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Chapter 9

AGRICULTURAL POLICIES FOR RURAL DEVELOPMENT IN EUROPE: THE CASE OF GREECE

Polixeni Iliopoulou^{*1} and Panagiotis Stratakis²

¹Technological Educational Institute of Athens,
Department of Surveying Engineering, Ag. Spiridona and
Pallikaridou Str, Egaleo 122 10, Athens, Greece

²National Technical University of Athens, 42
Patision St. 10682, Athens, Greece

ABSTRACT

Greece is traditionally considered to be an agricultural country. In the last decades however, and particularly after Greece joined the European Union in 1981, the role of the agricultural sector in the country's economy has decreased. Since the secondary sector has become stagnant, tourism and other tertiary activities gain importance in Greece.

Rural development traditionally has been considered synonymous to agricultural development in Greece but also in several European countries. This was the case till the 1980's when the urban-rural dichotomy characterized rural space and rural population was identified in terms of employment in agriculture. Since the 1990's several studies in the European Union have indicated that rural regions present a great diversity. In fact the transformation of the agricultural sector from subsistence economy to market-oriented economy resulted to different patterns of rural development. Rural regions which possessed good agricultural potential took benefit from international markets, while mountainous regions with poor soils and small land ownership were left behind and experienced depopulation and economic decline.

Besides agricultural potential some other factors proved to very significant for rural development. Accessibility to urban centers and to transportation networks is very important for efficient agricultural marketing. In addition non-agricultural activities, such as tourism or small scale manufacturing are considered to contribute significantly to rural development.

^{*} E-mail: piliop@teiath.gr.

In such a complex landscape, agricultural policies in order to be efficient have to take into account a variety of factors such as agricultural potential, non-agricultural employment opportunities, accessibility to markets and the international environment.

In this chapter, the interplay between Common Agricultural Policy (CAP) and rural development policy in Europe will be presented. Rural areas in Europe and in Greece will be described and typologies of rural areas will be presented identifying groups of regions where different policies should be applied. A critical review of rural development programs in Greece will be presented in the framework of European agricultural and regional development policies. Special emphasis will be given on the role of organic farming which is considered to be an alternative to conventional agricultural practices, while it contributes to sustainable rural development.

1. INTRODUCTION

Agricultural policy has been one of the most important policies since the foundation of the European Union. Common agricultural policy (CAP) has undergone several reforms. At first, the basic goal of CAP was to ensure food supply, satisfactory agricultural incomes and affordable prices for the consumers. However production surpluses appeared as a result of this policy and CAP was reformed in 1992. The new goals included the reduction of the production surpluses, the protection of the agricultural land and the protection of the environment. Subsidies were disconnected from production and they were provided according to the area of cultivated agricultural land, while environment friendly- agricultural practices were encouraged. In the framework of Agenda 2000 CAP was reformed once again and rural development was established as the second pillar of agricultural policy. Problems in food quality and the environment led to increased interest for the production of healthy high quality products and environmentally sustainable production methods. Subsidies were disconnected from the type or the quantity of production and funding of large agricultural holdings was reduced in order to finance rural development.

Rural development traditionally was considered to be synonymous with agricultural development but nowadays employment in the primary sector has decreased and the diversification of rural economies is necessary. In the early 1990's rural areas and rural development drew interest in studies carried out by the European Commission. Gradually it became evident that first, rural areas were very important at least in terms of their territory in Europe, and second rural development could not be solely dependent on agriculture but other activities, such as manufacturing or services were equally important. Concern for the protection of the environment was also of increasing importance in this framework. These changes in the perception of rural development were certainly associated with the great decrease of employment in the primary sector in Europe and the abandonment of marginal agricultural land.

There are great differences between the European countries in terms of the characteristics of agriculture and of rural areas. In the last three decades there has been a transformation of rural space in terms of the way rural areas are adjusted to international markets. Rural areas with high quality agricultural potential and good infrastructures tend to get incorporated in the international system and be able to exercise profitable agricultural activity. Rural areas with poor agricultural potential in remote areas are not able to ensure satisfactory incomes and tend

to decline. The Mediterranean rural areas share many common characteristics in terms climatic conditions, topography and structural problems in the agricultural activity.

However, great differences in agricultural and rural development are observed not only among the European countries but also within each country. It is a common belief nowadays that rural areas present great complexity and rural development policies should be differentiated according to the different characteristics of rural areas. In that context in the early 1990's several studies at the European level but in individual countries as well, presented typologies for rural regions in an effort to suggest differentiated policies for rural development. Similar studies were carried out at an international level as well, mainly by the Organization for Economic Cooperation and Development (OECD).

Greece is a Mediterranean country, member of the European Union since 1981. It has been traditionally considered to be a rural country and agriculture still plays an important role in employment, although there are declining tendencies both in employment and in the share of agriculture in GDP. There are important differences among rural areas in Greece. Rural areas in the lowlands with good agricultural potential and easy access to transportation networks manage to ensure profitable economic activity, although these areas have suffered from the reductions of CAP subsidies. Greece is a mountainous country with many islands. Agricultural land in mountains and islands was utilized until the 1970's mainly for self-sufficient production.

After the great migration movements in the 1960's towards Western Europe and the major urban centers (Athens and Thessaloniki) agricultural land in the mountainous areas were abandoned, while agriculture in many islands gave its place to tourism. Despite these developments, Greece has a very dense settlement system and many small villages are still preserved in the mountains or the islands. Population in these regions is aging and social policy measures have to be taken to ensure satisfactory living conditions. In the less favored areas agricultural land and the physical environment have to be preserved.

Until recently, rural development in Greece was considered to be synonymous with agricultural development, but currently an integrated approach for rural development is adopted, in accordance with the changes in the European rural development policy after Agenda 2000.

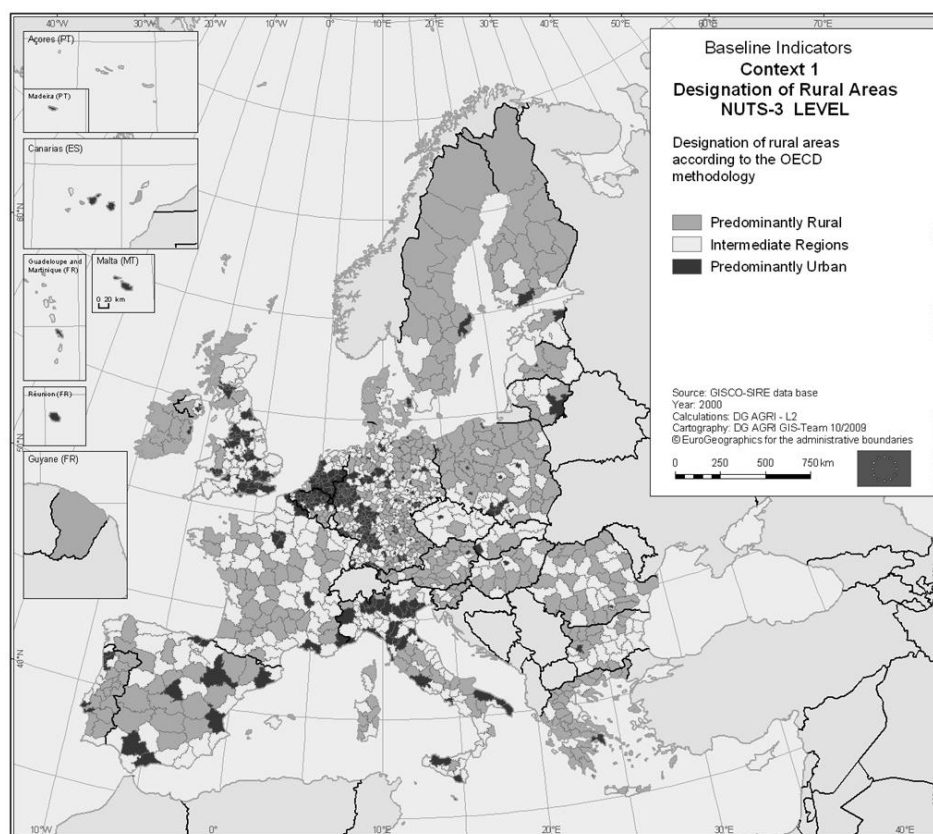
After the latest CAP reform, agricultural production and incomes have decreased and new alternatives for agricultural production have to be proposed, even in the so far prosperous agricultural regions in Greece. One of these alternatives is organic farming which is in accordance with the European agricultural policy and it is a growing activity in Greece in the last decade. Organic farming could ensure good prices for agricultural products while its agricultural practices are friendly to the environment and safe for public health.

In this chapter, the interplay between rural development policy and agricultural policy in the European Union will be presented, while emphasis will be given to the differentiation among rural areas in Europe. Empirical evidence will be presented for agriculture and rural development in Greece as well as the types of rural areas in Greece. Rural development policy in Greece in relation to agricultural policy will be presented and the possibilities for the introduction of innovative activities in agriculture, such as organic farming, will be discussed.

2. AGRICULTURE AND RURAL AREAS IN EUROPE

Rural areas in Europe are characterized by a very large diversity of situations, ranging from remote rural areas suffering from depopulation and decline to peri-urban areas under increasing pressure from urban centers. The importance of rural regions in EU is very significant in terms of their territory and population.

According to the OECD definition¹ (OECD, 1994), as it was adjusted by the European Union, rural regions accounted for 90% of EU territory in 2006, of which more than half is farmed, and 56% of the population (Figure 1).



Source: "Rural Development in the European Union, Statistical and Economic Information - Report 2009" of DG Agriculture.

Figure 1. Rural Areas in Europe.

¹ The OECD definition is the only internationally recognized definition of rural areas and it is based on the demographic density criterion. According to this definition the density threshold was set at 150 inhabitants per square kilometer for rural areas in Europe, North America, Australia and New Zealand. Three types of regions according to their degree of rurality were identified: "predominantly rural" - if more than 50% of the population lives in rural communities; "significantly rural" ("Intermediate rural" in the European Union) - if the share of rural population is between 15 and 50 per cent; "predominantly urbanized" - if less than 15 per cent of the population is classified rural. An "urban center" in Europe is defined as a local unit LAU2 (e.g. municipality) with a population density above 150 inhabitants per Km² and total population above 200,000 inhabitants (European Union, 2009).

The corresponding shares for predominantly rural areas were 54% of the territory and 19% of the population. These regions generate 43% of Gross Value Added in the EU and provide 55% of the employment, but tend to lag behind non-rural areas as regards to a number of socioeconomic indicators, including structural indicators.

The importance of the primary sector is declining representing 9% of the employment and 3% of the value added and the majority of the economic activity depends more and more on the service sector (European Union, 2009). In rural areas, per capita income is lower by approximately 30%, activity rates for women are lower, the service sector is less developed, higher education levels are generally lower, and a smaller percentage of households have access to broadband Internet (Council of the European Union, 2006). Remoteness and peripheral location are major problems in some rural regions. These disadvantages tend to be more apparent in predominantly rural regions, although the general picture at EU level can vary substantially between Member States.

In Table 1 some basic statistics for the members of the European Union are presented and the differences among the countries in population size, rural population and incomes are evident. The conditions for agricultural production present great diversity as well, since different regions have specific production methods according to the environmental conditions, culinary traditions and farming methods developed over centuries.

In Table 2 some key agricultural statistics are presented, i.e. the size distribution and the average size of holdings, and employment in agriculture. Some of the new members of the EU, such as Malta, Romania and Cyprus together with Greece present the lowest average farm size (less than 5 ha), while the Czech Republic, Denmark, Luxembourg, the United Kingdom and France have the largest average size (more than 50 ha).

In terms of the employment in the primary sector four countries (Romania, Poland, Portugal and Greece) have a share of employment over 10%, twice as much the European average of 5.4%.

On the other hand, the diversification of the rural economies towards other sectors than agriculture is progressing:

- 35% of European farmers had another gainful activity than agriculture in 2007, this percentage being even higher than 50% in many countries and regions (particularly in Slovenia, Sweden and Cyprus)
- 82% of employment and 95% of value added in predominantly rural areas of EU-27 came from the non-agricultural sectors, a result of increasing trends between 2000 and 2006.

Tourism is a major opportunity in terms of potential growth for rural areas and 27% of bed places are in predominantly rural areas (European Union, 2010).

The differences among rural regions in EU have been studied since the late 1980's, when the importance of the rural areas was explicitly recognized. A comprehensive study was presented which was the first one to address the importance and the complexity of rural space and lay down the principles for rural development in Europe (Commission of the European Communities, 1988). In this study it was pointed out that 80% of the European territory was considered to be rural, including small towns as well, which play the role of service centers for the surrounding rural regions.

Table 1. European Union: Population and GDP per inhabitant

Country	Population (1000 inhabitants)	% rural population PR ¹	% rural population IR ¹	GDP/inhabitants PPS ²
EU-27	497,645	19	37	25,100
Belgium	10,667	4	11	28,600
Bulgaria	7,640	25	59	10,100
Czech Republic	10,381	5	84	20,100
Denmark	5,476	43	28	29,800
Germany	82,218	13	29	29,100
Estonia	1,341	11	77	17,100
Ireland	4,401	72		34,300
Greece	11,214	37	27	23,500
Spain	45,283	14	38	25,900
France	63,983	17	54	26,900
Italy	59,619	9	37	25,200
Cyprus	789		100	24,100
Latvia	2,271	39	29	14,000
Lithuania	3,366	20	55	15,300
Luxembourg	484		100	68,100
Hungary	10,045	41	42	15,700
Malta	410			18,900
Netherlands	16,405	1	16	33,900
Austria	8,319	46	31	30,900
Poland	38,116	46	31	14,400
Portugal	10,618	21	27	18,900
Romania	21,529	41	50	11,500
Slovenia	2,010	58	43	22,700
Slovak Republic	5,401	25	64	18,000
Finland	5,300	53	21	28,900
Sweden	9,183	49	30	30,300
United Kingdom	61,176	2	28	29,400

¹PR=predominantly rural, IR= intermediate rural, calculations at the NUTS III level.

²Purchasing power standard.

Source: European Union, 2010.

Table 2. Key agricultural statistics

Country	% of holdings in the size class of <5 ha 2007	% of holdings in the size class of >20 ha 2007	Average size (ha) 2007	Employment in the primary sector (%) 2008
EU-27	70.4	11.0	12.6	5.4
Belgium	25.4	46.1	28.6	1.8
Bulgaria	94.9	2.0	6.2	7.5
Czech Republic	50.4	28.0	89.3	3.3
Denmark	3.7	57.7	59.7	2.8
Germany	22.6	45.1	45.7	2.2
Estonia	36.1	24.1	38.9	3.9
Ireland	6.5	57.0	32.3	5.7
Greece	76.2	4.3	4.7	11.4
Spain	52.8	20.4	23.8	4.3
France	24.7	56.2	52.1	3.1
Italy	73.3	7.4	7.6	3.8
Cyprus	86.5	3.0	3.6	4.3
Latvia	40.9	14.7	16.5	7.9
Lithuania	60.5	8.6	11.5	7.9
Luxembourg	17.9	64.7	56.8	1.8
Hungary	89.4	3.9	6.8	4.5
Malta	97.4	0.0	0.9	2.0
Netherlands	28.0	41.8	24.9	2.8
Austria	33.5	26.9	19.3	5.6
Poland	68.5	5.2	6.5	14.0
Portugal	72.6	8.0	12.6	11.5
Romania	89.8	0.8	3.5	28.8
Slovenia	59.0	4.2	6.5	8.6
Slovak Republic	87.2	6.2	28.1	4.0
Finland	9.7	56.1	33.6	4.6
Sweden	15.0	47.4	42.9	2.1
United Kingdom	39.8	40.2	53.8	1.4
EU-25	60.9	15.8	16.8	4.3
EU-15	54.5	22.1	22.0	3.4

Source: European Union, 2010.

The high share of rural areas in the European territory alone justifies an increased interest for rural areas. On the other hand, the differences observed in the level of development of rural areas and the increased attention for issues of environmental protection led to a

classification of rural areas in groups of similar characteristics, problems and development perspectives. A typology of rural areas was proposed which indicated three major types:

1. Rural areas which are close to major urban centers and they are ecologically at risk.
2. Declining rural areas, mostly Mediterranean, facing problems of development and economic differentiation.
3. Remote and non-accessible areas, e.g. mountainous zones and islands, where rural decline, desertification and the abandoned agricultural land are prevailing and the possibilities for economic differentiation are extremely limited.

According to these three types of rural regions, different approaches for rural development were proposed such as: emphasis on environmental protection for the first type, reinforcement of economic activities for the second type and social policy aiming to demographic stabilization for the third type.

Similar studies of rural regions followed both in the EU but also in OECD, proposing rural typologies (Commission of the European Communities, 1992; European Commission, 1994; OECD 1993, 1995). Usually three types of rural regions are identified which can be generally characterized as dynamic rural regions, rural regions of intermediate development and declining rural regions. The criteria employed to describe these types of regions involve demographic and economic indicators combined with accessibility and infrastructure characteristics of the regions.

The purpose of these studies of rural areas is to identify the factors which can contribute to rural development. New approaches for rural development have been described in detail in OECD and EE documents (Council of the European Union, 2006; European Commission, 2007; OECD 2003, 2005, 2006). Four key directions may be identified:

1. Rural is no more synonymous to agriculture. Despite common beliefs which still influence rural development policies, rural regions and rural population are not solely dependent on the agricultural sector. Although employment in the primary sector is still important to rural areas, the diversification of rural economy is required for rural development.
2. Non-agricultural activities become increasingly important in terms of employment. Actually those rural regions which experience economic growth have managed to develop non-agricultural activities, such as manufacturing. In addition, tourism, crafts and the provision of rural amenities are growth sectors in many regions and offer non-agricultural employment opportunities.
3. Rural development policies should promote non-agricultural activities together with measures for environmental protection and the improvement of the quality of life in general. Rural development policies are no longer sectoral but place-based and involve integrated development programs.
4. Sustainable rural development is increasingly becoming a priority including economic growth, improvement of social conditions, and conservation of natural values, with sustainable agriculture playing an important role.

3. COMMON AGRICULTURAL POLICY (CAP) AND RURAL DEVELOPMENT IN EUROPE

The combined agricultural and food sector forms an important part of the EU economy, although the shares of agriculture in employment and in GDP have declined significantly (5.4% and 1.2% respectively in 2008). The sector remains highly polarized and fragmented in terms of size with significant opportunities and threats for firms (European Union, 2010).

The CAP is one of the oldest European policies and was included in the Treaty of Rome (1957). The period after World War II found agricultural production crippled and food supplies could not be guaranteed. For these reasons agriculture was one of the first sectors of the economy to receive the attention of European policymakers. In the Article 39 of the Treaty of Rome the objectives for the first Common Agricultural Policy (CAP) were set out. The emphasis of the early CAP was on increasing agricultural productivity in order to ensure a stable supply of affordable food to consumers and a fair standard of living for the agricultural communities.

The CAP offered subsidies and systems which guaranteed high prices to farmers, providing incentives to farmers to increase production. Financial assistance was provided for the restructuring of farming, for example by subsidizing investment, in favor of farm growth, and management of technology skills, so that farmers would adapt to the economic and social conditions at the time. Certain measures were introduced in the form of help for early retirement, for professional training and for less favored regions. During this early period CAP represented a significant proportion of the European budget expenditure, over two-thirds in some years.

The primary objective of producing more food was realized and CAP was very successful in moving the EU towards self-sufficiency from the 1980's onwards. This goal was served by the European Agricultural Guidance and Guarantee Fund, of which the Guidance part financed structural measures within the framework of the CAP and the Guarantee part financed the implementation of the CAP markets policy. In the mid 1980's however, food surpluses accrued, distorting trade and raising environmental concerns. Surpluses were created in major farm commodities, such as, cereals, beef and butter. Some of the surpluses were exported (with the help of subsidies), others had to be stored or disposed of within the EU. During the 1980's and 1990's several measures were used in the EU in order to limit production of surplus products: fixed quotas on milk production, with penalties for overshoots; limits on the area of crops/numbers of animals for which a farmer could claim subsidies; at first voluntary, then compulsory set-aside obliging farmers to leave a percentage of their land uncultivated. As a result, since the mid-90s surpluses were significantly reduced.

CAP reforms which were implemented in the 1990s, served to reduce the gap between EU prices and world prices, while the outcome of the World Trade Organization (WTO) agricultural agreement of 1995 resulted to reduced usage of export subsidies, such as the compensation of European farmers for exporting products at world market prices which were lower than EU prices. These policy initiatives did not have a negative effect on agricultural exports, although the EU remains a net importer of agricultural products, particularly from less developed countries.

Production surpluses together with the increasing concern for the environmental sustainability of agriculture were the principal drivers for changes in the CAP, a process that

started in the early 1990s and has resulted in a change from support for production towards a market-oriented and a more environment-friendly and sustainable agriculture.

A major reform started in 1999 with the “Agenda 2000” which introduced: reductions in market support prices compensated partly by direct aid payments; a rural development policy which recognizes the multifunctional role of agriculture but also the need for diversification of rural economies; compliance of farmers with environmental targets in order to get direct aid (“cross-compliance”). “Agenda 2000” resulted into two new regulations concerning CAP and rural development:

First, in 1999 a Rural Development Regulation (Council of the European Union, 1999) was adopted which established the framework for Community support for sustainable rural development and stated that rural development measures shall accompany and complement other instruments of the common agricultural policy. In this way rural development became the “second pillar” of CAP.

Second, in 2003 a further fundamental reform of CAP was adopted (Council of the European Union, 2003) which severed the link between subsidies and production (“decoupling”). In the past, the more farmers produced the more they were subsidized. With this CAP reform, the vast majority of aid to farmers was paid independently of how much they produced. Under the new system farmers still received direct income payments to maintain income stability or to face disasters or outbreaks of animal diseases, but the link to production was severed and assistance was more selective. Also financial assistance was linked to compliance (“cross-compliance”) with broader objectives in the areas of farm hygiene and food safety, animal health and welfare, preservation of traditional rural landscapes, as well as bird and wildlife conservation. The decoupling of support from production and the progressive reduction of aids allowed a transfer of savings to the second pillar (a process known as “modulation”). In 2005 a new regulation (Council of the European Union, 2005a) introduced two funds financing CAP, including rural development, a European Agricultural Guarantee Fund (EAGF) and a European Agricultural Fund for Rural Development (EAFRD). The EAGF finances direct payments to farmers, intervention measures to regulate agricultural markets and export refunds, while the EAFRD finances the rural development programs of the Member States.

Future trends include further elimination of subsidies and removal of restrictions on farmers. Also in order to face new challenges such as climate change, water management, bioenergy and biodiversity, CAP supports innovation in agriculture by increasing productivity while making farming more environmentally friendly, for example by encouraging organic farming or energy production from crops.

Cost savings from reforms have resulted to a gradual decline of CAP’s share in the EU budget from a peak of nearly 70% in the 1970’s to 34% over the 2007-2013 period, while 11% of the budget will be allocated to rural development over the same period.

With the latest CAP reform a comprehensive rural development policy was introduced. Together these policies aim to encourage entrepreneurial behavior so that farm managers can respond better to market signals, introduce new techniques and promote diversified activities such as rural crafts, food processing facilities on farms, tourism, or afforestation, as well as promoting sustainable farming practices and various other rural development measures. Sustainable rural development became a priority in the European agricultural policy.

Organic farming is a basic activity towards sustainable development of rural areas. It is a production method that maintains soil structure and fertility, promotes a high standard of

animal welfare, and avoids the use of products authorized in conventional agriculture, such as synthetic pesticides, herbicides, chemical fertilizers, growth promoters such antibiotics or genetically modified organisms. Organic farming contributes to the preservation of biodiversity, soil fertility, the production of safe agricultural products and the reduction of emissions of greenhouse gases (International Trade Centre, 2007). Furthermore, it has the potential for significant contribution to rural development (Banks and Marsden, 2001; Grando, 2003) due to its emphasis on sustainability and the preservation of local products and local agricultural practices (Darnhofer, 2005; Pugliese, 2001). It is considered as an alternative innovative activity which contributes to environmental preservation (Dima and Otero, 1997; Mccan et al., 1997; Rigby and Cáceres, 2001). In the European Union organic farming is a dynamic sector, accounting in 2007 for an estimated 7.1 million hectares (3.9% of total agricultural area), while the average annual growth rate for the period 2003-2007 was around 6% (European Union, 2009).

4. RURAL DEVELOPMENT POLICY IN EUROPE

Rural development policy has evolved as an important policy field in the European Union in the last years. Farming and forestry are the main land uses in rural areas; however it is recognized that agriculture alone cannot guarantee jobs and growth in rural areas. Rural areas are more important in terms of their territory than in terms of their population. Given however the fact that a significant part of the lagging regions in EU belong to rural areas, rural development policy is necessary for the elimination of regional disparities. Furthermore, assistance to rural areas aims at preserving the natural environment and preventing the abandonment of agricultural land, through the continued use of agricultural land with sustainable farming practices and the maintenance of the landscape and the countryside.

In 1999 the Rural Development Regulation (RDR) was adopted as the legal framework for rural development in EU which became CAP's second pillar (Council of the European Union, 1999). The main objectives of this regulation were the multifunctionality of agriculture beyond the production of foodstuffs; a multisectoral and integrated approach to rural economy in terms of the diversification of rural economies with non-agricultural activities and the preservation of the natural environment and of the rural heritage; and flexible aids for rural development adapting to local conditions, known as "bottom-up approach". This regulation expressed the shift from sectoral agricultural policies to integrated rural development programs. The measures adopted in this period included early retirement, agro-environmental measures and farmland afforestation together with support for investment in agricultural holdings, training of farmers, marketing and processing of farm products and rural diversification. In this period rural development was financed by the preexisting funds for agriculture (EAGGF-Guarantee and Guidance sections) and it is estimated that rural development absorbed around 10% of total CAP expenditure for the programming period 2000-2006 (Caraveli, 2006).

For the current programming period 2007-13 the framework for rural development policy in the member states was set out by the Council Regulation (EC) No. 1698/2005 in which the specific objectives and rules for the support for rural development by the European Agricultural Fund for Rural Development (EAFRD) are defined (Council of the European

Union, 2005b). According to this regulation, EAFRD's goal is to contribute to the promotion of sustainable rural development throughout the Community in a complementary manner to the market and income support policies of the CAP and to the European cohesion policy. The three axes for Rural Development support for the period 2007-2013 are:

- a) Improving the competitiveness of agriculture and forestry by supporting restructuring, development and innovation;
- b) Improving the environment and the countryside by supporting land management;
- c) Improving the quality of life in rural areas and encouraging diversification of economic activity.

Council Regulation (EC) No. 1698/2005 was followed in 2006 by the Council Decision 2006/144/EC which set out the Community strategic guidelines for rural development for the period 2007-13 (Council of the European Union, 2006). This document identifies three priorities in compliance to Council Regulation (EC) No. 1698/2005. A fourth priority namely "building local capacity for employment and diversification" concerns the "Leader approach" to rural development based on the Leader Community Initiative², which proved successful in former programming periods. The "Leader approach" to rural development aims at implementing local strategies for rural development and involves highly individual projects designed and executed by local partnerships to address specific local problems. Rural Development is now financed by a single fund: the European Agricultural Fund for Rural Development.

Axis 1 includes actions for further restructuring and modernization of the agricultural sector, such as improving integration in the agrifood chain, facilitating innovation and access to RandD, adoption of Information and Communications Technology (ICT) and production complying with high environmental standards.

Axis 2 includes actions for environmentally safe farming practices, preservation of the landscape and forests, combating climate change and growth of organic farming.

Axis 3 includes a variety of measures for the improvement of incomes and the quality of life in rural communities. Economic diversification, tourism, training, encouragement of the entry of women into the labor market, investment in cultural heritage, renovation, diffusion of ICT, developing micro-business and crafts and renewable energy sources are some of the actions proposed.

Finally the "Leader Axis" is designed to support rural actors for the implementation of integrated, high quality and original strategies for sustainable development. Leader has a strong focus on partnership and networks of exchange of experience. It supports small-scale actions aiming to the mobilization of the endogenous potential of rural areas by promoting local schemes of cooperation for actions such as the production of local products, the renovation of rural settlements and the protection of rural heritage.

The allocation of funds for rural development for the countries of EU-27 and for the period 2007-13 is presented in Table 3.

² Community initiatives are funds granted for a variety of purposes based on guidelines of the European Union and financed by the European Structural Funds.

Table 3. Community support for rural development 2007-13

Country	Funds for rural development 2007-13 (euros)	Funds for rural development/rural population
EU-27	96,197,174,687	347
Belgium	487,484,306	299
Bulgaria	2,642,248,596	412
Czech Republic	2,857,506,354	311
Denmark	577,918,796	149
Germany	8,951,895,055	258
Estonia	723,736,855	619
Ireland	2,494,540,590	787
Greece	3,906,228,424	544
Spain	8,053,077,799	345
France	7,584,497,109	168
Italy	8,985,781,883	328
Cyprus	164,563,574	209
Latvia	1,054,373,504	680
Lithuania	1,765,794,093	699
Luxembourg	94,957,826	196
Hungary	3,860,091,392	462
Malta	77,653,355	
Netherlands	593,197,167	210
Austria	4,025,575,992	632
Poland	13,398,928,156	454
Portugal	4,166,823,028	823
Romania	8,124,198,745	415
Slovenia	915,992,729	456
Slovak Republic	1,996,908,078	416
Finland	2,155,018,907	549
Sweden	1,926,061,954	265
United Kingdom	4,612,120,420	248

Source: European Union (2009, 2010), own calculations.

The larger amounts are directed to countries such as Poland, Italy, Germany, Romania and Spain. However if these amounts are divided by the rural population (in predominantly rural and intermediate rural areas), the largest amounts of community support concern Portugal, Ireland, Lithuania, Latvia, Austria and Estonia.

A general remark concerning rural areas and rural development policy in Europe is that while in earlier programming periods there was a clear distinction among the southern Mediterranean countries (Greece, Italy, Spain and Portugal) and the developed Northern

countries, after the accession of the new members of Central and Eastern Europe the situation has changed. Most of the new members are characterized by a strong presence of rural population and low incomes; therefore they tend to absorb large shares of agricultural and rural development policies funds. Furthermore, it is no longer easy to form groups of rural areas, since, according to the indicators employed, different rural patterns emerge. In general, rural patterns have become more complicated and in order to reach some classification for policy purposes a detailed geographical breakdown is necessary. This is more obvious for studying environmental aspects in rural areas and issues such as the diversification and the quality of life in local communities. At a European level it is recognized that still there are serious data limitations for such detailed studies. The delineation of many geographical units has evolved over times and time series are not available, while at the NUTS 3³ level data are often unavailable or incomplete (European Union, 2009). As a result a limited number of reliable indicators for rural areas are available for the European territory as a whole.

5. AGRICULTURE AND RURAL DEVELOPMENT IN GREECE

Definition of Rural Areas

In Greek Censuses rural areas are not defined in terms of demographic density but according to population size. In the (latest) 2001 Census rural areas are defined as those municipal departments (LAU2⁴ regions) in which the largest locality has less than 2000 inhabitants. According to this definition rural areas were 85% of total area and rural population was 27.2% of total population (10,934,097 inhabitants in 2001). Rural population has gradually decreased from 35.2% in 1971 to 27.2% in 2001.

However, according to the EU definition of rural areas and estimations for the year 2006 (European Union, 2009), rural territory and especially rural population in Greece are much higher: 73.9% of the territory belongs to predominantly rural regions and 23.2% to intermediate rural regions, while 36.6% of the population is in predominantly rural regions and 27.4% in intermediate rural regions. The corresponding percentages for EU-27 are 54.4% of territory and 19.2% of population in predominantly rural regions and 36.6% of territory and 36.5% of population in intermediate rural regions. Therefore it appears that rural areas in Greece are more important compared to the average in EU-27, especially concerning the predominantly rural regions category.

In Figure 2 the spatial distribution of the share of rural population is presented for the 51 NUTS3 regions in Greece, employing the national definition of rural areas (Hellenic Statistical Authority, 2010). What appears in this figure is a familiar for Greece spatial pattern. Rural population is lower along the S-shaped axis which lies along the eastern coast of the country and connects the two major urban centers, Athens and Thessaloniki, through the major highway of the country. Dynamic regions are mostly concentrated along this axis and rural population is low in these regions.

³ The NUTS (Nomenclature of Territorial Units for Statistics) classification is a hierarchical system for dividing up the territory of the EU: NUTS 3 small regions for specific diagnoses.

⁴ LAU2 regions: Local Administrative Unit; lower LAU level (formerly NUTS level 5) consists of municipalities or equivalent units in the 27 EU Member States.

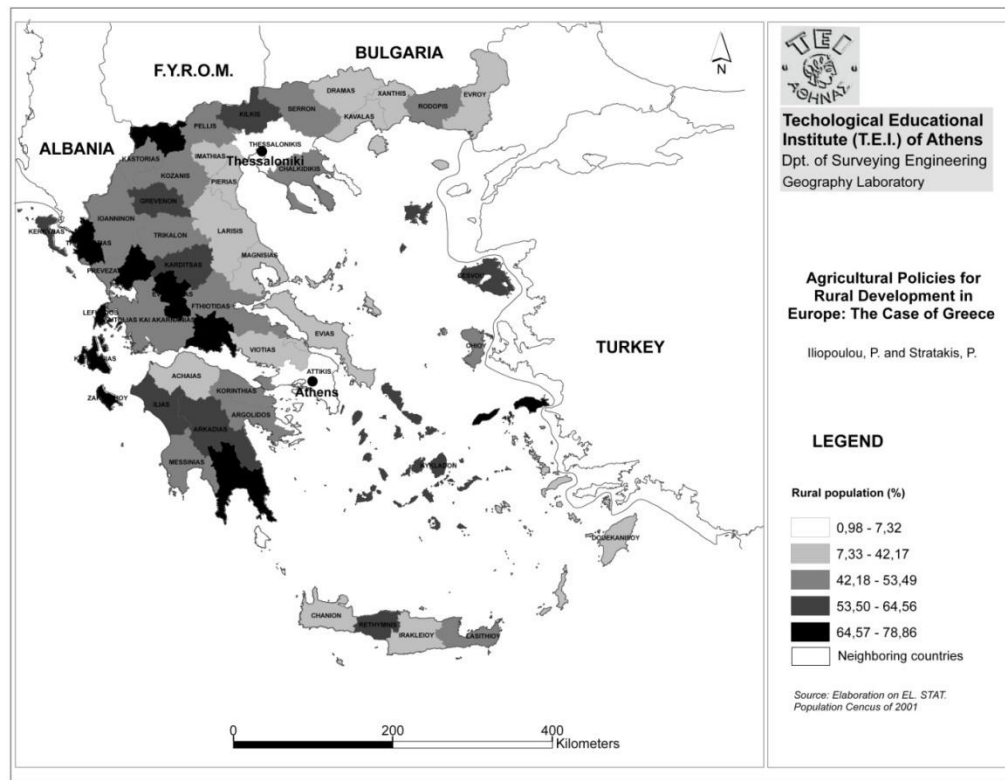


Figure 2. Rural population in Greece (2001).

Agriculture in Greece

Agriculture is still important for rural areas in Greece. Employment in the primary sector is double the European average (11.4% vs. 5.4% in EU-27 in 2008). However, employment in the primary sector steadily decreases from 30% in 1980 to 11.4% in 2008.

Utilized agricultural land is only 30% of the total area of the country (13,196,887 ha), because of the mountainous character of Greece, while 82.7% of the total agricultural land is classified as less-favored areas (LFAs⁵). On the other hand, a significant part of agricultural land (14.2%) is considered to have important ecosystems and belongs to the Natura 2000⁶ network (Hellenic Republic, 2010).

Agriculture in Greece faces structural problems such as the small farm size. Holdings with less than 5 ha are 76% of total exceeding the European average, while the average size is 4.7 ha per holding in 2007 vs. 12.6 ha in EU-27 (Table 2). Moreover holdings consist of several detached parcels with an average size of 0.7 ha. The share of the primary sector in GDP is decreasing (2.3% in 2008), while investment in the sector is decreasing as well. New technologies are slowly introduced in production, while expenditure in research and development is small. The linkages between agricultural production and manufacturing are

⁵ Less favored areas are mountainous areas where natural handicap payments are provided through the regulation 1698/2005.

⁶ Natura 2000 is a European network of sites where ecosystems are protected.

insufficient. In terms of human capital, a serious problem is the ageing of farmers (18.5% over 65 years old in 2007). In addition their educational level is low; 14.3% have no or some elementary education, while 69% have completed only elementary education (European Union, 2010; Hellenic Republic, 2010).

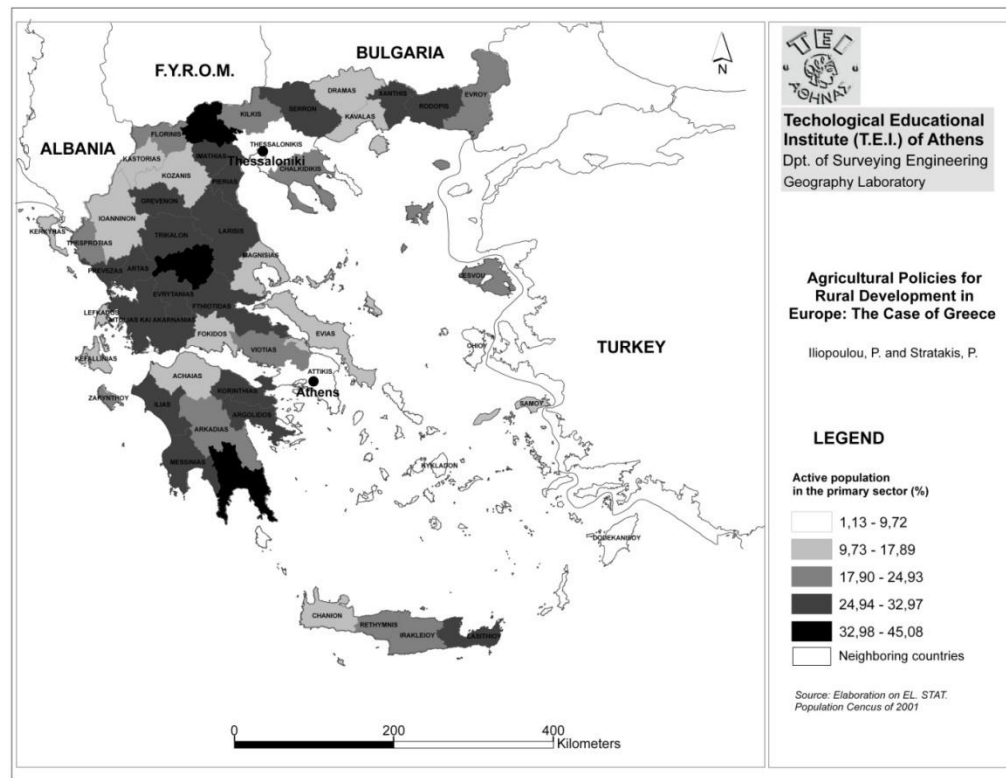


Figure 3. Percent of population in the primary sector (2001).

The latest CAP reforms had serious impact on the production of certain key crops in Greece, such as tobacco, cotton and sugar beets. Because of the decoupling of aid from production, agricultural land formerly devoted to these crops remains uncultivated and new crops have to be introduced so that agricultural land will not be abandoned. Only a few large holdings are viable under the new conditions and usually in terms of combined economic activity with livestock production. Several farmers have abandoned production, while receiving subsidies, and seek to rent their land. As a result incomes have decreased in these areas and a restructuring of the agricultural production system is necessary. Some alternatives in that respect are non-food crops for the production of bio-fuels as well as competitive high-quality agricultural products which are produced with methods friendly to the environment and the society. Organic farming is one of these alternatives.

On the other hand non-agricultural employment is prevailing in rural areas. It is estimated that only 12.3% of the heads of agricultural holdings are fully occupied in agriculture, the rest has income from other sources as well. In Greece by far the most important sector of the economy is the service sector which accounts for 65% of employment, while employment in manufacturing is much lower (around 22.5%). The tourist sector is crucial for rural

development, since it provides development possibilities for small islands and mountainous areas which have very limited agricultural or manufacturing possibilities. Finally, Greece is a net importer of agricultural products, especially of livestock products. Only some crop products, such as fruits and vegetables and olive oil present a positive export balance (Hellenic Republic, 2007).

In Figure 3 the percent of active population in the primary sector for the 2001 Population Census is presented. It is apparent that the two largest urban areas in Greece, Attiki and Thessaloniki, have the lowest percentage of employment in the primary sector. However, given their population, employment in the primary sector in these two regions is of considerable size. It is also remarkable that the small islands of South Aegean (Kyklades and Dodecanesos) are not dependent on agriculture due to their tourist development.

Rural Patterns in Greece

After World War II and until the 1980's, Greece was characterized by the traditional dichotomy between the city and the region or between urban and rural areas. This distinction appeared in all analyses of demographic, economic and social indicators, and it was also apparent in urban and rural landscapes and the way of everyday life. In the 1960's and 1970's internal and external migration resulted to the demographic decline of rural areas, often accompanied by the abandonment of agricultural land, especially in the mountainous and island regions. In the 1980's, which may be considered a new historical period both in political and economic terms, and was also the time of the country's accession to EEC, the above dichotomy gradually gave its place to more complex spatial patterns. Demographic stabilization has been the first clear indicator of this process. In addition rural incomes in this period experienced a significant increase, which was attributed both to the agricultural sector with increased CAP subsidies and to tertiary activities, especially tourism. Since 1989 the construction of infrastructure in rural areas was accelerated through the structural funds of the Community Support Frameworks (CSFs)⁷. Small and medium-sized towns present functions similar to those in large cities, especially when retail and recreational activities are considered, while the urban lifestyle is diffused into rural areas. However, these developments do not apply to all rural areas.

Rural areas which have successfully assimilated structural change present quite satisfactory incomes and standards of living, while rural areas in remote areas without significant agricultural capacity tend to decline. Thus, in the present time rural areas in Greece are characterized by complexity and uniformity at the same time.

The new situation of rural areas in Greece was first studied in the late 1980's. In a research project including field research in rural settlements, a typology of rural areas in Greece was proposed identifying three types of rural areas (Agricultural University of Athens, 1991):

⁷ Community support frameworks were medium termed programs financed by the European Union: the first for the period 1989-93, the second for the period 1994-99 and the third for the period 2000-2006. In the current programming period the National Strategic Reference Framework (NSRF) has replaced CSFs according to EU regulations for the Structural Funds.

1. Dynamic rural settlements which combine profitable agricultural activity and proximity to urban centers
2. Rural settlements with intermediate development which have satisfactory agricultural potential, but they are at relatively great distances from urban centers
3. Rural settlements which do not possess sufficient agricultural production capability and in combination with the lack of alternative economic opportunities are in a process of continuous decline.

The hypothesis of the research was that rural development depends on two factors: agricultural potential and proximity to urban centers. Analysis was initially carried out at the NUTS3 level followed by a survey in selected areas at the LAU2 level. The main conclusion of this research was that proximity to urban centers, in terms of accessibility to a variety of services, proved to be more important to rural development in comparison to agricultural potential.

A number of other typologies of rural areas in Greece have been performed (Hellenic Ministry for the Environment, Physical Planning and Public Works, 1998; Iliopoulou 2001, 2005) which identify similar regional types in different time periods. However, rural patterns are not stable and several NUTS3 regions belong to different regional types in different time periods.

In Figure 4 a typology of rural areas in Greece is presented employing the most recent data available at the NUTS3 level. A series of composite indices were used for the classification belonging into three groups: demographic indices (population density, population change, population ageing and rural population), agricultural indices (employment in the primary sector, cultivated and irrigated land, utilized agricultural land and agricultural income) and economic diversification indices (employment in the food industry and in tourism and construction activity). Cluster analysis was performed for the purpose of regional classification.

Five regional types were identified:

1. Dynamic regions which are quite densely populated, with a rather low percentage of rural population. The presence of major urban centers limits the share of the primary sector and the economies are diversified with activities in the tertiary and secondary sectors. Economic activity in the primary sector, although limited, is quite profitable, the agricultural resources are considerable and the reduction of the employment in the primary sector is much lower than in other regions.
2. Dynamic agricultural regions which are characterized by significant agricultural potential, while they are close to urban centers and highways. Several of these regions are located along the developed eastern coast of Greece. The combination of agricultural potential and proximity to markets and services results to their demographic growth and profitable agricultural activity.
3. The periphery which are regions characterized by sufficient agricultural resources, some diversification of their economies and a limited accessibility to urban centers and highways. As a result they experience a moderate demographic growth and a relatively profitable agricultural activity, with declining tendencies however.

4. Declining regions which are mountainous areas or islands, therefore their agricultural potential is poor, their accessibility is limited and agricultural activity is not profitable. Despite the presence of alternative economic activities, demographic decline mostly in terms of population ageing limits their development possibilities.
5. Tourism-oriented regions which include some of the most famous tourist destinations in Greece. Agricultural activity is limited but profitable and manufacturing is not developed. Most of them are away from major cities and isolated in terms of transportation. Tourism is the sector on which economy in these rural areas is based and to which they owe their demographic and economic growth.

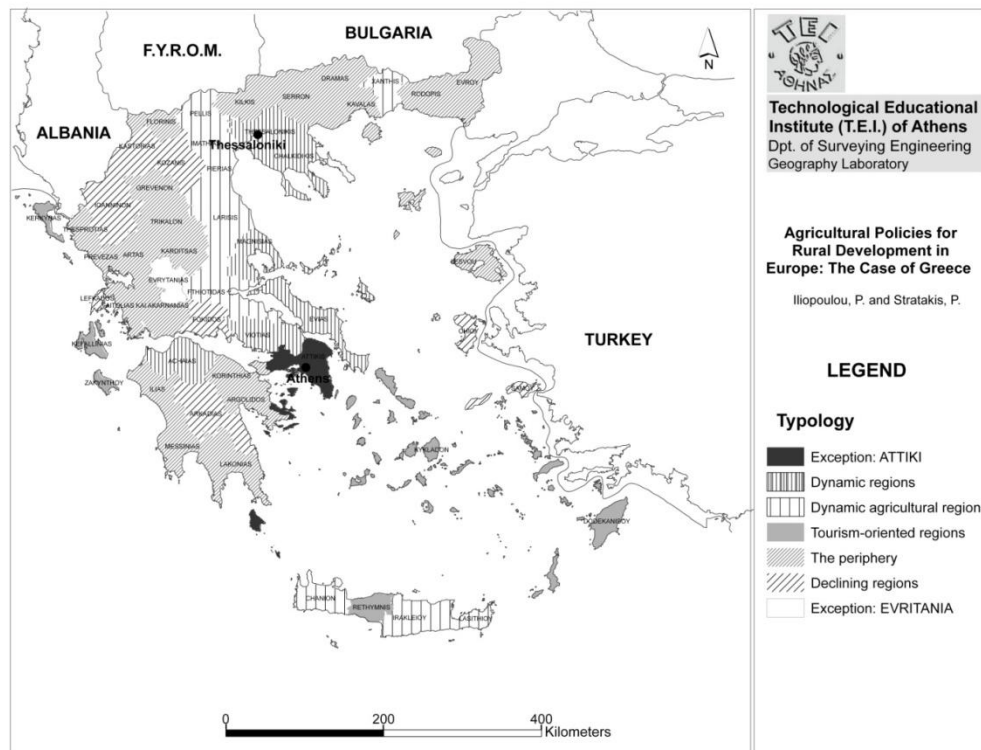


Figure 4. Typology of Rural Areas (Cluster Analysis).

In addition, two NUTS3 regions, Attiki and Evritania, are exceptional cases at the two ends of the development spectrum and cannot be classified in any other regional type. This is actually a situation which has appeared in earlier classifications as well.

In Table 4 the mean values for all indicators employed in the cluster analysis are presented for the seven clusters of regions.

One of the main disadvantages of the analysis at the NUTS3 level is that regions with quite large urban centers are included. Analysis at a more detailed geographical breakdown is necessary in order to exclude urban centers. A case study at the LAU2 level (Iliopoulou et al., 2008) indicated that even within dynamic agricultural regions at the NUTS3 level, most of the territory is occupied by less developed or declining rural areas.

Table 4. Cluster means

Clusters	Attiki (N ¹ =1)	Dynamic (N=6)	Dynamic agricultural (N=9)	Tourist (N=6)	The periphery (N=20)	Declining (N=8)	Evritania (N=1)	Greece (N=51)
Demographic density 2001 persons/sq.km.	987.80	99.38	65.91	80.52	45.10	41.70	17.10	76.73
Population change 1981-1991	4.60	11.35	5.58	8.57	2.73	1.40	-7.20	4.57
Pop change 1991-2001	6.80	6.40	7.59	16.42	4.43	3.93	31.90	7.14
Population ageing	103.96	106.16	102.81	109.10	136.90	143.43	180.12	125.22
Rural population (%)	0.98	32.97	40.51	58.46	54.11	57.02	78.86	49.64
Employment in agriculture (%)	1.13	14.76	27.01	14.70	28.24	14.56	26.56	22.13
Change in employment in agriculture 1981-2001 (%)	0.94	-27.11	-28.85	-50.23	-41.30	-60.90	-63.88	-41.17
Annual rate of change of agricultural income 1981-98	1.09	0.23	1.18	0.21	-0.34	-1.90	-8.99	-0.33
Cultivated land (%)	8.10	23.69	27.10	21.18	23.66	10.95	0.01	21.22
Irrigated land (%)	26.99	32.46	63.05	11.34	43.87	17.08	52.27	37.72
Farmers per 100 ha of agricultural land	38.44	14.44	25.92	16.46	19.35	14.30	43.11	19.64
Employment in the food sector	30794	4165	2012	547	1077	541	78	2022
Employment in tourism (%)	4.72	5.99	6.70	15.96	5.07	6.65	7.78	7.04
Construction activity (m ³ /inh.)	26.95	53.41	34.49	49.27	30.67	33.08	13.40	36.17

¹N=the number of departments (NUTS3 regions) in each cluster

Policy Implications

The analysis presented indicated that the most dynamic rural areas do not depend on agriculture. Proximity to urban centers and tourist development seem to contribute most to rural development. On the other hand, dynamic rural areas suffer from pressures on the environment and on agricultural land due to urbanization and intense tourist development. Consequently in these areas measures for protecting the environment are necessary, especially in the tourism-oriented regions for which environment is their main resource.

Agriculture is more important for rural development in regions with significant agricultural potential but also in peripheral and declining regions. In all cases employment in the primary sector is not sufficient to support demographic growth.

In regions with sufficient agricultural potential, modernization of agriculture and economic diversification are more appropriate. In peripheral and declining regions improvement of the living conditions and of their accessibility are important.

Urban-rural relationships are important to rural development. Proximity to urban centers was found to be strongly related to dynamic rural areas. Consequently policies for strengthening small and medium-size towns seem appropriate for rural development in Greece.

In any case, policies should be directed to small regions based on a detailed analysis of their problems and their advantages.

Rural Development Policy in Greece

Rural development policies in Greece traditionally emphasized the role of agriculture. The recent trends in rural development policy which have been expressed in European documents and regulations (Council of the European Union, 2005b, 2006) led to a shift in the way rural development is perceived in Greece. The gradual transformation of Greek programs for agriculture and rural development is an indication of this process. In Community Support Frameworks (CSF) 1989-93 and 1994-99 the measures for rural development were included in the operational program (OP) "Agriculture" as well as in the Regional OP's⁸ for each of the thirteen programming regions (NUTS2) of Greece. In addition the Leader initiative promoted rural development. In CSF 2000-2006 the O.P. "Agriculture" was replaced by the O.P. "Rural Development – Restructuring of the Countryside 2000-2006". In the new programming period (2007-13) a "Rural Development Program" is implemented.

In the O.P. "Rural Development – Restructuring of the Countryside 2000-2006" seven priority axes, were included. The total budget for the period 2000-2006 was 3,557.1 million euros (of which 3,208.5 had been absorbed in 2009). The seventh priority axis concerned the "Integrated development programs for rural space" and included solely actions for rural development. The budget of this axis was 452.1 million euros (12.7% of the OP's budget) and it was implemented in 87 selected areas of intervention, which still are the most deprived in the country, several small islands and mountainous areas among them. The target population in these areas was 1,496,627 people and they account for 6,570,600 ha (Hellenic Republic, 2010). The seventh priority axis consisted of 14 measures. Several of these measures concerned agricultural production (e.g. reclamation projects, water resources management, provision of services to agricultural holdings, marketing of high quality agricultural products). On the other hand, several measures concerned basic social services for rural population, technical infrastructure and preservation of the cultural heritage in rural settlements, as well as diversification of agricultural employment towards rural tourism and manufacturing (Hellenic Republic, 2010). However analysis at the regional level (Iliopoulou et al., 2008) indicated that the number of the assisted municipal departments is very small

⁸ Community Support Frameworks consisted by a series of Operational Programs, several of them sectoral and 13 regional OP's, one for each of the 13 programming (NUTS2) regions in Greece.

when compared to those belonging in the “declining” or the “periphery” regional types, while the ones selected for the “Integrated development programs for rural space” are not the most deprived ones.

The Leader initiative complemented the rural development measures of the seventh priority Axis of O.P. “Rural Development – Restructuring of the Countryside 2000-2006” with the implementation of 40 local programs.

In the new programming period a “Rural Development Programme of Greece 2007-13” is implemented with an increased budget of 5,295 million euros. The program focuses on four priority axes in accordance to EU regulations:

AXIS 1 : Improvement of the Competitiveness of the Agricultural and Forestry Sector

AXIS 2 : Improvement of the Environment and the Countryside

AXIS 3 : Quality of Life in Rural Areas and Diversification of the Rural Economy

AXIS 4: Implementation of the LEADER Approach

In the first axis the traditional measures for the modernization and restructuring of agriculture are included, specifically early retirement and subsidies for new farmers in order to improve the age structure of farmers, water management and infrastructures in general. In addition emphasis is given on the agri-food industry and the production of quality food. The first axis concentrates the greatest share of the budget (40.1% of total).

According to the Rural Development Program of Greece, environmental problems are significant only in some regions of intensive agriculture and they are related to the use of fertilizers and pesticides. On the other hand, in less favored areas the abandonment of agricultural land is considered a problem since it results to soil degradation and biodiversity reduction. In that respect, the second axis of the program provides measures for the sustainable use of natural resources, the protection of the biodiversity and landscape conservation. In addition, environment-friendly agricultural practices, such as organic farming, will be supported. The second axis concentrates 37.5% of the budget.

The third and fourth axes refer exclusively to rural development. The third axis aims at improving the quality of life of the rural population and encouraging diversification of the rural economy in the mountainous and less favored areas, in a way similar to the 7th priority axis of the previous programming period. In the “Rural Development Program of Greece 2007-13” mountainous areas and islands receive special attention, especially in terms of their accessibility problems and the necessary infrastructure which is important in order to induce rural development. It is estimated that 61.7% percent of the population which is employed in the primary sector lives in mountainous and less favored areas. In the mountainous areas the program will provide infrastructures which will reduce the distance from urban centers and will support viable agricultural production systems. The goal is to stabilize population in these areas and prevent the abandonment of land. In the islands tourism is very important but it does not concern many small islands. Therefore, employment in agriculture and fisheries is still important for rural development, while improvement of the transportation infrastructure is necessary for the provision of basic services to local population (Hellenic Republic, 2010).

The fourth axis is devoted to local development (Leader approach) in an integrated and multi-sectoral manner. It provides measures for rural development not only in mountainous and less-favored areas but in islands and level areas affected by CAP reforms or protected by the NATURA 2000 network. It is a bottom-up approach which gives emphasis on local

organizations for rural development. Improvement of local governance and promotion of innovative activities are basic objectives in this axis. The third and fourth axes concentrate together 20.5% of the budget (14.7% the third axis and 5.8% the Leader approach).

As a conclusion, when examining the budget and the measures of the Rural Development Programs in Greece in the period after the latest CAP reform of 2003, it appears that although the perception of rural development has changed, the inertia of the sectoral approach is evident and intervention for rural development is rather limited (Iliopoulou, 2008; Karanikolas and Hatzipanteli, 2010). The name of the Operational program changed from “Agriculture” to “Rural Development – Restructuring of the Countryside 2000-2006” and then to “Rural Development Program of Greece 2007-13”. The content of the current program is in accordance to EU regulations for rural development and all the appropriate measures are included. In terms of financing however, most of the funds are directed to measures for agriculture, although the share for rural development has almost doubled in the new programming period.

Finally the “Rural Development Program of Greece 2007-13” identifies three main types of rural areas:

- i. the dynamic
- ii. the mountainous and less favoured and
- iii. the island regions.

Dynamic agricultural areas are those in the lowlands, where the heart of agricultural production of Greece lies. The percent of irrigated land is 65% vs. 33% for the country as a whole. Intensive cultivation has caused environmental problems, while the CAP reform has more severe impact than in other rural areas. In these areas protection of the water resources and of the soils is necessary, while the competitiveness of the agricultural sector will be supported.

Mountainous and less favored rural areas produce a variety of agricultural products, without specialization. The conditions for agricultural production are limited and marketing is hampered because of the topography and the distance from the markets. In some of these areas tourism contributes significantly to rural development or organic farming is growing maintaining the rural communities, but in others the problem is the abandonment of land and settlements. Rural development policy in this type of areas, according to the program, aims at the production of local high quality products which will not suffer from competition.

The islands in general are isolated and the transportation costs are high. Some islands enjoy a well-developed tourist sector, but in most island regions, and especially in their interior, the living conditions in rural communities are poor. Agricultural production is limited, but often of high quality, while livestock production and fishery are quite developed. Integrated rural development for the islands is the goal of the Rural Development Program.

It seems that the concept of rural typologies has been incorporated in the current programming period as well as the need for local policies taking into account the special characteristics of different types of rural areas. The implementation of the program is still in early stages and the specialization of general objectives to specific actions targeted to small rural areas is certainly a very demanding programming task.

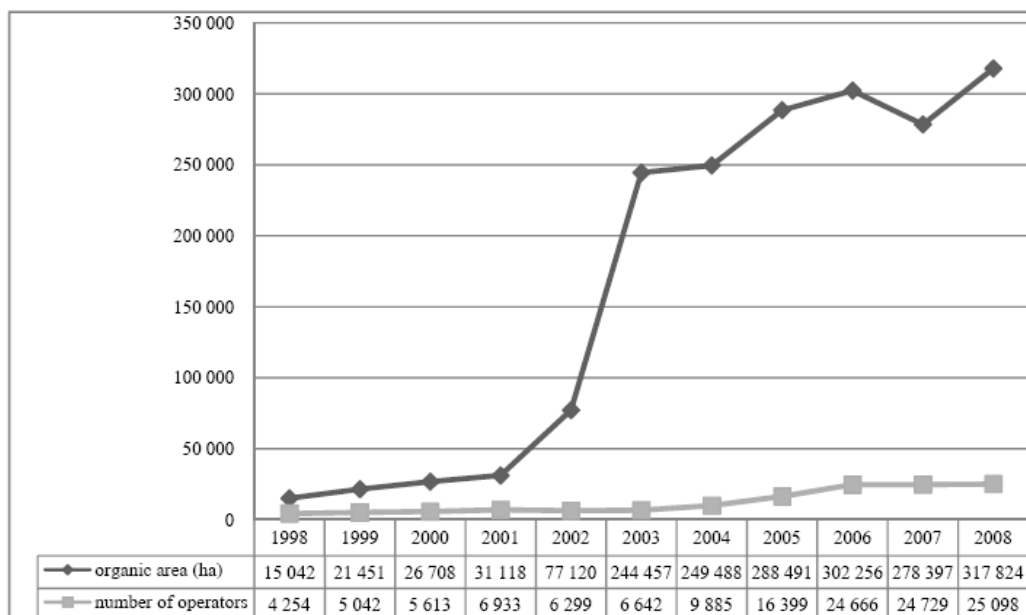
Furthermore research findings indicate that despite remarkable decentralization efforts, rural development in Greece seems to maintain its primarily state-emanated design and

implementation. Long-standing top-down and sectoral orientation in the formulation of this policy still holds (Karanikolas and Hatzipanteli, 2010).

Finally, rural development cannot be achieved through the Rural Development Program alone, but support from structural funds directed to regional and national programs will contribute to this goal as well (Hellenic Republic, 2010).

Organic Farming in Greece

Organic farming in Greece started at the 1980's mostly as an ecological movement with few producers. The implementation of EU Regulations 2092/91, for the introduction of a certification system, and 2078/92 for financial support to farmers, is the starting point of organic farming in Greece. However development was limited until 2001 when a rapid increase started, stimulated by European subsidies. Especially after 2003 a rapid growth in organic area occurred, while the number of registered organic operators increased at much lower rates (Figure 5). Nevertheless, the latest data show that area under organic farming in Greece has reached 6.9% of the total utilized agricultural area in 2007 and is among the top ten countries in EU-27 in that respect together with Austria (15.7%), Sweden (9.9%), and Italy (8.9%) (Eurostat, 2010).



Source: Eurostat, Ministry of Rural Development and Food.

Figure 5. Evolution of the organic area and the number of registered organic operators in Greece (1998-2008).

The geographical distribution of the organic area in Greece is illustrated in Figure 6, where the prefecture of Kefalinas presents the highest share (43.1%) of organic area in the total utilized agriculture area. A comparison between Figure 4, which shows the typology of rural areas, and Figure 6, indicates that organic farming is more developed in the areas that

are characterized as declining or periphery. The dynamic areas and the tourism oriented areas (with the exception of Kefallinia) present low shares of organic cultivation. Therefore organic farming in Greece seems to be adopted mostly in the less favored areas and for that reason it is an activity which may contribute to local development and to the preservation of rural population in these areas.

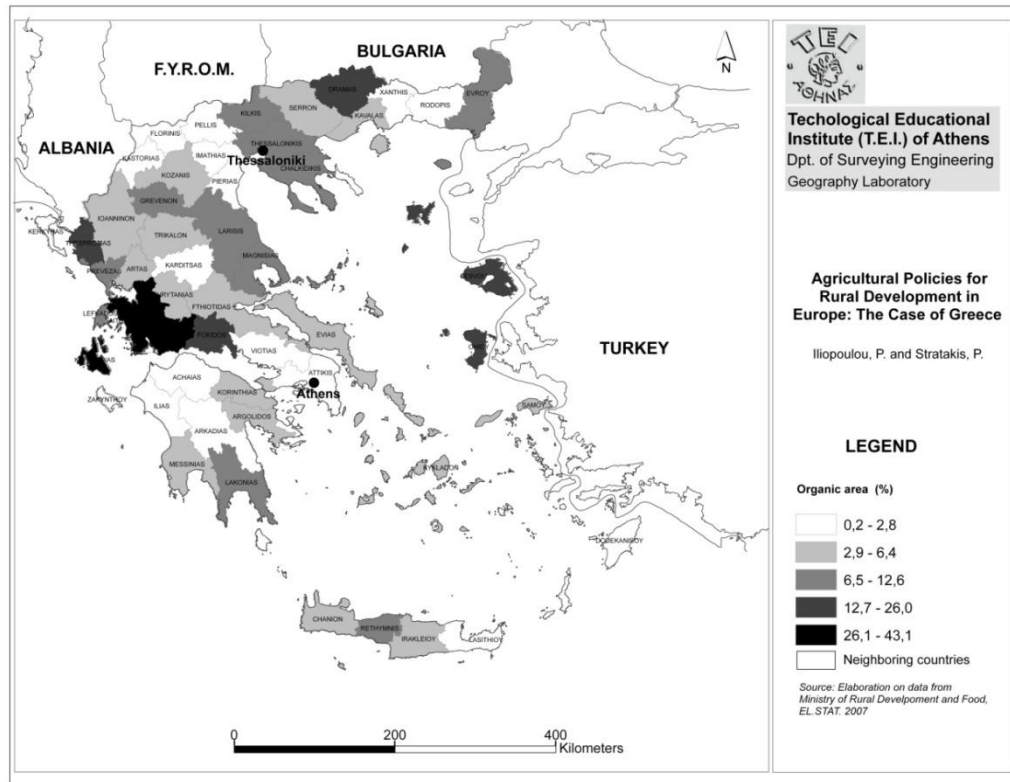


Figure 6. Percent of organic area in Greece (2007).

CONCLUSION

The Common Agricultural Policy (CAP) is one of the oldest and more important policies in Europe. Through the years it has been transformed to serve rural development goals. At first self sufficiency in food was important and farmers enjoyed subsidies to produce more. Gradually surpluses occurred and agricultural products in Europe were often expensive for international markets. At the same time employment in agriculture followed declining tendencies. Since the late 1990's CAP has been reformed so that subsidies were reduced and rural development goals were included as the "second pillar" of the policy.

The interest for rural areas in Europe originated in the same period given the fact that they occupy most of the European territory, while a significant share of population lives in rural areas. Rural areas were traditionally considered to depend on agriculture. In the last two decades it became evident that rural development cannot be solely induced by agricultural

development. The importance of the tertiary sector was growing together with the need for protecting the environment.

In order to study rural areas several typologies were proposed not only for Europe but for the OECD countries as well. Usually three types of rural regions are recognized: the dynamic agricultural regions where the potential for agricultural production is significant but environment is at risk; rural areas of intermediate development with some diversification of the economies; and declining or less favored areas in which basic social services are necessary so that population will continue agricultural activity and land will not be abandoned. The purpose of those typologies is to help propose appropriate rural development measures.

CAP is currently interwoven with sustainable rural development and in 2005 a European Agricultural Fund for Rural Development was introduced in order to finance measures for rural development. In addition, other European funds supplement the implementation of such measures.

Greece is a member of the European Union since 1981 and has received important subsidies for agriculture in the 1980's and 1990's. Greece is considered a rural country, and it is in terms of population density, but employment in the primary sector steadily declines, although it is still much higher than the European average. Concern for rural areas in Greece started in the late 1980's although at that time, the idea that rural development was not dependent on agriculture alone was not widely accepted. A rural typology of that time indicated that proximity to urban centers was more important to rural development compared to the agricultural potential.

More recent studies indicate some major types of rural areas such as the dynamic agricultural regions in level areas and close to transportation networks and urban centers, intermediate areas or the periphery, declining areas mostly mountainous, and tourism-oriented areas mostly islands. Each type calls for different policy measures which have to be studied in a detailed geographical breakdown.

Since the latest CAP reform two medium term programs, co-financed by the European Union, are implemented. Gradually there is a shift of emphasis from agriculture to rural development in these programs, in accordance to EU regulations. Traditional measures for agriculture are still prevailing at least in terms of financing and the programs have a strong sectoral orientation.

Agriculture in Greece faces pressures from the reduction of subsidies which were used to cover a significant share of farmers' income and improved their living conditions for two decades. Under the current conditions even dynamic agricultural regions have to adapt to international competition and the requirements for high quality products.

Organic farming is a promising activity which respects the environmental standards and ensures high prices for farmers. It seems that organic farming is growing mostly in the less developed rural areas.

In recent years, organic farming in Greece is growing at high rates and it is concentrated in the peripheral or the declining regions in Greece. There is still high potential for organic farming in Greece and it can be a considerable factor for sustainable rural development especially in the less favored areas.

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