time	156,400 (45.6%)	8,000 (34.8%)	164,400 (44.9%)
Part-time	186,900 (54.4%)	15,000 (65.2%)	201,900 (55.1%)
Total	343,300 (100%)	23,000 (100%)	366,300 (100%)

Source: Federal Statistical Office: 8 December 2006

Note: Includes all farms smaller than 2 ha UAA

Farming in Germany is predominantly part-time farming, as shown in Table 2.14. Farm income is just one source of the total household income. In West Germany about 55% of all individual farms are part-time farms in these days. Also in East Germany even about two thirds of all individual farms belong to that group. However, as discussed above, the share of legal entities is very significant in this part of Germany. But, even, including their number, still the majority of farms are run on a part-time basis.

With respect to the cultivated area, part-time farming is not that relevant, as shown in Table 2.15. Part-time farms just cultivate one fourth of the area under cultivation by

individual farms. In East Germany their share just comes up to more than one fifth. Hence, part-time farms on average are relatively small. With respect to the total area under cultivation, part-time farms just take care of about 5% of the UAA in East Germany.

Table 2.15 Size and Share of Cultivated Area (UAA) by Type of Farm in Germany, 2005

Type pf farm	West Germany		East Germany		Germany, total
Full time	7,834,000 (76.1%)	ha	1,144,200 (79.5%)	ha	8,978,200 (76.5%) ha
Part-time	2,464,500 (23.9%)	ha	295,300 (20.5%)	ha	2,759,800 (23.5%) ha
Total	10,298,300 (100%)	ha	1,439,500 (100%)	ha	11,738,000 (100%) ha

Source: Federal Statistical Office: 8 December 2006

Note: Includes all farms smaller than 2 ha UAA

This high share of part-time farming shows that non-farm sources of employment and income contribute significantly to farm household incomes. There seems to be a notable diversification of income among farm households. However, due to the fact that the definitions of farm households are vague and vary from survey to survey, the comparability of data is difficult. According to national statistics, about 80% of all farm households constitute their household income from at least one other source besides agriculture. In an OECD study of farm household income, using a more narrow definition of such households for Germany, approximately 35-40% of those households had income from non-farm sources (OECD, 2007).

2.5 Approaches to Rural Development

As discussed above, rural areas are rather heterogeneous entities resulting in differing objectives and problems. The four different categories of rural areas in the general German classification underline this fact. Hence, it is difficult to implement a clear-cut policy for the whole country. Roughly, it can be stated that the development of rural areas is influenced directly and indirectly by a number of policy areas. Policy areas with direct influence are agricultural policy (with its sections agricultural market and -structural and agri-environmental policy), regional policy, environmental policy, nature conservation and transport policy. More indirect effects on the development of the countryside can be noticed in the field of taxation and finance, regional planning, service and education, as well as social and employment affairs (Schubert and Todt, 2000).

In addition, as a characteristic feature for all pluralistic societies, there are a number of important actors when it comes to design, finance and implement approaches towards rural development. The most relevant actors in the fields of economic policy and labour market policy in the rural areas are the administrations at national, federal states, regional, district and commune levels. According the German constitution and the federal political system, the responsibility for the most important policy areas dealing with rural development lie at the level of the 16 federal states. They entail regional policy, nature conservation policy, agricultural structural policy and agri-environmental policy (Schubert, 2002).

In principle, all ministries at national level deal with rural issues and the rural population in one way or the other. But, in general, they do not have a special rural focus. When it

comes to strategies and political guidelines, the Federal Ministries of Economics and Technology and of Food, Agriculture and Consumer Protection seem to be most relevant ones. Of minor relevance are the Ministries of Environmental Protection, of Health and of Family Affairs. With respect to labour markets, the Federal Ministry of Labour and Social Affairs is of specific importance as well as the Federal Office for Employment. While they support the labour market with a number of programmes and large financial volumes, they do not run any specific activities with respect to rural areas. With respect to (large-scale) infrastructural projects the Federal Ministry of Transport, Building and Urban Affairs is of major relevance. It is also responsible for spatial development, e.g. it acts as the national agency for the INTERREG programme, but in general rural areas are not among its major concerns. Hence, this ministry just spends about four million € annually on specific rural development programmes which can be of a case study nature, only.

Of similar relevance are the respective ministries at the federal state level. Most rural development planning and the implementation of projects is done at the commune, district and administrative district levels (Regierungsbezirke, comprising several districts), respectively. In the political lobbying process the German County Association (Deutscher Landkreistag) is of special importance. It comprises 323 rural districts in Germany and understands itself as a major voice for the rural areas.

Concerning associations and self-help groups promoting rural development the situation is not that ideal. The most important organisation is the German Farmers Union which, evidently, is representing the needs and aspirations of the German farmers. As more than 90% of the German farmers are member, this organisation cannot be overlooked. Only during the recent years, the Farmers Union understands itself as a voice for the rural population in general. Its sister organisations, the Rural Women Union and the Rural Youth Union have always focused on rural issues in general.

In addition, there are many culturally and socially oriented associations working in the rural areas. However, they are relatively small and not well organised at higher levels. Many of them focussing on social and employment issues are members of the Federal Association of Welfare Organisations (Deutscher Paritätischer Wohlfahrtsverband), but this organisation sees itself as a spokesperson for the socially deprived population and not as a lobbyist for rural issues as such. There are other NGOs particularly working in the field of nature conservation and environmental protection. To a certain extent, these groups have become a strong lobbying power and have a big impact. In addition, the Churches and their affiliated organisations are providing much needed services to rural inhabitants. They are very important actors but do not understand themselves as voices for rural issues. Hence, it has to be concluded that in Germany the only major voice concerning rural development issues is still relatively agriculturally oriented, but a real voice focusing on rural issues in general is missing.

One of the major challenges for rural development is the demographic change which is intensively discussed in Germany. Decreasing and ageing population is already a widespread problem in many rural regions in East Germany and becomes more and more relevant in West Germany as well. This has severe repercussions on the infrastructural provision. While the demand for services for old people increases with the ageing of the population, the general reduction of population leads to problems for other infrastructure and facilities where there is a low utilization. In East Germany, for example, many primary schools had to be closed due to declining numbers of children. The affected regions fear that they will fall behind even further as it becomes more difficult to attract innovative employment and income promoting activities. In the fact of economic restructuring and demographic change new innovative solutions, such as help for bottom-up, community-led initiatives and increased private activities, are essential to sustain rural infrastructure but

also to identify still available and not yet applied resources and assets. Nevertheless, it is discussed whether it will be possible and economically feasible to ensure a certain level of quality of life in all remote rural regions in the future as stated in the German Basic Law.

3 MOST SIGNIFICANT POLICY MEASURES TO MANAGE SOCIO-ECONOMIC CHANGES IN RURAL AREAS

Regional including rural development policies come under economic policies in general. It is the primary objective of national politics to provide financial and economic support to socially, culturally and economically disadvantaged regions so that they can catch up with the general level of well-being all over Germany. This support is supposed to contribute to economic growth and long-term and competitive employment opportunities in structurally weak regions. According to the German constitution regional and rural development policies come under the responsibility of the 16 federal states and lower regional bodies. The politics are based on the principle of subsidiary, i.e. what can be accomplished by the lower political entities through their own efforts should be left to them. Higher levels should only help if the lower ones are not in a position to fulfil that respective task. Hence, the regions and federal states themselves have to develop the necessary concepts and strategies, to prioritize the areas of activity and coordinate the various political fields and to strengthen this process with their own resources. In the end, these bodies are politically responsible (Deutscher Bundestag, 2006).

As discussed above, rural areas in Germany are very diverse. They differ, for example, in their characteristic landscape, local natural conditions, regional traditions and cultural scope, and predominantly with regard to their economic situation. Some rural regions are distinguished by strong economic development while others battle with high unemployment and depopulation. Hence, top-down, ‘one for all’ approaches have not proven to be very effective, but they have to be based on the respective strengths and weaknesses of a specific region. It has been realised that (almost) every region has its individual strengths, which can serve as the basis for its future development. Similarly, it has been realised that the people from the region themselves can best recognise the strengths and potentials for future development. Regional (rural) development builds primarily upon the existing potentials and the expertise of a region’s population. There are no universal solutions. What is good for one region is not necessarily transferable to another.

While there is a tradition in Germany since World War II to emphasise the subsidiary approach, rural development in general had been (a) predominantly sector-oriented and (b) the participation of the rural population had been indirectly, through their elected representatives at commune or district parliaments. By law, all planning processes require public hearings and give the option of participation in form of petitions, but not many private individuals make use of that. With the start of the LEADER programme in the early 1990s, the local planning actors had no experience in drafting integrated rural development concepts which required much larger inputs from the local associations and population than before. Most rural regions, however, were not in a position to start this approach right away. It had been a long learning process and some areas are still in a position to participate.

The major national programmes promoting rural development are:

- Joint Task for the Improvement of the Regional Economic Structure (Gemeinschaftsaufgabe “Verbesserung der regionalen Wirtschaftsstruktur”, GRW) under the Federal Ministry of Economics and Technology, and
- Joint Task for the Improvement of Agricultural Structures and Coastal Protection (“Gemeinschaftsaufgabe “Verbesserung der Agrarstruktur und des Küstenschutzes”, GAK) under the Federal Ministry of Food, Agriculture and Consumer Protection.

In 2001, the same ministry initiated a pilot project “Active Regions - Shaping Rural Futures” (Regionen Aktiv - Land gestaltet Zukunft) which expired in late 2005 but had been extended on a smaller scale up to the end of 2007. Based on the experience made with this pilot project and with the LEADER approach, the major rural development programmes, i.e. (a) and (b), require that participating regions are preparing an integrated rural development concept with the broad inclusion of all major rural actors.

More specifically, the major programmes promoting rural development in Germany can be summarised as follows:

Ad (a): The focus of the Joint Task for the Improvement of the Regional Economic Structure (GRW) starting in the 1960s is to balance regional economic discrepancies. It aims at integrating structurally weak regions to the general economy and to create and to secure permanent employment opportunities in these areas. Its primary target groups are small and medium scale crafts and industrial enterprises.

During the three-year period of 2003 - 2005 about 6.7 billion € had been provided by the government which touched off a total investment of about 28.1 billion €. The bulk of the supporting funds had been reserved for the rural trade and industry sector amounting to 4.7 billion € while about 2.0 billion € were in support of the infrastructural development promoting rural economy. In total, 9,940 projects had been supported, of which 8,321 come under trade and industry and 1,619 under rural infrastructure (Deutscher Bundestag 2006).

The focus of this programme had been on East Germany. About 5.7 billion € had been made available for the new federal states culminating in a total volume of investments of about 22.5 billion €. About 4.1 billion € were devoted to trade and industries supporting 7,071 projects. With the help of these projects about 66,500 additional permanent jobs (of which 20,850 are female) could be created while another 187,400 permanent jobs (of which 53,600 are female) could be secured. In addition, 1,250 projects promoting rural infrastructure were supported with a volume of about 1.6 billion € leading to a total investment of about 2.1 billion € (Deutscher Bundestag, 2006).

In comparison, the volume of funds available in West Germany was rather modest. The total volume of supporting funds amounted to about 935 million € which encouraged a total investment volume of about 5.6 billion €. About 580 million € were given to projects within the trade and industry sector coming up to 1,432 projects. With the help of these projects about 18,630 additional permanent jobs (of which 5,238 are female) could be created while another 39,300 permanent jobs (of which 8,965 are female) could be secured. In addition, 187 projects promoting rural infrastructure were supported with a volume of about 354 million € leading to a total investment of about 712 million € (Deutscher Bundestag 2006).

In an evaluation report the effects of the subsidies of this programme had been analysed with respect to employment and income for the period of 1993 - 2003 and compared with the general figures given by the Federal Office for Employment. It had been concluded that the duration (or “stability”) of employment was lasting longer and close-down rate (“bankruptcy rate”) of subsidised enterprises is much lower than the general average. The volumes of investment per employed person are six times higher in West Germany and even fifteen times higher in East Germany compared to those which are not financially supported by this programme. This seems to be a very decisive indicator given the fact that all the supported enterprises are located in very remote areas. Concerning salaries, it had been found out that more than half of the supported enterprises increased them while just about 40% of the not supported ones (Deutscher Bundestag, 2006).

Ad (b): The Joint Task for the Improvement of Agricultural Structures and Coastal Protection (GAK) had been implemented since the early 1970s. Its major focus has been (1)

the improvement of rural structures, i.e. land consolidation, village renewal, irrigation activities, and regional management and elaboration of integrated rural development concepts, (2) the improvement of production and marketing structures, and (3) sustainable agriculture, including compensation payments. It is mutually funded through the national Ministry and the respective federal state ministries. Its financial volume declined over the last years. While it stood at more than 2 billion € during the early 1990s with respect to the national ministry, it gradually declined to over a billion euro annually, which accounts for 60% of the total funds available. Another 40% (or about 600 million €) will be contributed by the 16 federal states. Within the coming years, the annual budget will stay at the same level (Deutscher Bundestag, 2005).

However, it has been decided that all agricultural and rural development related activities will be covered by a national strategy plan. A first plan covering the period 2007 - 2013 has been finalised by 19 September 2006 and approved by the EU Commission since then. All rural development plans of the 16 federal states have to be in line with this national plan. The national policy referring to rural development is guided by three objectives (BMELV, 2006):

- increasing the competitiveness of the agricultural and forestry sectors in
- supporting restructuring, development and innovations;
- improving the environment and natural landscape; and
- improving the quality of life in rural areas and promotion of a diversification of rural economy.

The National Strategy paper clearly states that the LEADER approach will be the guiding methodological approach for rural development.

Besides these two nationally funded programmes (including the smaller national pilot project “Active Regions”), the LEADER approach had a large impact on rural development. It had been an innovative approach which linked many regional actors who had no or only limited contact before. Although the EU funding with respect to this approach will be cut for the period 2007 - 2013, the approach will become more relevant. As the National Strategy Plan states all rural development projects presented for external funding have to be based on a broad consensus of the rural population. In 2006, there had been 148 LEADER+ regions spread all over Germany. In total, about 4,800 projects are being implemented. The projects concentrate on (1) promotion of (soft) tourism, (2) renewable resources and bio-energy, (3) cultural activities, (4) social work and communication, and (5) public relation work, including development of regional trade marks (labels). In addition, some projects deal with nature conservation, further education and new technologies. For the period, 2000 - 2006 EU support came up to about 250 million € with respect to Germany (Deutsche Vernetzungsstelle, 2007).

The German programmes are linked with the EU programmes (OECD, 2007), or to put it the other way, the Structural Funds only supplement the national and regional activities (“co-financing”). The total amount of the Structural Funds during the 2000-2006 period, i.e. ERDF, ESF, EAGGF-Guidance and FIFG, come up to almost 30 million €. With respect to their distribution between East and West Germany, they look as follows (Table 3.1):

Up to 2006, the whole area of East Germany (and a small region in West Germany) used to be Objective 1 area. While the Structural Funds, like EFRD and ESP, focus not only on rural areas, but also on urban development, the major share of rural development funds is provided by EAGGF. Its distribution for the period 2000 - 2006 is summarised in Table 3.2.

Table 3.1 EU Structural Promotion for the Development of Rural Areas 2000 - 2006,
Germany (million €)

	East Germany	West Germany	Germany, total
Objective 1 Area	19,958	-	19,958
Community Initiatives (INTERREG, EQUAL, LEADER, URBAN)	765	697	1,461
Objective 2 and 3 Areas	-	8,198	8,198
Total	20,723	8,198	29,618

Source: BMWi, without year

Table 3.2 Distribution of EAGGF for Rural Development in the Period 2000 - 2006,
Germany (million €)

	Guarantee	Guidance (Objective 1 Area)	Total
West Germany	4,126.2	-	4,126.2
East Germany	1,180.3	3,442.1	4,622.4
Germany, total	5,306.5	3,442.1	8,748.6

Source: Schubert, 2002

Roughly, the EAGGF makes up about one third of the Structural Funds in Germany, i.e. EFRD, ESP and FIFG (Grajewski, 2007). In addition, the figures show that about two-thirds of the Structural Funds in general and more specifically of the EAGGF appropriations for rural development in Germany went to the new member states. Most of the EAGGF funds originate from the Guidance section and thus, at least partly, are assigned to the field of cohesion policy and its objectives. These funds were particularly designed to improve the development and competitiveness of the farming sector in the NMS (Schubert, 2002).

When looking at the financial focus of the EAGGF appropriations by the various federal states, a clear West-East divide can be noticed. In the Western states the focus is more on environmental issues which account for about 60% of public expenditures. Measures for improving agricultural competitiveness like compensatory allowances for less favoured areas and the more traditional structural measures (e.g. support for investment in agricultural holdings, setting up of young farmers, improving processing and marketing of agricultural products) play a relatively minor role coming up to about 30%. Just about 10% are reserved for measures focusing on the promotion of quality of life and the rural diversification. On the contrary, the priorities of the Eastern states are agricultural competitiveness, quality of life and rural diversification. About 40% of the public expenditure are absorbed by activities promoting agricultural competitiveness. More than 30% are devoted to quality of life and rural diversification which focus on the renovation and development of villages (due to an extraordinary backlog demand) and the protection and conservation of rural heritage. Environmental issues just cover less than 30% of the funds in East Germany. This seems to be in line with other countries in Europe. The poorer regions are more in favour of promoting activities concerning aspects of quality of life, while richer regions emphasise agri-environment and less favoured areas (Shucksmith et al., 2005). This different emphasis of the West and the East seems to be justified by different agricultural structures and socio-economic conditions. But in their analysis the OECD while acknowledging that in East Germany more resources are assigned to non-farm programmes complains that rural development is still not really targeting the diversification of the rural economy (OECD, 2007).

However, when assessing the objectives of the various programmes in Germany it has to be acknowledged that the employment effects have been very modest or not measurable at all (Grajewski, 2007). There had been some minor effects with respect to the promotion of the service sector at the commune level, like rural tourism or the diversification of farm into non-farm activities. In some cases, labour-replacing effects had to be observed. In most cases, rural employment could just be preserved with external financial support. Concerning environmental protection, most activities could show positive effects (Grajewski, 2007).

As discussed above, in the recent National Strategy paper first steps in targeting the diversification of the rural economy have been taken. A gradual shift in emphasis of rural development approaches can be observed, although still with a slow pace. During the last years, it has become more and more accepted that sector-oriented programmes, particularly agriculturally dominated ones as in the past, will not solve many rural development problems. In the past, economic incentives and rural development activities had been planned by the administration at higher levels, on which the local population just could comment. The objective of local political representatives had been to acquire as many external funds as possible for local projects regardless of their immediate needs and sustainability. This thinking had been highlighted after unification in Germany when massive volumes of funds had been transferred from the West to the East without giving too many thoughts on sustainability. Since the late 1990s this approach had been questioned more and more. In line with this discussion process the government started to actively promote a rural development approach of integrating the local population and economic, social and cultural actors either as private individuals, but most commonly through their groups, associations and political parties. In the official documents and political statements, it is clearly pressed for a broader inclusion of more and more regional actors than in the past.

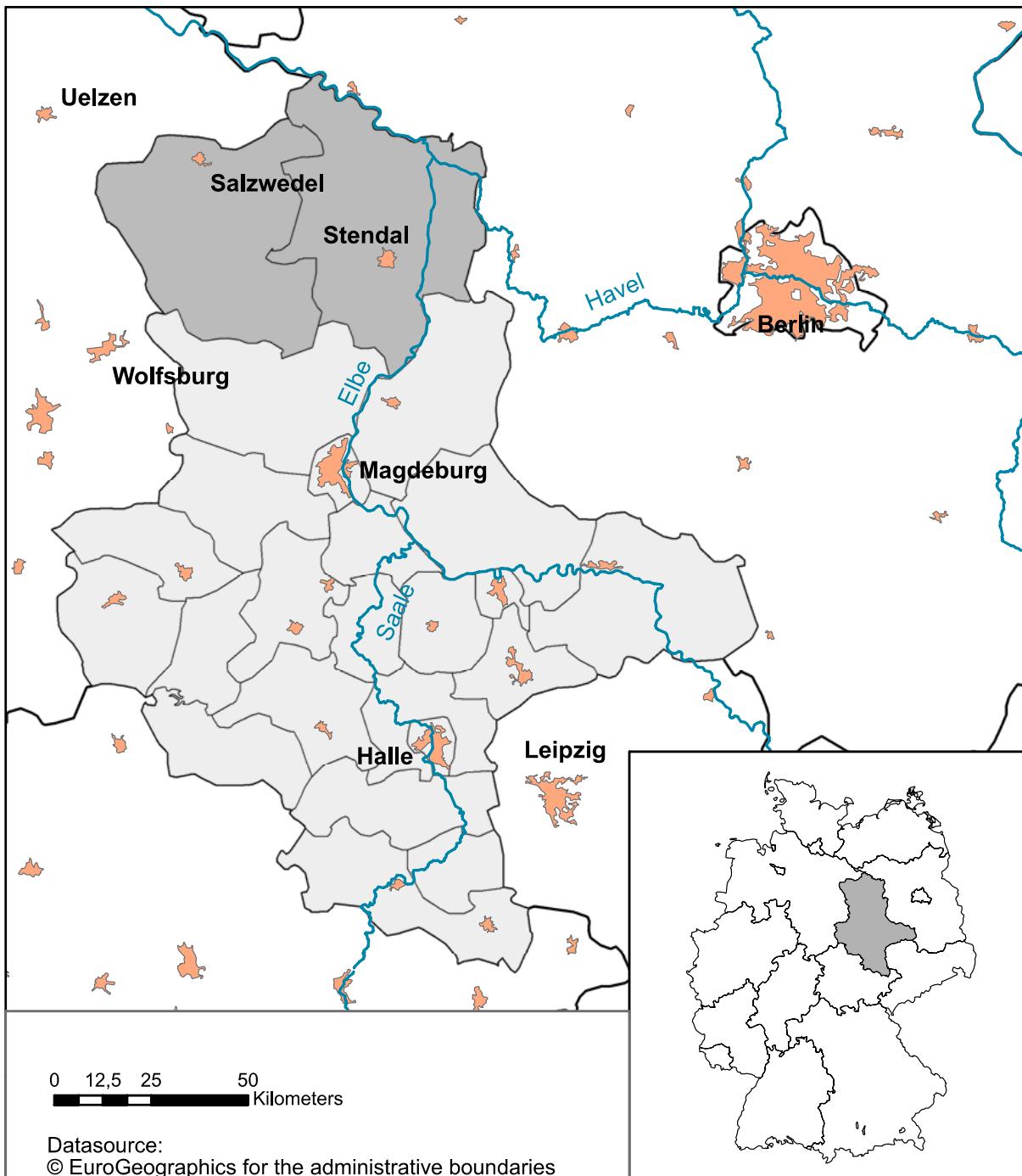
4 PARTICULAR EXPERIENCE IN THE CASE STUDY REGION: ALTMARK REGION IN THE FEDERAL STATE OF SAXONY-ANHALT

While the discussion, so far, focussed on the national situation, it will be looked in this chapter how the agricultural sector and the rural conditions changed after unification and accession to the EU at the regional level. For an investigation of the structural change in the agriculture and in the rural area in Eastern Germany the Altmark Region represents peripheral areas characterised by small population densities, substantial infrastructural deficits and constant negative migration balance. Its economy used to be dominated by the agricultural sector and agro-processing industries. Up to the 1980s, about one fourth of the labour force had been employed by these activities. On the other side, this Region is a good case study how regional actors try to improve the socio-economic conditions under an unfavourable business environment.

While its border areas shifted from one region to the other over time, the Region represents a fairly homogeneous area from the historical, socio-cultural, environmental and economic points of view. In this respect, the Region can look back to a long common tradition and has developed a strong regional identity over time. Up to the 20th century it used to mark the Prussian border area to the Kingdom of Hanover and after WW II it had been the “cold war” border between the GDR and West Germany. In short, the Region used to be a remote border area and structurally disadvantaged compared to most other areas. Already in the past, this structural disadvantage had been the reason for implementing politically motivated development projects. In this connection, it is worth mentioning the settlement of farmers and agricultural workers as well as land reclamation schemes in flood-prone areas along the Elbe River during the 19th century. But also during the 1970s, the former GDR promoted the industrial sector. During the 1980s, it started with the construction of a large-scale nuclear power station. More than 5.000 workers coming in general from other regions of the GDR were involved in the construction itself as well as in the development of the associated public infrastructure facilities.

The issues discussed in the following chapter are mainly taken from statistics, publications on regional websites and intensive discussions with regional actors in the Region. Not all statistics are available at the level of the case study region. Therefore, in order to stress some relevant issues, it is referred to statistical data from the Federal State of Saxony-Anhalt.

Map 4.1 Federal State of Saxony-Anhalt and the Two Districts of the Altmark Region



4.1 General Description

In these days, the Altmark Region is made up by the Districts of Salzwedel and Stendal, i.e. two districts out of 11 (since the recent restructuring in 2007) being part of the Federal State of Saxony-Anhalt. The Region covers an area of 4,715 km². The total population

comes up to 227,307 inhabitants (2005) of which 37,500 and 22,000 are living in the district capitals of Stendal and Salzwedel, respectively. The District of Salzwedel comprises 5 rural cities and 115 communes. The communes are merged into 11 administrative units. The City of Salzwedel is the biggest population centre and is acting as the administrative, social, cultural and economic centre. The District of Stendal is made up by 10 rural cities and 126 communes. The City of Stendal is by far the major centre of the district and also of the Region.

The Altmark Region belongs to the category of predominant rural areas (OECD classification) or the category "rural districts of minor density of rural and peripheral regions" (German classification). The Region takes up about one fourth of the area of Saxony-Anhalt, but just about 10% of the population. Hence, settlements are fairly widely spread over the area requiring wide-ranging public infrastructural facilities. In these days, there are substantial problems in ensuring the provision of the basic infrastructural services, like medical care, public transport, retail shops or schools and professional education. Similarly, the operability of local public institutions is jeopardised due to a declining population.

4.2 Population

Out of the introductory remarks, it becomes evident that the Altmark Region is not very densely populated. A broad overview about the population figures of the whole federal state and the Region is given in Table 3.2.

Table 4.1 Population in the Federal State of Saxony-Anhalt and the Altmark Region, 1985 - 2005

Year	Saxony-Anhalt	Altmark Region
1985	3,021,008	267,714
1990	2,873,957	261,175
1995	2,738,928	252,807
2000	2,615,375	241,738
2005	2,469,716	227,307

Source: Statistical Office of Saxony-Anhalt, 2006

Concerning Saxony-Anhalt a steady decline of the population has been observed since the early 1950s. But up to the change of the political regime, this figure made up a few thousands per year. Only since then, a decline of several tens of thousands per year has been recorded. Since 1990, the number of inhabitants declined by about another 400,000 persons or about 15%. This picture looks pretty much the same in the other OMS. In this connection, the population density declined steadily from 157 inhabitants per km² in 1985 over 145 persons (1990) and 130 persons (2000) to 122 persons/km² in 2005. In addition, it has to be emphasised that due to low employment opportunities in this state, a large number of people is commuting for their jobs to other parts of Germany, but still registered as inhabitants.

A similar sharp decline of the population figures has been observed in the Altmark Region. Between 1990 and 2005 the number of population decreased by more than 30,000 inhabitants or about 13%. In this respect, the decline has been lower than for the whole federal state. Due to the large area, the average population density is very low for German standards. It just comes up to 48 inhabitants per km². There is certain difference between the two districts. While in the District of Stendal it amounts to 51 inhabitants/km², the

District of Salzwedel with 41 inhabitants/km² belongs to the districts with the lowest population density in Germany.

The Region is characterised by a low birth rate, still on-going emigration of the young generation to other areas in Germany and rapidly rising share of the elderly. It is estimated that its number will decline up to 2020 by another 15% mainly due to the very low birth rate.

4.3 General Economy and Employment

As stated above the Altmark Region used to be dominated by the agricultural sector. This dominant position with respect to employment and GDP was only weakened during the 1970s when the national government actively promoted the settlement of heavy and light industries and food processing factories. However, with the change of the political regime and its economic repercussions both types of industries had to be closed-down almost completely and the agricultural sector experienced a certain revival. Since then, small and medium-scale industries have been established and some large-scale investments have been witnessed.

In these days, the Region is economically characterised by a strong primary sector (agriculture and forestry) and small and medium scale enterprises in the secondary one. Of relevance are vehicle supplying industries, metal processing and cellulose production. The tertiary sector is dominated by the tourist sector but services in the field of information and communication technology are rapidly growing. Nevertheless, up to now, the economic structure is highly unbalanced and not well diversified. The infrastructural endowment is relatively weak, e.g. the connection to the German highway network is still in a planning stage. Overall, this federal state accounted for about 2.1% of the German GDP in 2005 (Deutscher Bundestag, 2007). With respect to income development after unification, the following Table 4.2 referring to Saxony-Anhalt in total gives some clues:

Table 4.2 Average Annual Gross Income per Employed Person in the Major Production Areas in Saxony-Anhalt, 1991 - 2005

Sector		1991	1995	2000	2005
Agricultural sector	EUR	9,619	13,634	14,540	14,563
	Index*	66	94	100	100
Industrial sector	EUR	10,656	19,569	21,318	24,150
	Index*	50	92	100	113
Service sector	EUR	11,394	18,116	19,529	20,304
	Index*	58	93	100	104
All sectors	EUR	10,958	18,500	19,854	21,037
	Index*	55	93	100	106

Source: Statistical Office of Saxony-Anhalt, 2007

Note: Index: 2000 = 100

The wages in all sectors have increased rapidly, particularly during the first years after unification. However, the wages of the agricultural sector could not keep pace with those of the other sectors after 1995 despite the fact that almost 80% of the workforce had been led idle after 1990. While wages in both other sectors, i.e. the industrial and the service sectors are increasing steadily, they are, on average, still about 20% lower than in the OMS (Statistical Office of Saxony-Anhalt, 2007). This fact is shared by all NMS. The relatively low level of wages also explains the fact that the average GDP per capita just comes up to

more than three quarters of the EU-25 average. It seems to reflect the high unemployment rates in this federal state on the one side, and provide strong incentives for the better educated ones to commute or migrate to the OMS on the other.

Hence, it can be deduced that there had been economic development and increasing incomes, the effects on the labour market had not been that significant as anticipated during the early 1990s. Concerning the preservation or creation of new jobs in the Region, both types of industries, i.e. large-scale and very modern industrial enterprises (cellulose and paper industry) due to foreign investments as well as small and local medium-scale enterprises have up to now a limited employment effect only. Hence, the number of unemployed persons is still very significant as shown in Table 4.3.

Table 4.3 Average Annual Gross Income per Employed Person in the Major Production Areas in Saxony-Anhalt, 1991 - 2005

Region	Percentage
Germany	8.8
West Germany	7.3
East Germany	14.7
Saxony-Anhalt	15.7
Altmark Region*	18.9

Source: BfA Stendal, 2007

Note: * District of Stendal, only

In short, the Region is characterised by high unemployment rates. While the overall unemployment rates have declined during the last two years, they are still very high in the Region. They are at the higher end for both, the Federal State of Saxony-Anhalt and East Germany in total. That is why that the secondary labour market, which is publicly funded, is still of very high importance in this Region.

4.4 Agricultural Sector

With the change of the political regime, agricultural production had to be re-organised. With respect to Saxony-Anhalt this process looked as follows (Table 4.4).

Table 4.4 Average Annual Gross Income per Employed Person in the Major Production Areas in Saxony-Anhalt, 1991 - 2005

Year		< 10 ha	10-50 ha	50-100 ha	>100 ha	Total = 100%
1991	Farms (%), No.)	54.2	15.5	6.0	24.3	4,039
	UAA (%), ha)	n.a.	n.a.	n.a.	n.a.	n.a.
1995	Farms (%), No.)	38.9	18.3	8.1	34.7	5,240
	UAA (%), ha)	0.5	2.0	2.7	94.8	1,149,926
1999	Farms (%), No.)	30.7	20.5	9.3	39.5	5,100
	UAA (%), ha)	0.5	2.2	3.0	94.3	1,172,903
2005	Farms (%), No.)	27.3	20.6	9.5	42.6	4,887
	UAA (%), ha)	0.4	2.1	2.9	94.6	1,174,257

Source: Ministry of Agriculture and Environment of Saxony Anhalt, 2007

Note: * Farms smaller than 2 ha UAA are excluded.

In comparison with Table 2.10 and 2.11 shown above, it can be deduced that agricultural production is even more large-scale structured than the average for all NMS. After the change of the political regime, a certain number of private persons took up individual farming. But since the late 1990s, like in the other NMS, their number is steadily declining. In this respect, it can be concluded that small farms are not very important. More than 40% of all farms cultivate more than 100 ha, about 6% even more than 1,000 ha. Farms larger than 100 ha have about 94% of UAA in this state at their disposal, while those farms cultivating 1,000 ha and more share about 42% of the total UAA among themselves. Therefore, average farm size in Saxony-Anhalt comes up to about 240 ha in 2005. Individual farmers cultivate about 90 ha, partnerships about 401 ha and legal entities about 960 ha (Ministry of Agriculture and Environment of Saxony Anhalt, 2007).

As discussed above, currency unification and the full adoption of the GAP already before the actual political unification had severe repercussions on agricultural production in East Germany including the case study region (Table 4.5). With respect to crop production, the effects were not that significant. The area under cultivation declined somewhat particularly in order to participate at the set-aside premium, but in general the production pattern remained in tact. Over time, the area of winter barley and sugar beets declined while the cultivated area of rape seed increased rapidly. With respect to yields, there had been a difference of about 20 percent in favour of the West before unification. But during the last years yields are, on average, at the same level by now.

Table 4.5 Agricultural production in the Federal State of Saxony-Anhalt, 1985 - 2005

Product	Unit	1985	1989	1990	1995	2000	2005
Agricult. Area							
UAA	1,000 ha	1,297.3	1,291.2	1,296.0	1,158.0	1,169.9	1,172.0
- arable land		1,051.3	1,047.6	1,053.0	997.0	1,000.1	1,001.9
- cereals		569.4	539.1	559.3	605.7	583.2	588.2
winter wheat		231.5	230.2	223.9	273.1	316.6	343.6
winter barley		210.2	201.7	139.5	116.1	110.1	98.1
- rape seeds		18.1	19.5	15.5	85.1	98.9	148.8
- sugar beets		94.0	86.5	80.9	61.5	50.9	47.5
Animal Husb.							
livestock							
- milking cows	1,000 pcs	1,067.1	1,052.8	888.5	453.0	399.3	344.0
pigs		356.2	346.6	272.0	169.0	154.0	138.0
		2,574.0	2,629.7	1,955.9	712.0	846.9	942.0
Yields*							
Winter wheat	dt/ha	57.5	43.5	52.1	71.9	71.5	72.5
winter barley	dt/ha	52.6	50.6	55.4	70.5	66.8	67.5
rape seeds	dt/ha	19.1	15.6	19.6	34.5	30.9	37.8
sugar beets	dt/ha	312.4	237.3	340.9	441.8	525.6	542.7
milk yields	kg/cow	3,666	3,982	4,042	5,683	7,065	7,912

Source: 1986, 1990: Statistical Yearbook of the German Democratic Republic; 1995 - 2005: Statistical Yearbook of the Federal Republic of Germany, various years

Note: Yields of 1985 and 1989: non-weighted averages of the former Regional Districts of Halle and Magdeburg

There had been very drastic repercussions with respect to animal husbandry. It had become highly unprofitable and therefore its size had been cut by more than half concerning livestock production and pig production, respectively, up to 1995. Hence, the more labour-absorbing farm activities had been reduced to a large extent. While livestock production is still continued to be reduced up to now, although on a more gradual basis, pig production is gradually increasing since the mid-1990s. On the other side, animal husbandry production has become very efficient. For example, average milk yields per cow are now by far higher than the German average.

Concerning the case study area, the Altmark Region, it is characterised by a considerable differentiation of the natural landscape. The share of forest area is relatively high. The UAA comes up to about 275,000 ha. More than 25% of it consists of permanent grassland which is the highest share among all regions of Saxony-Anhalt. Besides some fertile soils most of the arable land is of minor quality due to water logging and low natural fertility. The general high level of ground water leads to lower yields.

Due to this high level of permanent grassland the Region used to be a cattle breeding area. Over time it built up a good reputation in this field. This activity declined rapidly after unification, although there had been some programmes in order to preserve at least a certain level. Besides that some parts of the Region were famous for their fruits. There was a close link to fruit preserving factories. Also, this more labour-intensive activity declined after unification. At the time of the change of the political regime about 12 AWU per 100 ha were recorded. Since then, this figure came down to less than 2 AWU per 100 ha reflecting the shedding of labour in this sector.

With respect to the types of farms, the Altmark Region reflects the situation of the whole federal state. There are about 1,600 farms in this Region, or about one third of Saxony-Anhalt, and the average farm size of farms stood at 211 ha in 2006. Of these farms, 1,114 come under the group of individual farms comprising full- and part-time farmers (or almost 70%), 297 partnerships and 189 legal entities (mostly agricultural cooperatives) (Agricultural Office Altmark 2007). More than half of the UAA is cultivated by legal entities. This sector is still relatively important compared to State of Saxony-Anhalt in general, as about 5% of all gainfully employed persons in 2006 belong to the agricultural sector (BfA: Stendal 2007).

Crop production is dominated by wheat and barley. Since the emergence of bio-energy and due to the relatively well-developed infrastructure of gas pipelines in the Region, the production of biogas has become one of the most prospective activities. The area under rape seed and maize increased rapidly. The cultivation of potatoes which used to be of more relevance declined to about 2-3% of UAA. Vegetables particularly asparagus has become a well-developed niche market. Concerning animal husbandry, cattle breeding, milk production and livestock fattening have regained some importance during the last years, mainly due to missing alternatives for using the permanent grassland. Milk yields of the cows are among the highest in Germany. Due to milk quotas their number declines. In this respect, it is doubted that there will be any employment effects from the agricultural sector.

During the last years, a certain differentiation of farm service activities could be observed, i.e. specific farm operations are done by third parties as service activities. The promotion of bio-energy will also provide some employment opportunities in the agricultural and the manufacturing sectors. In addition, agro-tourism or, better rural tourism, provides some prospects for employment and income. But overall these potentials are limited. For example, the Region has some attractive tourist sites, but the distance to the potential customers is relatively far. For most of these potential visitors there are some other attractive areas at a shorter distance. In addition, there are, unlike to the family farm

dominated areas in West Germany, not that many farm houses available which could be used for agro-tourism. Nevertheless, some rural tourist enterprises have been set up which ensure their owners a decent living.

4.5 Assessment and Future

Concerning the preservation and promotion of employment and income in the Region, the focus is particularly on the commercial, crafts and service sectors. As shown above, the agricultural sector including agro-tourism, with the exception of bio-energy production, is not identified to be an explicit growth sector and of major impact. Particularly, EU supporting funds which are co-financed by national sources and funds from the Federal State provide the main stimulus in planning and implementing rural development activities. The volumes for last and future development cycles with respect to Saxony-Anhalt are listed in Table 4.6 below:

Table 4.6 Financial Volumes of EU-Funds for Saxony-Anhalt, 2000-2013

Funds	Budget (in Million €)		Change 2007-2013 against 2000-06	
	2000-2006	2007-2013*	Million €	Percentage
ERDP and ESF	2,737.6	2,293.4	-444.2	-16.2
EAGGF/ EAFRD	944.3	726.0	-218.3	-23.1
FIFG	2.3	3.0	0.7	30.4
Total	3,684.2	3,022.4	-661.8	-18.0

Source: Prime Minister's Office of Saxony-Anhalt: Eckpunkte zum Einsatz der EU-Fonds 2007-2013 (Major points for the use of EU-funds 2007-2013). Magdeburg, 3 August 2006

Note: * in prices of 2004

The Table shows that there will be a decline in rural development funds, particularly concerning those under EAGGF and EAFRD, respectively. Since the German budget with respect to the Joint Task for the Improvement of Agricultural Structures and Coastal Protection also declined during the last years, there is the ambiguous situation. On the one side, there are the political statements to put higher emphasis on rural development, but on the other side the actual financial support steadily declines. Saxony-Anhalt and the Altmark Region have to face this situation.

The Region is aware that financial resources from both the EU and the national government will decline while the competition with other regions within the Federal State of Saxony-Anhalt will increase. Hence, the regional actors have devoted a lot of energy in drafting and updating the Integrated Rural Development Concept as a commonly accepted basis for all future activities under the heading "Altmark Region right in the middle - competitive and of high living quality". This is not only a precondition for competing for EU structural funds, but also for funds from the national programmes. The regional actors are quite confident that, due to the good networking within the Region, they are in a good competitive position in relation to other regions within the state.

Concerning the overall period 2007 - 2013, the Concept defines the focus areas. The Region will concentrate on a sustainable strengthening of the human, research and development potential and on a broadening of the economic capacity. With respect to rural areas the focus will be on the diversification of the rural economy and the improvement of living conditions as well as on environmental protection and nature conservation. Besides the active search for support from public funds, including the EU, the Region is fully aware that these just can provide some seed money, but they have to

be attractive for private investors in order to promote employment and incomes. The Region has a high potential for economic development, landscape and nature conservation as well as for recreation purposes.

When looking at the driving forces for rural change, it can be summarised that these are the dedicated regional actors themselves. They are convinced that their Region has good potentials to develop in the future. In form of intensive networking they are eager to make use of those resources which might not be available if everybody is working on their own. The most important resources seem to be information sharing and a transparent and open process among the population in defining the development objectives of the Region.

5 SUCCESS FACTORS IN MANAGING RURAL CHANGES SINCE EU ACCESSION

Before starting the discussion what have been success factors in managing rural changes since EU accession, it has to be emphasised, again, that the EU accession in East Germany including the Case Study Region has not been realised as a special event. There had been no specific negotiations about joining the EU and no adjustment period. People wanted the unification with West Germany. EU-accession just had been a "by-product" of German unification. It happened from one day to the other. Most inhabitants did not realise at all at that time that they had joined the EU. For them, the collapse of the socialist regime leading to the quick unification with West Germany marked a complete change of their work and lives.

As shown above, the West German government started already before unification with the transfer of financial, administrative and other types of support. Since then, about 4% of the national GDP, or about 80 billion EUR, is transferred for the economic and social reconstruction of the East, annually. There is the political commitment to go on with such a transfer up to, at least, the year 2019. The major driving force has been the political commitment to ensure similar living conditions in the East as in the Western part of the country. This implies that people in the East enjoy similar living conditions as in the West. This political commitment has not been challenged, so far. These national transfers have to be in line with the EU regulations in order to avoid unnecessary or one-side subsidies for this part of Germany. Besides national funds there had been also a massive transfer of EU funds for the development of East Germany, although on a smaller scale. These transfers will decline starting from 2007 as East Germany does not qualify as Objective 1 Region anymore with the accession of new member states in 2004 and 2007, respectively.

Since the people in East Germany did not realise EU accession as a special event, but unification with West Germany, they did not differentiate whether any support measure had been a national or an EU-programme. In general, particularly during the first years they regarded all support as national initiatives. Indeed, during the first years there had been large-scale national support programmes in smoothing the economic and social repercussions of the build-up of the market economic system. Among others, the collapse of the farming sector had to be avoided, the sharp decline of the industrial sector had to be absorbed to a certain extent or the rapid increase in open unemployment had been cushioned by generous early retirement and secondary labour market schemes. All these programmes had to be approved by the EU, but since then most EU and national programmes were linked up, anyway ("co-financing").

When looking at success factors more specifically, it is evident that most actors think of it differently. Following EU accession (or better unification) East Germany had experienced, as discussed above, a complete collapse of its economic base. Many economic activities, particularly concerning the industrial sector had to be re-started from scratch. A massive increase of unemployment had been witnessed. Work and life experiences from the socialist period had become worthless when the market economic system had been adopted. Those who were already too old, which meant older than 50 years at that time, could apply for early retirement which most did. Younger people could participate in re-training courses. But most who had a certain technical knowledge opted to migrate or, at least, to commute to West Germany in search of employment. Under such a scenario, success was already seen when employment opportunities could be saved in that respective area, that not too many younger people left the region and that the decline of population could be reduced to low levels so that public infrastructure will not collapse immediately. Regional actors are rather modest in their objectives. They want to make their respective regions attractive for economic investments which are supposed to bring

new jobs, but they know that these decisions are finally taken at higher levels and they can just contribute to facilitate them in favour of their region.

As discussed above, the Altmark Region belongs to the group of structurally most disadvantaged regions in Germany. Even within East Germany this region has to be grouped at the lower end. Nevertheless, the local people are full of energy and ideas in the search for a better socio-economic future. In the following part of this chapter, it will be discussed which factors the regional actors themselves identified as successful. With the help of semi-structured interviews along the line of the "Common Methodological Framework for EU-15 Case Studies" a selected group of regional key actors had been asked about their experience and opinions with respect to agricultural and rural development during the last 20 years. Based on their answers, it will be distinguished in the following part of this chapter between those factors which come from the region itself, but can only be of full benefit due to external national and EU support, and the most relevant specific programmes which have been particularly important with respect to agricultural and rural development.

5.1 Specific Characteristics of the Altmark Region contributing to Successful Regional Development

Since unification, there is a tradition in developing regional development programmes in the Altmark Region; first at district levels and since the mid 1990s, jointly at regional level. It is a great advantage that it is relatively easy to differentiate the Altmark Region and its inhabitants from the neighbouring ones based on natural as well as on cultural and historical conditions. There is a strong "regional identity". Right after unification, the - at that time - seven districts realised that they had to collaborate closely in order to get a voice at higher levels. They developed strong informal networks. This networking was continued and strengthened after 1994 when the seven districts were merged into two. In this way, they discussed first ideas and agreed upon priorities how the Region should develop. In this way, the Region had already a regional development concept, whatever vague it might have been at that time, when other regions still had to find compromises. Therefore, the Region was ready to participate when first regional development funds were available.

Already in the late 1990s, a regional planning unit has been set up which co-ordinated all planning activities in the two districts. It had been funded by external funds but also by the respective district budgets. Due to the good experiences in the past and in order to strengthen this process, the Regional Planning Association has been legally registered in September 2007. Besides the two districts all relevant political, economic, environmental, cultural and social associations of the Region are member. In this way, the informal process had been formalised over time. The Association is seen as an excellent platform for bringing all important actors together. In addition, the general public is regularly informed through the press. But there are also regular public meetings where interested private individuals are invited to bring in their ideas and to collaborate.

In line with the joint planning process an Integrated Regional Development Concept for the Altmark Region has been developed. In a very transparent process the basic objectives for the Region based on an extensive SWOT-analysis had been identified and agreed upon. These objectives reflect the wishes and options how the regional inhabitants themselves want to develop in the future. Through this broad-based approach the regional actors want to show that, even in a region characterised by low population density and a declining population, there are good prospects for a viable socio-economic future. All specific projects and project activities have to be in line with the jointly accepted objectives.

However, the regional actors admit that they have to follow a certain balancing act. On the one side, they want to focus on the regional resources and priorities. On the other side, they have to meet certain guidelines and programmes which are given by higher levels, like the state government or the EU. However, during the last 15 years, they are proud to have realised a change in their planning perspectives. While at the beginning, their major objective had been to meet the given (external) guidelines, they now discuss and agree upon their development objectives first, assess their own strengths and resources and, then, look for external sources for funding.

All regional actors agree that this approach of rural development planning and implementation is successful and of long-term nature, only, if external funds are available and can be accessed for the development of the Region. Due to its limited own resources, regional development on its own would be almost impossible. In addition, it is very vital to show that one has a good concept that meets the guidelines of external funding organisations. "Success" is in a first step to attract external funding and in a second step to show that these funds (including own funds) lead to economic development in line with the overall objectives. This is a very important point in keeping the groups together, particularly at the beginning. Although it is wishful thinking at this stage as the tax base is too small, the regional actors hope to become less dependent from external funds over time.

Some regional actors even speculated whether it might be of more benefit to the Region if it had a higher core budget for rural development and did not need to apply for external funds regularly which implies that they have to meet given development guidelines. They are sure that they could accomplish more with the same money and could do the same activities much quicker. The major reasons are the delays in getting the funds on the bank account, the different budget years of the EU and German systems and the high administrative burden in meeting all the requirements when using public funds.

All regional actors agree that the most important asset of the Region is the close cooperation among themselves. There is a permanent exchange of information and ideas. Everybody in a decision-making position knows each other in the Region which might be astonishing given the relatively large area. The informal meetings in developing and updating regional development concepts and within the specific working groups strengthen among all of them the commitment that they have to think and act not only along their specific tasks or sectors, but also must have the spatial dimension in mind. The regular exchange of ideas among people who professionally do not interact at all, is seen as a value in itself. But very often these meetings resulted in linking various programmes so that the overall benefit could be increased, e.g. linking publicly financed employment programmes with the village renewal programme ("synergy effects"). Evidently, there is some competition, e.g. among the political parties, about development priorities, but once decided they all collaborate to present the joint development concept of the Region to the private sector and higher political levels.

5.2 Specific Programmes assessed as Successful by the Regional Actors

When looking at specific development programmes which had been seen as successful by the regional actors it is amazing that regardless of their professional background three major ones had been mentioned. As discussed above, particularly right after unification there had been some national programmes to avoid the complete collapse of agricultural production ("stabilisation programmes") or to smooth the social repercussions of the abrupt economic change. The benefits of these programmes had been acknowledged by the regional actors. All national programmes had been approved by EU commission and

since the early 1990s, most programmes were, in general, implemented on a co-financing basis, i.e. EU funds together with national government as well as federal state funds according to an agreed-upon distribution key. The regional actors agreed that the emphasis of rural development has gradually shifted over the last 15 years. Right after unification, rural development planning had a clear focus on the agricultural sector and communal meeting halls. Now there is a shift to all types of issues which have to be improved in the rural areas. The three major programmes are the following ones:

(a) Agricultural Investment Programmes

Right after unification in 1990/91 it had been the objective of these support programmes to ensure the competitiveness of agricultural production. This was supposed to lead to higher incomes which again were supposed stimulate economic cycles in the rural areas. Like in the industrial sector there had been very generous welfare programmes of early retirement and re-education for which the major part of the farm population qualified as most of them used to be workers under the socialist system. Therefore, the rapid decrease of the labour force could be achieved without any protest. Among the more agriculturally oriented programmes the following ones seemed to be most important ones:

- financial support for newly established individual farmers as they were very short of own capital
- incentive schemes for buying new machines covering a part of the investment costs,
- credit subsidy programmes to reduce interest rates,
- public collateral schemes to get access to credit as most farmers or farm managers did not own the land they cultivated which could be used as collateral, and
- extension programmes as most farmers and/or farm managers had no knowledge about the EU system and how to apply for support.

In addition, there had been smaller programmes in support of direct marketing, promotion of agro-tourism or the build-up of agriculturally oriented services. But these had not been very successful due to the long distance to potential markets and clients as well as the limited natural attractiveness compared to other regions close-by.

Critically, it was seen that some support programmes actually contributed to an extensification of agricultural production reinforcing the shedding of agricultural labour. Subsidies were given to reduce or, even, give up the labour-intensive production activities, like animal husbandry and milk production or fruit tree cropping. However, during the early 1990s, these production activities had been completely unprofitable under the given prices. In these days, it is quite costly to revive these activities, again. On the other side, there had been programmes to stabilise cattle and milk production at a certain level. Hence, sometimes various programmes had contradictory effects.

In the end, these agricultural investment programmes contributed to the fact that, on average, farms in the Region as in East Germany in general are highly competitive not only in Europe, but also in a globalised world. On the other side, agricultural wages and incomes are, in general, still below the regional average and hence not very attractive for young people to take up this profession.

(b) Rural Development Programmes

Under this heading two major programmes can be summarised (1) village renewal and (2) feeder road construction. The village renewable programme had been regarded as highly

successful. It provided subsidies for house renovations amounting up to 40% of the total costs or up to a maximum of 20,000 EUR each. The remaining share had to be covered by own funds or by bank credit. House owners living all over the Federal State of Saxony-Anhalt could apply. This is different to other federal states in East Germany where the participating villages were identified first. Particularly, during the 1990s the regional population made ample use of this programme. The major advantage had been that it encouraged rural inhabitants to invest own funds as well ("multiplication effect") and they mainly employed rural artisans in doing the job. Hence, a regional economic cycle could be developed. In addition, this programme had been linked with other initiatives, e.g. by the local communes to improve the public infrastructure or initiatives of the secondary (i.e. public financed) rural labour market. In this way, synergy effects could be achieved. Therefore, houses and public infrastructure in the villages of the Region look pretty good compared to similarly-structured regions in East Germany.

Feeder or agricultural road construction is also seen as a vital success. While the original objective had been to improve the links between agricultural farms and their fields and to cut agricultural transport costs, a significant improvement of the rural feeder road network could be achieved. This development had been complementary to the big national programme of improving the regional and national highway system. In this Region marked by low population density, the use of private cars is a must in order to cover the basic needs of live.

(c) LEADER Approach

Although financially not very voluminous, this approach had been decisive in convincing the regional actors to overcome the more narrow agriculturally oriented focus and to develop and implement activities on a regional scale. Due to its early planning approaches and high commitment of the regional actors this Region already participated in this approach from the early 1990s. Actually, there had been two LEADER groups in the Region out of 11 in the whole Federal State of Saxony-Anhalt and 148 in Germany, respectively.

The main benefits can be summarised as follows: It provided some jobs for unemployed persons although the overall employment effect is marginal. It taught the regional actors that each project or activity must be viable in itself so when external support expires something has to remain. With the help of these projects the local or village identity could be strengthened. In addition, it proved to be very helpful in developing networks at higher levels both nationally as well as internationally. Through that exchange, the regional actors got new ideas for their own activities in the future. That this approach is successful can be seen in the fact that most projects whose financial support has expired by now are continued by local associations although sometimes on a smaller scale due to limited funds. For the new period 2007 - 2013 the two LEADER groups will continue while another three have been newly established.

The main learning effect was seen in the awareness that all projects have to be viable in the long run. No project should be started for the subsidies only. Together with the experience of the German pilot project "Active Regions" which had been implemented in the Altmark Region (as one out of 18 regions in Germany qualified) all regional actors agreed that only those activities will be implemented and supported which contribute to the build-up of regional value-added chains. Once external support expires each project must be economically viable.

In addition, there had been environmental protection, nature conservation and cultural promotion programmes affecting the rural areas. But as in other part of East Germany, environmental protection programmes had not been that important like, e.g. in West Germany.

The regional actors are proud what they, or better their region, have achieved under such critical conditions, so far. They emphasised that, up to now, the results of all projects were positively accepted by the public and no “development ruins” had been experienced. They assume that only a few villages might be given up due to declining population, particularly those which have no village tradition and have been settled relatively recently. But most of them will continue to exist albeit on a smaller scale.

5.3 Concluding Remarks

In general, it can be concluded that most of the farm areas in East Germany belong to the structurally weak areas where agricultural production and employment is higher than on average. The synergy of subsidies, funds and agri-environment measures contributes not only to the maintenance of farming in poor regions (Shucksmith et al., 2005), but to the build-up of a highly competitive farm sector. This is to a large degree due to the generous EU and national support measures. On average, a farm in Germany had been entitled to public support payments in the budget year 2005/06 of 25,633 EUR per farm, or 392 EUR per hectare or 13,581 EUR per AWU (Table 5.1). Full-time family farms received, on average, about 24,300 EUR, or 396 EUR per ha or 12,596 EUR per AWU. Smaller family farms received a little more on a per hectare basis, but much less per AWU or per farm. Part-time farms received, on average, 8,323 EUR per farms, or 403 EUR/ha or 10,489/AWU. The big winners are the legal entities which are mostly concentrated in East Germany. They received, on average, 503,040 EUR per farm or 378 EUR/ha or 21,297 EUR/AWU. Since legal entities and larger family farms can be found in the Federal State of Saxony-Anhalt, the respective figures come up to 80,075 EUR per farm or 346 EUR/ha or 25,985 EUR/AWU. In general, farms in the NMS received higher direct and compensatory payments than those in the West. In this respect, farms in East Germany benefited much from the CAP. However, when analysing these figures, it has to be taken into mind that, besides farm size, the cost structures and the production patterns are to some extent different.

Table 5.1 Average Direct and Compensatory Payments to Farms in Germany in the Year 2005/06 (EUR)

Unit	Part-time Farms	Full-time Farms	Legal Entities	Saxony-Anhalt	Germany
Farm	8,323	24,300	503,040	80,075	25,633
Hectare	403	396	378	346	392
AWU	10,489	12,596	21,297	25,985	13,581

Source: BMELV: Annual Report 2007

6 CONCLUSIONS

Since unification and joining the EU, i.e. more than 15 years, there is still a big gap of development between the NMS, the EU-25 and particularly the OMS. The average unemployment rate is still double of the one of West Germany as well as the one of the EU-25. There are still big gaps with respect to major factors influencing future (economic) growth (Prime Minister's Office of Saxony-Anhalt: 3 August 2006):

- Low endowment with productive capital: capital endowment per inhabitant is about 25% lower in the NMS compared to the OMS.
- Low research and development capacities within the economy: less than 1% of GDP is spent for R&D; low share of technology-intensive sectors.
- Large deficits with respect to infrastructure: investments in schools, universities, R&D facilities and public infrastructure are too small to bridge the gap to the OMS.
- Strong deficits with respect to the economic structure: on average, (non-farm) enterprises are much smaller than in the OMS, the share of self-employed persons is very low and the share of export income is much smaller compared to companies in the OMS.

For the average East German, unification and EU accession meant a complete change of work and life. Many aspects of their experience had become worthless almost overnight. The first years brought a rapid decline of the agricultural sector, almost collapse of the industrial sector, high rates of unemployment and a cut of many services particularly in the rural areas. On the other side, there had been many new opportunities. A massive migration wave to the West followed unification. This migration trend is still ongoing up to now. Particularly rural areas are affected. With large-scale support programme the national government and the EU aimed to stop and reverse this development. Much has been accomplished up to now, but still more has to be done. What would have happened to the NMS and its rural areas if there had no or very limited support from the OMS and EU, is too theoretic. But it can be assumed that the major part of the population would have left their home areas in search for employment and income. Therefore, the support programmes by the German government and the EU can be regarded as successful.

With respect to rural areas in the NMS, they actually represent a development path whose first features can already be observed in the OMS as well. Declining populations, ageing of the remaining population, decline of economic activities and lack of resources to provide all items of the public infrastructure require the planning and testing of new rural models. As the case study about the Altmark Region shows a dedicated and committed population can achieve a lot if they get a certain level of support.

Rural development policies in Germany have to support regional actors in developing and implementing their respective regional development strategies. Up to now, it has been criticised as being too agriculturally focused, suffer from a growing urban bias and lack a vision. The governance of rural policy seems to be hampered by difficulties in terms of horizontal coordination of public and private actors involved as well as in terms of coordination mechanisms through different tiers of government. The 'cost of non-coordination' seems to be high. Innovative, place-based approaches like LEADER or "Active Region" are leading to the right direction, but still have a 'niche' character (OECD, 2007). The National Strategy Paper (BMELV, 2006) is the first policy document which tries to remedy these drawbacks.

Rural development is no longer seen as a sectoral, but a spatial approach. Solutions are not sought for individual sectors, but cross-sector regional approaches in an integrated

manner. When planning an activity, it has always to be looked for the effects on other sectors and the whole region. In addition, it has to be looked for the complementary and cooperation effects of two and more projects on the whole region. In this way, it is aimed to harmonize the social, cultural and economic demands a region faces with its ecologic functions. The different demands are considered jointly and across sectors. In conclusion, rural development in Germany is understood as a regionally focused, cross-sector, partnered, learning and long-term approach. The goal is to integrate the different sectors in one joint development strategy (BMELV, 2006). The LEADER approach has provided very good experiences albeit on a small scale. Its philosophy has been recognised by the national politicians. LEADER will play a prominent role in this development period 2007 - 2013.

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Annex: Interviews

Bock, Wolfgang: Private consultant and regional advisor to the Altmark Region, Halle (Saale), 9 May 2007, 1 August 2007, 6 September 2007

Schmidt, Ulf: Regional manager of the Altmark Region, Salzwedel, 4 September 2007

Prehm, Erhard: Head of the District Department for Planning and Environment, Salzwedel, 4 September 2007

Spohn, Hans-Joachim: former Head of the Office for Agriculture, Land Consolidation and Forestry of the Altmark Region and Deputy of the District Parliament of the District of Salzwedel, Altensalzwedel, 4 September 2007

Jacobs, Annegret: District manager of the German Farmers Union of the Salzwedel District, Salzwedel, 5 September 2007

Schlüsselburg, Verena: Head of the administration office of the Joint Administration Unit Bismark-Klöden and Head of a Leader Action Group, Bismark, 5 September 2007

Wallbaum, Ekkehard and Messrs Dietrich and Engelhardt: Office head and department heads of the Office for Agriculture, Land Consolidation and Forestry of the Altmark Region, Stendal, 5 September 2007

Werner, Torsten: Member of the board of the German Farmers Union of the Stendal District and the Federal State of Saxony-Anhalt, Stendal, 6 September 2007

Paetow, Sibylle: Manager of the pilot project "Active regions" sponsored by the German Ministry of Food, Agriculture and Consumer Protection in the Altmark Region, Stendal, 6 September 2007

Raup, P.: Managing Director at the District Employment Office, District of Stendal, Stendal, 10 September 2007