

THE BLACK BOOK OF AUSTRIAN AGRICULTURE

*A new book uncovering farm subsidies, tax breaks
and other agricultural intrigues has caused a political
storm and shaken the Austrian establishment*

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In “The Black Book of Agriculture – the intrigue of agricultural politics”, Hans Weiss tries to find a way through the seemingly impenetrable world of Austrian farm subsidies.* Judging by the response, Weiss, whose previous exposés of the chemicals and pharmaceutical industries sold more than five million copies, was on the right path. The book made headlines in Austria, found itself on the nightly news, and topped the bestseller chart. As Weiss puts it: “The farming bureaucracy foamed at the mouth.”

Take the head of Austria’s largest farming union, Fritz Grillitsch, a member of ÖVP, a conservative political party. He claimed not only that Weiss probably wrote the book under instruction from the Austrian Social Democratic Party (SPÖ) but also that he was a convicted criminal. Moreover, Grillitsch threatened to sue Weiss.

The book has eight chapters. In some, Weiss provides facts and figures about subsidy-related practices and tax tricks; in others, he introduces us to people with first-hand experience of the opaque world of agriculture subsidies or victims of the deteriorating circumstances of subsidy farming. The contrast makes for a detailed yet colourful account.

In the foreword, Weiss provides examples of the inequity of farm subsidies in Austria. He identifies prominent “mountain farmers” who also happen to be household names such as the business leaders Wolfgang Porsche, of the sports cars, and Dietrich Mateschitz, the inventor of the Red Bull energy drink. Both benefit from farm subsidies, albeit on a rather low level, but their cases illustrate the perversities in the system of subsidies and tax breaks for farming. Weiss goes so far as to describe Austrian farming as a tax shelter comparable with “those in the Caribbean”.

Since the 1950s Austrian agriculture has witnessed dramatic structural change. More and more small farmers have had to surrender their land while large-scale farms have grown bigger and bigger. As Weiss documents it, this development has affected both the economic balance of the country and also the landscape.

Many of the farmers and officials whom Weiss interviewed asked to remain anonymous. They say they’re afraid of powerful players such as the farm unions, the conservative ÖVP party and the Raiffeisen cooperatives and banks.

In the first chapter, “On the alp – the life of a mountain farmer”, Weiss describes the couple of days he spent with a

mountain farmer in the Bregenzerwald in late summer 2009. He calls the farmer ‘L’, and at first glance life on the farm and in the surrounding area seems perfect: quaint wooden farmhouses, emerald green meadows dotted with free range cattle, and farmers happily producing their own cheeses. But looking beyond the beautiful scenery, Weiss encounters abandoned pastures, trees growing again on disused farmland and farmers who no longer rear cows for milk: they simply do not make the effort any more.

‘L’ remains a traditional farmer who wants to pass on what he knows about animal husbandry. He does not complain about receiving too few subsidies. In fact, he says he gets good support from the government and that the agricultural chamber even boosts investments in technical facilities and buildings – a luxury in his eyes.

In the second chapter, Weiss takes a closer look at farm subsidies. In 2008, he says, Austrian farmers received more than 2.2 billion euros from the EU, the federal government and the federal state governments (of which 13 billion euros came from Brussels). ‘Cui bono?’, he asks. Not the small mountain farmers. They get just a fifth of the total. The biggest slice goes to the large-scale farmers and super-rich, aristocratic landowners, as well as to politicians and public officials and their families.

One such example of a super-rich landowner and “mountain farmer” is Julius Meinl, owner of a banking group with equity worth some 345 million euros.

The EU ‘money-go-round’

“The more you deal with it, the more you see clearly the unbelievable confusion created by the rules, definitions and figures in the farm subsidy empire (...) We are given the reassuring impression that a lot of money is distributed to farmers, that in any case it isn’t our money, it’s the EU’s. One almost feels fine with the idea of taking away a few million euros in subsidies from the overpowering octopus in Brussels. But that’s daft: out of the 2.2 billion euros which Austrian farmers received in 2008, 900 million euros came from the budgets of Austrian national and regional governments. Only 13 billion euros came from Brussels. And even this slice of the pie is fully financed, in the end, by the Austrian taxpayer – because we send more money to Brussels than we get back.”

Weiss mentions various other commercial businesses that Julius Meinl runs and says it would require a major investigation to get an overview of the full extent of Meinl’s business empire.

Weiss notes that six of the 10 richest Austrians get farm subsidies even though they hardly depend on them for their livelihoods. Among them is Hans Michael Piech, the brother of Ferdinand Piech (chairman of Volkswagen and a major shareholder in Porsche), who recently bought 40 percent of the Pinzgau Milch dairy. It received half a million euros in EU subsidies in 2007.

Another example is Rauch, a leading Austrian fruit juice producer. In 2008 it topped the list with almost 10 million euros in farm subsidies – more than all of the mountain farmers in the Vorarlberg area combined, Weiss notes. The company also receives farm subsidies in other EU countries, including Hungary. The Rauch family is worth an estimated 300 to 400 million euros, which they have “parked” in private foundations to reduce their tax burden. Weiss provides many other examples in the same vein.

The entire system of farm subsidies is characterised by special rules, exemptions and definitions which make it less transparent. According to Weiss, the opacity is intentional – it helps to obscure the “machinery of wasting tax money”.

As Weiss goes on to show, there are even pharmaceutical, chemical and trading companies that benefit from agricultural subsidies. For example, Sandoz, a subsidiary of Novartis (5.5 billion euros in profit in 2007) received 350,000 euros in subsidies. Hofer, a company that runs a chain of discount supermarkets, received 140,000 euros in agricultural subsidies in 2008. As a leading food discounter, Hofer is partly responsible for farmers making less and less income as farm-gate prices are forced ever downwards.

Weiss identifies other well-known companies that receive EU farm subsidies, including Kraft Foods, Haribo and Dutch company Nidera. The figures he provides are detailed and illustrate the opacity and perversity of the subsidy system. To take just one: even though the Vorarlberg area has the highest number of subsidy recipients, every year between 50 and 100 small Vorarlberg farms go out of business.

* Schwarzbuch Landwirtschaft – Die Machenschaften der Agrarpolitik, 2010. Pub: Deuticke, September 2010



Chapter three deals with the systematic and illegal transfer of land in the Tirol region after the Second World War. Most of the land had been communal property and farmers had had the right to use it. But powerful cooperatives, and politicians who were also long-established farmers, feared they could lose influence over the land because the number of farmers was declining. And so they decided to convert the communal land into private property.

One example Weiss gives is the case of the Bichlbach commune. He quotes from the minutes of a meeting in 1951 that unambiguously proves that powerful farmers feared losing influence. The head of the government's agricultural agency declared that farmers now privately owned the land that was formerly owned by the public.

In the ensuing years, several regions followed this example. The federal government of Tirol created an agency that specifically handled land transfer. The process was called "regulation". From today's perspective these regulations were abuse of authority. Tirol later saw a rise in tourism and farmers were able to profit from the sale of their land to property developers. Many members of agricultural cooperatives became millionaires in this way. Constitutional courts later considered the issue and declared the transfers illegal (for the first time in 1982) but similar practices prevail.

Chapter four deals with subsidies paid to sugar beet farmers and the artificially high price of sugar in the European Union. Until 2005, the price at which farmers and sugar producers could sell their sugar was a multiple of the actual price on the world market. This policy harmed developing countries such as Brazil and Thailand, which could have sold sugar for a cheaper price. That year, however, disadvantaged countries challenged this policy at the World Trade Organisation, and the sugar market was reformed.

Weiss explains the outcome of this reform in Austria: the price of sugar didn't fall as much as it should have, while the subsidisation of sugar producers and the sugar industry rose to such an extent that subsidies now comprise 90 to 100 percent of the income of Austrian sugar producers.

According to Weiss, sugar production isn't double or triple subsidised, but by a factor of eight. Before the reforms, sugar beet farmers earned around 27 percent of their income and received about 73 percent in subsidies. By contrast, since 2009, one in four sugar beet farmers is so inefficient that

100 percent of his or her income comes from subsidies. Weiss's figures come from the Austrian government's own study of the sugar reforms. Moreover, Weiss notes, the sugar beet farmers are shareholders of the Agrana group and own 11 percent of the globally operating sugar company.

Chapter five concerns Raiffeisen, Austria's biggest conglomerate. Raiffeisen has several subsidiaries operating in different industries, including banking, insurance, and food and agriculture. Its bank has total assets greater than the annual federal budget of Austria. Raiffeisen is a former agricultural cooperative and while the total number of farmers fell (from 430,000 operators in 1951 to 160,000 in 2010) Raiffeisen kept growing. Weiss explains how Raiffeisen acts like a normal bank but profits from its former social role as a cooperative. For example, between 2006 and 2008 Raiffeisen state banks paid 19 million euros in tax on earnings of 1.9 billion euros, a payment of just one percent. The normal corporate tax rate in Austria is 25 percent.

Weiss provides other examples to illustrate how various tax incentives work in Raiffeisen's favour. For instance, Austria's tax laws are more lenient than Germany's, which explains why so many rich Germans channel their money across the border. Weiss quotes adverts taken out by Raiffeisen in German newspapers to show how it tries to lure German customers with special Austrian discretion in terms of assets and taxes.

In chapter six Weiss looks into the special tax breaks for Austrian farmers. At first he says farmers often don't have to pay tax at all. Out of 170,000 farmers in Austria only three or four thousand pay income tax. The basis for calculation is the value of the farmed land rather than the farmer's real income. Were this privilege to be abolished, there wouldn't be any consequences for smaller farms. But larger farms would have to pay more and the tax revenues of the state would rise.

One reason why reform fails is because some officials oppose it. For example, the vice president of the Austrian chamber of agriculture, Franz Reisecker, says including subsidy income in the calculation of income tax liability is "not acceptable". Reisecker and his family run a 65-hectare farm and receive 43,000 euros in subsidies. Weiss asked Reisecker to answer some more detailed questions about his farm but never received a reply.

Elsewhere, Weiss explains how he followed a discussion on the website landwirt.com as farmers shared advice on avoiding tax

when purchasing land. It turns out that farmers can save money if they first buy a small plot of land and then buy a larger one next to it. Since they are already owners of the neighbouring plot, the acquisition of the latter one is considered to be land consolidation, which has certain tax advantages.

Chapter seven – "The death of the farmer" – sees Weiss travel from Vienna to Amstetten to witness the decline of farms in traditional rural areas. His guide is "Franz", an activist in protest group IG-Milch which has organised several demonstrations in support of fairness for farmers. Franz runs a small milk farm that's dependent on a large Raiffeisen dairy. He fears his contract will be terminated if he airs his criticisms openly. Instead he shows Weiss several phenomena associated with contemporary 'industrial' farming including in vitro cattle fertilisation and the felling of old fruit trees deemed worthless because it's easier to import fruit or concentrate for the production of juice.

Franz also takes Weiss to a dairy where farmers from IG-Milch protested against the falling milk price some time ago, when the consumer price of milk was rising. Dairies like those owned by Raiffeisen had demanded that farmers produce more milk, but that was only possible by running up higher expenses and falling into debt. So the farmers took action and joined forces. The outcome of their protest was that many supermarkets now sell milk at a price that gives farmers a better deal.

Weiss and his informant move on to an even more rural area in the region northeast of the town of Waidhofen. Farming has always been difficult there because the fields and meadows are too uneven to use bigger machines. As a result, the region is suitable only for dairy farming. Yet Weiss wonders why there are no cows grazing in the meadows alongside the road. Franz says the soil mostly consists of clay, an inappropriate surface for grazing cattle. Instead, they are kept in sheds. According to Franz, only 10 percent of Austria's cows are kept on grazing land.

The chapter ends with a series of stories about farms and farmers they come across on their trip. There is the farmer who killed himself, the farmer who still lives with his mother, the farmer whose wife left him because life became too hard, and so on. Weiss shows not only that traditional small-scale farming is declining but that it is really dying on its feet.



The final chapter – “Deluded consumers” – covers organic farming and the labelling of products as “organic” and “eco-friendly”: tags often used to lure customers. The claim that there’s no genetic engineering in Austrian agriculture is a fairy tale, Weiss says. Without genetically modified fodder, the current extent of livestock farming would be impossible, he writes.

Weiss quotes several farmers who produce organic foods. For many of them, organic farming is a better option in terms of financial earnings and sustainability. In their opinion, it means treating nature with more respect. But the picture is very different in the case of milk farming and livestock breeding. Cows are kept in sheds and everything is arranged industrially. Not only is the label “organic” often used incorrectly, but details about the origin of a product are often inaccurate too. For example, the Austrian company Handl Tyrol sells original bacon from Tirol that is made from German pigs. The company even gets state funding for its stock-breeding.

Weiss ends his book without summarising or reflecting on his findings. But perhaps that isn’t necessary, because his story stands

on its own. And the fierce public debate that ensued tells its own story. Sharply criticised, the Raiffeisen organisation didn’t respond to it. To an extent the strategy worked. The only publication to take a closer look at the conglomerate was the German weekly *Die Zeit*. The Austrian media more or less stood silent on the Raiffeisen issue.

Meanwhile, the book’s other topics and revelations were discussed by almost all of the Austrian media – with one exception. The *Kronen Zeitung*, one of the country’s biggest newspapers, didn’t mention the book. As Weiss explains: “Maybe that’s because its owner receives agriculture subsidies too: 130,000 euros a year.”

So far, though, Weiss hasn’t been sued. On the contrary, he sued Fritz Grillitsch, who retracted his insinuations about Weiss’s motivations and criminal record. Weiss has even gone on tour, his diary filled with invitations from bookstores, independent farm organisations, church groups and left-of-centre political parties like the Greens and the Social Democrats. The *Black Book* continues to shed a new light on the secrets of Austrian agriculture.

About the authors

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EU Transparency is a non-profit organisation which mixes journalism, data and the web to shed light on how European Union institutions and policies are working. Its first two projects are farmsubsidy.org (launched in 2005) and fishsubsidy.org (launched in 2009). EU Transparency has received financial support from the William and Flora Hewlett Foundation, the German Marshall Fund of the United States and the Pew Charitable Trusts.

