



National Strategy for the Danish Rural Development Programme 2007-2013

(as adopted to meet the challenges identified in the Health Check of
the Common Agricultural Policy)

18 December 2009



The European Agricultural Fund for Rural
Development

Landdistrikter.dk



Contents

| | |
|---|----|
| Contents..... | 2 |
| Introduction..... | 3 |
| The Rural Development Programme..... | 3 |
| Visions..... | 4 |
| Rural Development Programme contribution..... | 6 |
| Four overall objectives in the Rural Development Programme..... | 6 |
| Partnership for preparing the programme..... | 8 |
| Content of the strategy..... | 8 |
| 1. Analysis of the starting situation..... | 10 |
| 1.1. General background information..... | 10 |
| 1.2 Definition of rural areas..... | 11 |
| 1.3 The food sector..... | 14 |
| 1.4. Nature and environment..... | 25 |
| 1.5. The socio-economic situation in the rural areas..... | 39 |
| 1.6. SWOT and objectives..... | 47 |
| 2 Strategy..... | 51 |
| 2.1. The four main priorities..... | 51 |
| 2.2. Strong competitive force in the food and forestry sector..... | 52 |
| 2.3. Varied landscapes, a rich nature and clean environment..... | 53 |
| 2.4. Entrepreneurship and new jobs in the rural areas..... | 54 |
| 2.5. Attractive living conditions..... | 55 |
| 3. The strategy per Axis..... | 59 |
| 3.1. Integrated approach in the national application schemes..... | 59 |
| Axis 1: Improvement of the competitiveness of the agriculture and forestry..... | 60 |
| Axis 2: Improvement of the environment and landscape..... | 64 |
| Axis 4: The Leader method..... | 69 |
| 3.2. All axes: Initiative as a result of the Health Check and Recovery Package..... | 71 |
| 4. Overview of programmes..... | 79 |
| 5 Internal and external coherence..... | 80 |
| 5.1. External coherence..... | 81 |
| 5.2 Internal coherence..... | 84 |
| 6. The national rural development network..... | 85 |
| Annex I - Objective related context indicators..... | 88 |
| Annex II - list of organisations/associations invited to dialogue meetings..... | 92 |
| Annex III - Integrated sector strategy organic food production..... | 93 |
| Annex IV – Community Strategic guidelines suggested key actions..... | 94 |

Introduction

The present draft strategy for rural development forms part of the basis for drawing up the Rural Development Programme for Denmark for the period 2007-2013.

The strategy is modified in 2009 in order to meet the challenges identified in the EU's Common Agricultural Policy (CAP) Health Check, which enables and requires a much more extensive initiative under the Rural Development Programme financed by additional EU funds as a result of increased mandatory modulation. Additional funds will also be available for the Rural Development Programme as a result of the EU's recovery package. The changes also implements the Danish Government's Green Growth vision for nature, environment, climate and agriculture. The Rural Development Programme plays an important role in the implementation of this vision.

As a consequence of the possibilities in article 68 in COUNCIL REGULATION (EC) No 73/2009 some measures under axis 2 have been revised and transferred to the single payment scheme, see section 2.7 and 3.2.1.

The Rural Development Programme

The Danish Rural Development Programme will implement the EU regulation on support for rural development¹ (Council Regulation (EC) No 1698/2005) in Denmark. The overall aim of the regulation is to promote sustainable development in the countryside as a supplement to the market policy. The main aim of the initiative is expressed in four specific objectives:

- Improved competitiveness of agriculture and the processing sector through support for development and investments in new and innovative processes and technologies.
- Improved environment, nature and landscape through support for certain types of land management and projects
- Improved quality of life in the rural areas
- Encouraging diversification of the economic activity

These objectives are to be realised through support for a series of measures divided into three axes. The regulation comprises a modernisation and expansion of the opportunities there have been so far for support in EU structural and rural development policy.

The regulation sets the stage for the rural development policy taking into account the general objectives of the Community for economic and social coherence and should contribute to their achievement, by means of simultaneously integrating other central, top priority objectives for competitiveness and sustainable development, cf. the conclusions from the meetings of the European Council in Lisbon and Gothenburg.

The Health Check of the Common Agricultural Policy

In the assessment of the implementation of the Common Agricultural Policy reform of 2003, climate change, renewable energy sources, water management, biodiversity and restructuring within the dairy sector were identified as crucial new challenges for European agriculture. In November 2008 a decision was made to transfer part of the funds from the direct agricultural support to the

¹ Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

implementation of the rural development policy by gradually increasing compulsory modulation from 5 to 10%. These additional EU funds, which in the case of Denmark amount to a total of DKK 922 million for 2010-2013, must be used via the national Rural Development Programme in order to meet the challenges related to climate change, renewable energy, water management and biodiversity. This must also contribute to realising the objectives of the Kyoto Protocol and the Renewable Energy Directive. For the EU funds to be activated, a national financing of 25% must take place, so that the total public grant amounts to approximately DKK 1,229 million. The DKK 922 million (or 27%) increase in the EU framework for the 2007-2013 period is a significant expansion of the Rural Development Programme in Denmark.

Recovery package²

The European Council adopted a recovery package of EUR 1.02 billion, which is available for EU Member States under the Rural Development Programme. A total of EUR 2.96 million has been allocated to Denmark. The funds require that Denmark itself contributes 25% from national public funds. This brings the total to approximately EUR 3.94 million. The funds must be used for managing the above-mentioned new challenges facing European agriculture, and as a new action area for broadband penetration in the EU's rural areas. Each Member State will choose which specific priorities the funds must be used for.

The priority regarding broadband is a new one and it is up to the Member States whether they choose to use the funds for this. Broadband coverage varies considerably in each Member State. Denmark, together with Belgium and Luxembourg, is the country with the best broadband coverage in the EU. According to a statement issued by the EU, 100% of Denmark's population is covered by broadband (December 2007). The Danish National IT and Telecom Agency stated in its annual report "Bredbåndskortlægning 2008" (Broadband survey for 2008) that over 99% have access to broadband. It is also likely that mobile broadband covers several of the households and businesses which are not covered by the traditional fixed broadband connections.

The Danish Government aims for all households and businesses to have access to broadband by the end of 2010. The Ministry of Science, Technology and Innovation has also appointed a committee which, by the end of this year, will put forward some recommendations for how Denmark can develop into a genuinely high-speed society. Thus there is already a development in progress which will ensure all Danes have access to broadband.

The Danish Government do not wish to use the funds for the EU recovery package for expanding the broadband coverage in Denmark. Instead, the funds will be used for the identified new challenges identified in the *Health Check of the Common Agricultural Policy*: Climate change, renewable energy, water management and biodiversity.

Visions

Globalisation creates an open world with new possibilities for Denmark. Economic, cultural and political cooperation across borders can contribute to growth and prosperity in Denmark, provided that we are ready to adjust and innovate production, including the application of technology and the exchange of information in line with the increased competitive situation and still ensure a level of

² Council Regulation (EC) No 363/2009 from the 4th of May 2009.

protection for nature and environment meeting the international obligations.

Globalisation strategy

The Government has presented a strategy to future-proof Danish society through a number of reforms of the system for education and research and improvement of the general framework conditions for growth and innovation.

Green Growth

The Government's vision is to create a new green growth economy. An economy where green solutions within, amongst other areas, transport, construction and agricultural and food production, help to solve environmental, climate and nature challenges and at the same time create new jobs in green growth industries. As part of this, the Danish Government has introduced a plan for Green Growth 2010-2013, in which a high level of environmental, climate and nature protection go hand in hand with a modern and competitive agriculture and food production. The move includes a Danish nature and environment plan for 2020 and a growth strategy for a green agricultural and food industry. The plan replaces and supplements the Government's Aquatic Environment Plan III from 2004 and is also the Government's follow-up to the Pesticide Plan 2004-2009.

The plan should also be viewed in with the context of the Government's other green initiatives, including the energy agreement from February 2008, a green transport policy from January 2009 the spring tax cuts "Forårspakke 2.0 – Vækst, klima, lavere skat" rewarding growth and climate measures from March 2009.

Green Growth will ensure the following points, among others:

- A good quality aquatic environment
- A substantial reduction of pesticides' harmful impact on nature, animals and humans
- Less damage caused by ammonia
- Biodiversity and improved and more accessible nature
- Fewer greenhouse gases
- A more sustainable agricultural industry which delivers green energy
- Simple and efficient regulation, including faster environmental approvals
- Promotion of market-based organic production
- A reinforced and more targeted research and innovation effort
- Investments in new green technologies.
- A more productive food industry

Denmark already has a good starting point in these areas. Denmark has proved that it is possible to break the connection between growth and the impact on nature, the environment and climate. Yet Denmark is also facing significant challenges.

- Approximately two thirds of the total area of Denmark is currently used in some aspect of agricultural production. This puts nature and biological diversity under pressure and in some areas it affects the neighbours.

Even though Denmark has achieved a lot in many areas, there is still an ongoing need to improve the aquatic environment and to reduce the use of pesticides.

- In continuation with the EU's climate and energy package, Denmark must reduce greenhouse gas emissions in the non-quota sectors, including agriculture, by 20% in 2020 compared to 2005.
- The requirements for an effective agricultural and food production is more demanding at present in order to deliver competitive, high quality products to the global market. In the last few years, the Danish food industry has lost market shares compared to its foreign competitors.

The solution to these challenges is a competitive agricultural industry which lives side by side with a rich and varied nature and a clean aquatic environment.

The Government's vision for Green Growth is based on five basic principles:

1. Clear goals for the initiative
2. Green market-based regulation
3. Greater flexibility for the farmer
4. Responsibility and green partnerships
5. Use of green synergies and commercial potential

Rural Development Programme contribution

The Rural Development Programme 2007-2013 is designed to support this general globalisation strategy. As from 2009 the revised programme is designed to implement the changes in priorities following the health check as well as the Green Growth visions for central action areas.

The aim of the Rural Development Programme is to create a strong level of competitiveness in the food sector, and it should contribute to the maintaining and enhancing of Denmark's position in this field as well as supporting a cohesive growth and business policy, including uniformity in the promotion of business. The keywords are cooperation, innovation and sustainability as well as the application of new technologies and processes, including in relation to the use of renewable energy.

Development of the food sector must go hand in hand with the development of a better environment and a more diverse nature. Moreover, the environment and nature must be protected in Denmark. The targets are promotion of an environmentally sustainable production and achievement of a satisfactory state of nature in designated areas as stated in national action programmes and international agreements, including the Natura 2000 and Water Framework directives. The targets will be pursued both through area based agreements, including agreements on nature conservation, and through promotion of innovation and application of new technology in the food sector.

The implementation of the Health Check with the new challenges and of the Green Growth initiative will include very significant targeted environment and nature initiative in the form of establishing wetland areas, special river valleys, etc. from 2010, and from 2011 a series of other measures for the mandatory establishment of border strips along watercourses etc.

Furthermore the rural areas must be developed and a strong the cohesive force created between the rural areas on the one hand and the urban areas on the other. The Rural Development Programme must strengthen the cohesive force in the local society by contributing to attractive living conditions in the rural areas and remote areas. The keywords are local initiative, attractive living conditions and jobs.

Four overall objectives in the Rural Development Programme

The overall objective of the Rural Development Programme is to promote a sustainable and coherent development in the rural areas. The aim is also to develop the production in agriculture and forestry whilst taking the environment, ecology and animal welfare into consideration. A

competitive agricultural production and concern for nature, the environment and neighbours are not mutually exclusive. Environmentally friendly agricultural production is a Danish strength. Organic farms must have good conditions and of the continuous development must be supported on market terms. As mentioned above, the overall aim of the Rural Development Programme is expressed in four specific objectives.

1. Improved competitiveness

The national implementation will especially focus on business development in the agriculture, horticultural and forestry sectors and especially on investments, innovation and competitiveness. Investments in improved competitiveness are based on new technologies and processes. The Rural Development Programme may contribute to a much quicker successful implementation of innovative solutions in both the primary production and in processing, in order for investments in research and development to be repaid much quicker. This will help promote the necessary innovation and development in the industry, thus ensuring competitiveness.

Innovation and the development of new technologies, products and processes will support the efforts to meet the challenges of climate change and could contribute to an increased use of renewable energy sources.

Agriculture, horticulture and forestry are also facing challenges in the form of stricter environmental and climate requirements and consumer wishes concerning the supply of quality food products, including organic products. The Rural Development Programme must support these issues.

2. Environment, nature and landscape

Agriculture and forestry play an important role in the conservation of natural, environmental and cultural assets and recreational assets in the Danish countryside. Land use and development in agriculture is significant for the state of nature and the environment.

A fertile nature and a clean environment are of great importance to the rural areas. The Danish Government has introduced a general plan called “Grøn Vækst” (Green Growth) for Danish agriculture, where growth and nature conservation go hand in hand. The objectives for nature conservation are formulated as a part of Green Growth in the Danish nature and environment plan for 2020 (Miljø- og Naturplan Danmark 2020), which will ensure an improved water environment and high quality nature, accessible to everybody. The objectives are pursued through a full and focused initiative, with the Rural Development Programme playing an essential role in its implementation.

There are new initiatives, such as support for border strips along all watercourses and lakes larger than 100 m², extensification of river valleys and greater priority given to establishing wetland areas. Many light, semi-wild areas, such as common land, bogs and meadows, are at the same time suffering from overgrowth because of the impact of nutrients and the ceasing of farming (grazing, harvesting, etc.) Green Growth also sees greater priority given to the effort to preserve these areas, including a special focus on nature conservation, especially within Natura 2000 areas.

Green Growth establishes instruments and an action level for the implementation of the EU’s Water Framework Directive and Natura 2000 Directives until 2015, as well as initiatives relating to

ammonia reduction and pesticides, which will all contribute significantly to improving the aquatic environment and result in the improvement of other nature areas, especially Natura 2000 areas. Together the initiatives will contribute to improved water management and conservation of biodiversity.

The instruments are implemented as voluntary for farmers and foresters as an outset. When the necessary planning has been laid down selected instruments are expected to be set up as mandatory, and the instruments is accordingly expected to be included in the Rural Development Program under the relevant provisions.

Green Growth will also promote a more market-based development of the organic sector, which through a series of parameters will contribute to an improved environment and nature.

3. & 4. Improved quality of life and diversification of the economy in the rural areas

Finally, the Rural Development Programme is to contribute to a “bottom up” process which includes local participation and where the citizens get joint ownership in the development in their local area. The local potential is to be realised in connection with the creation of local jobs and attractive living conditions in rural areas. Local action groups will also help to run the process locally so that the right to take the initiative lies where the local knowledge is highest.

All rural areas will be faced with questions on climate change and renewable energy. Local action groups can incorporate these questions into their local development strategies, thus helping to adapt the solutions to local conditions. Local projects and collaboration, focusing on e.g. renewable energy and natural heritage conservation, will also be taken into account in the local strategies. Local initiatives for the preservation of natural heritage will contribute to the protection of valuable habitats for flora and fauna.

Partnership for preparing the programme

The preparation of a new Rural Development Programme for the period 2007-2013 was completed in 2005 and 2006. A number of dialogue meetings were held with specialists, and there were also regional public meetings and a conference of ministers. There have subsequently been a number of meetings with the partnership for the programme. The purpose was to reach a wide range of citizens with opinions on the development in the rural areas of Denmark. The draft has also been submitted to an open written consultation. The revised Rural Development Programme (2009) was submitted to an open written consultation and presented to the monitoring committee (“Udvalget for et Levende Land” – Rural Area Committee).

Content of the strategy

According to Council Regulation (EC) No 1698/05 an overall strategy must be prepared setting out the guidelines for the programme, the most important priorities and demarcation to other fields of policy which affect rural development.

The strategy is structured according to these requirements. The strategy is prepared within the framework of the common EU priorities adopted by Council Decision 2006/144/EC of 20 February

2006 on Community strategic guidelines for rural development in the programme period 2007 to 2013.

- Chapter 1 contains an analysis of the situation for each Axis on the basis of a number of mandatory indicators, common to all memberstates.
- Chapter 2 contains the overall strategy with statement of the balance between the axes of Council Regulation (EC) No 1698/05, translation of the common EU priorities and the national priorities. Furthermore, the Chapter indicates what types of actions will form part of the programme to meet the prioritised targets.
- Chapter 3 describes the strategy per Axis and suggests quantifiable indicators to measure if targets are met.
- Chapter 4 contains the programme budget.
- Chapter 5 describes the internal coherence and synergy in the programme as well as the external coherence in relation to other strategies and actions (both EU and national).
- Chapter 6 describes the organisation of the national rural network unit.

1. Analysis of the starting situation

This chapter includes an assessment of the actual situation and development. This includes political goals, both national and international. Each of the first five sections (analyses) is summarised in an overview of the most important challenges in the area. Section 1.6 includes a SWOT analysis based on the previous sections.

1.1. General background information

As of 1 January 2007, the population of Denmark was 5,446,989(5,511,451 on 1st of January 2009). During the past decade the total growth in the population was 3.4 %. Almost 26% was 20 years old or less, while a good 21% was 60 years old or older. The total area of Denmark is 43,098 square kilometres. The population density is 126 inhabitants per square kilometre.

The gross domestic product was EUR 207 billion in 2005. The gross domestic product per capita (made up by EU25=100 and in EUR in purchasing power parity) was 121.9 in 2005. The value added outside the primary sector was EUR164 billion in 2004.

The number of unemployed in per cent of the work force was 3.5% at the end of 2006 and 2.2% at the end of 2008, however this is rising due to the current financial situation. The number of employed in relation to the population in the age group 15-64 years was 75.9 % in 2005 and 76.8% in 2007, but is expected to decline in the next few years. Of the total number of employed, 223,000 were self-employed. 2.6 million people, equivalent to 94.8%, were employed outside of agriculture and fishery.

Reform of the municipality structure

With effect from 1 January 2007, Denmark has implemented a reform of the municipality structure resulting in a reduction of the number of municipalities from 271 to 98. The new municipalities shall handle most of the existing public duties towards the citizens and they will have great significance to rural development because of strengthened competences on planning and on industrial and public sector policy. The average municipality size rised from just under 20,000 inhabitants before the reform to about 55,000 inhabitants.

Furthermore 5 regions have been established instead of the now abolished 14 counties of the country. The primary duties of these regions shall be health services, regional development and practical operation of a number of social institutions.

The regions are responsible for regional business development and thereby to promote regional competitiveness and employment. The council for each region are responsible for producing a regional development plan, describing the strategy for development of urban, rural and remote areas as well as for nature and environment, business including tourism, employment, recreation, education and culture.

To help carry this responsibility, each region has appointed advisory boards concerning regional and business development, called Regional Growth forums (Regionale vækstfora). In the regions of Nordjylland, Midtjylland, Syddanmark and Sjælland one Forum for Growth is established in each

region. In the region of the Capital (Hovedstaden) two Growth forums are established, one for Bornholm and one for the rest of the region.

In these Growth forums new initiatives shall be developed to improve the local conditions for growth including the remote areas. The Fora shall recommend to the regional councils concerning the application of national regional funding for business development and to the central administration concerning EU funding from the EU Structural Funds. The Growth forums shall consist of regional politicians and representatives from the industrial sector, institutions for education and research and the institutions for the labour market according to the principle of partnership in rural development. The Fora shall develop regional strategies for growth that shall be the basis for the regional development plan. The Fora thus constitute the regional part in the implementation of Structural Funds programmes.

In relation to the rural development programme, the regions and the regional Growth forums shall take part in the local action groups that are established as part of the Leader effort. This will ensure coordination between the regional development plans and the local development strategies that are developed by the local action groups. The Ministry of Food, Agriculture and Fisheries, together with the regions, has established a regional forum which meets twice a year. A representative of each of the five regions has a seat in the regional forum, with Danish Regions and the Ministry of Food, Agriculture and Fisheries also taking part. The purpose is to exchange experiences and to ensure coordination and discuss matters which are significant for development in the rural areas and the implementation of the rural and fisheries development programmes.

1.2 Definition of rural areas

It is a Government objective that the Danish population is ensured good and equal conditions of life no matter where in the country people are settled. Therefore it is a political wish that certain parts of the rural development programme are targeted on the geographic areas, where a total evaluation shows the largest need for support in order to ensure a positive development. The Danish Rural Development Programme will apply horizontally with regard to the main part of the actions under Axes 1 and 2. The food and forestry sector is not exclusively located in rural municipalities, but the effects of the initiatives will have an impact there to a great extent. In the case of the nature and environment initiatives, there may also be a need for nature conservation and environmental improvements throughout the country.

According to OECD, a rural area is defined as a geographical area with a population density of less than 150 inhabitants per square kilometre. In cooperation with the Danish Institute of Agricultural Sciences, The Ministry of Food, Agriculture, and Fisheries has prepared a classification system showing the “rural degree” for each municipality following the reform of the municipal division per 1 January 2007. The classification system is thus a collective indicator to show in which municipalities the need for improving the quality of life in the rural areas according to a number of indicators is the largest. According to the OECD, a rural district is defined as a geographical area with a population density less than 150 inhabitants per square kilometre. The classification system prepared will be used in stead of the OECD definition of rural areas, as it gives a considerably more subtle indication of where the need for strengthening the development in the rural areas is the largest.

The classification system is based on the following 14 indicators that consider socio-economic, demographic and urbanisation factors:

- Population per square kilometre
- Population in rural areas and cities with less than 1,000 inhabitants
- Part of area of the municipality in a rural zone
- Number of employees in agricultural trades
- Part of population in the age group 17-64 years
- Part of the population in the age group 25-44 years
- Development in the employment 1994-2004
- Development in population 1994-2004
- Average distance to motorway
- Jobs in relation to number of employed (commuting dependence)
- Part of the workforce with basic school education 2005
- Part of the workforce with medium-term or higher education 2005
- Average distance to areas with large surplus of jobs 2004
- Taxation base per inhabitant 2007

By use of the classification system, the municipalities have been divided into four different classes defining the “rural degree” for each municipality: 1) remote municipalities, 2) rural municipalities, 3) intermediate municipalities, and 4). urban municipalities. The four classes of municipalities are shown in the map below. The 14 indicators are weighted equally in the calculation.

In the following, the term “rural district municipalities” is used for the total quantity of municipalities in classes 1) remote municipalities 2) rural municipalities and class 3) intermediate municipalities – all in all 63 municipalities. Remote municipalities are defined as the 16 municipalities with an index value below 27 (the darkest colour in the map).

The classification system is used in relation to the implementation of the LEADER-method (Axis 4) carried out via the local action groups.

A geographical indication of the four types of municipalities appears from figure 1.

Classes of municipalities

Remote municipalities - dark purple colour

Rural municipalities - red colour

Intermediate municipalities - orange colour

Urban municipalities - light yellow colour

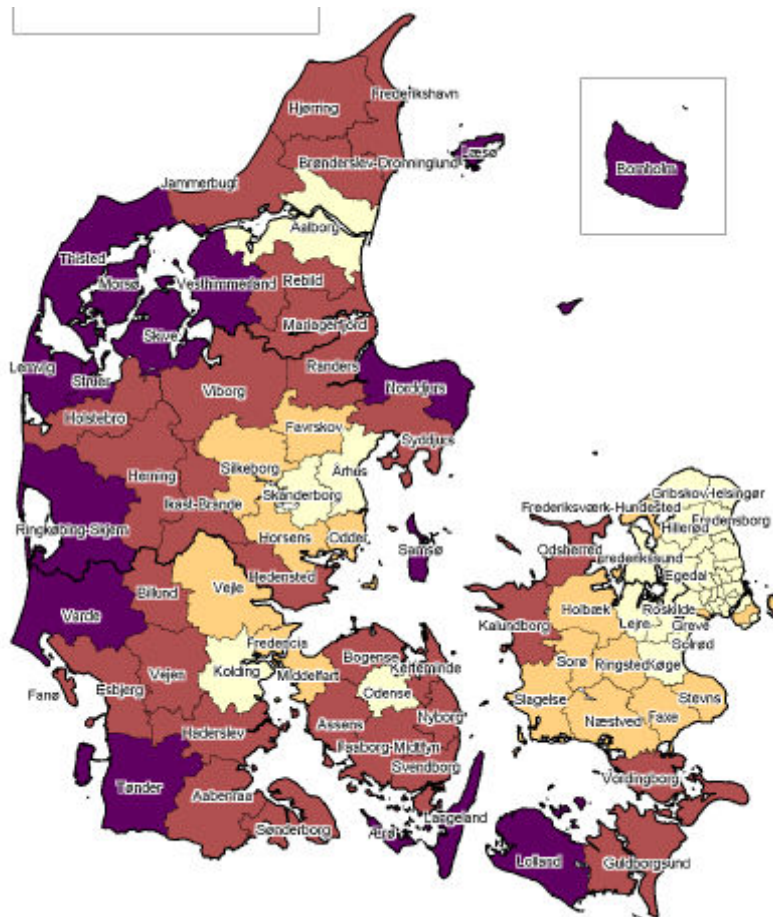


Figure 1: Rural degree of Danish municipalities

Leader initiative in the rural areas

The Leader initiative is carried out by local action groups. Most of the measures under Axis 3 are reserved for projects which are approved and recommended by local action groups (Axis 4)³. Local action groups can be established throughout the country, while support may be given under the Rural Development Programme for local action groups established in the 63 rural development municipalities mentioned above, cf. section 3.4. Priority may be given to peripheral municipalities, e.g. through the distribution of funds between the action groups.

1.3 The food sector

The food sector, which includes both primary agricultural industries and production and processing industries etc. is an important business sector in Denmark and plays an important role in the Danish national economy and in employment. The food sector, with its large share of the export market and good level of competitiveness, is internationally oriented and an experienced actor on the global food markets. The sector is characterised by a close and well organised interaction between the different parts of the value chain, including advice, training and research environments both nationally and internationally. The sector is also important for the living conditions in rural and peripheral areas.

1.3.1 The economic situation in the food industries

Agriculture, food processing, and the sectors linked hereto are very important to the Danish economy and employment. The significance of the food sector is especially important in the rural areas and remote areas. The sector as a whole is of crucial importance for the Government's efforts to maintain a balanced regional development in Denmark.

The globalisation gives a possibility for selling products to a much larger market throughout the world. The globalisation also means division of labour, where each work process in the long term moves to places where it is made best and cheapest. The Danish food sector has a good starting point for handling the challenges which are a consequence of increased globalisation, not least because the sector has a high level of knowledge and coherent competences. But further innovation and development of new ideas is needed if the sector shall continue to successfully meet the challenges of globalisation and ensure a strong competitiveness and sustainable development.

During recent years the increase in gross value in the primary agricultural and forestry sector has constituted about 2% of the total increase in gross value in Denmark. The primary agriculture and forestry sectors are suppliers to a large Danish manufacturing sector. The total increase in gross value in the food sector therefore constitutes about 4% of the total increase in gross value added in Denmark.

³ A smaller part of Axis 3 measures are reserved for activities for children and young people in the rural areas. These funds will be administered centrally with the assistance of an advisory committee.

The total production in the primary agriculture and forestry sector (increase in gross value in fixed prices) rose in the latter half of the 1990s but has been stagnant during recent years. Production in the combined food industry has followed a largely corresponding pattern, cf. Figure 3.1. The fluctuations relate to both crop and livestock production.

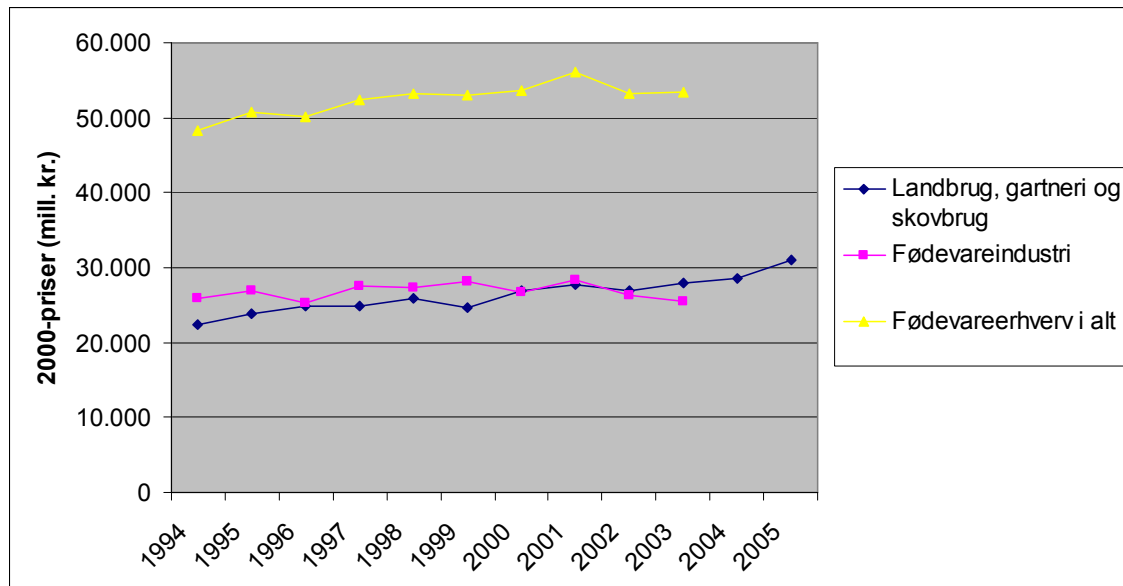


Figure 2: Value added for the agricultural and food industries in fixed prices.

| | |
|--------------------------------|--|
| Footnote/ translation | |
| 2000 priser (mill. kr.) | 2000 prices (DKK million) |
| Landbrug, gartneri og skovbrug | Agriculture, horticulture and forestry |
| Fødevareindustri | Food industry |
| Fødevareerhverv i alt | Food industry in total |

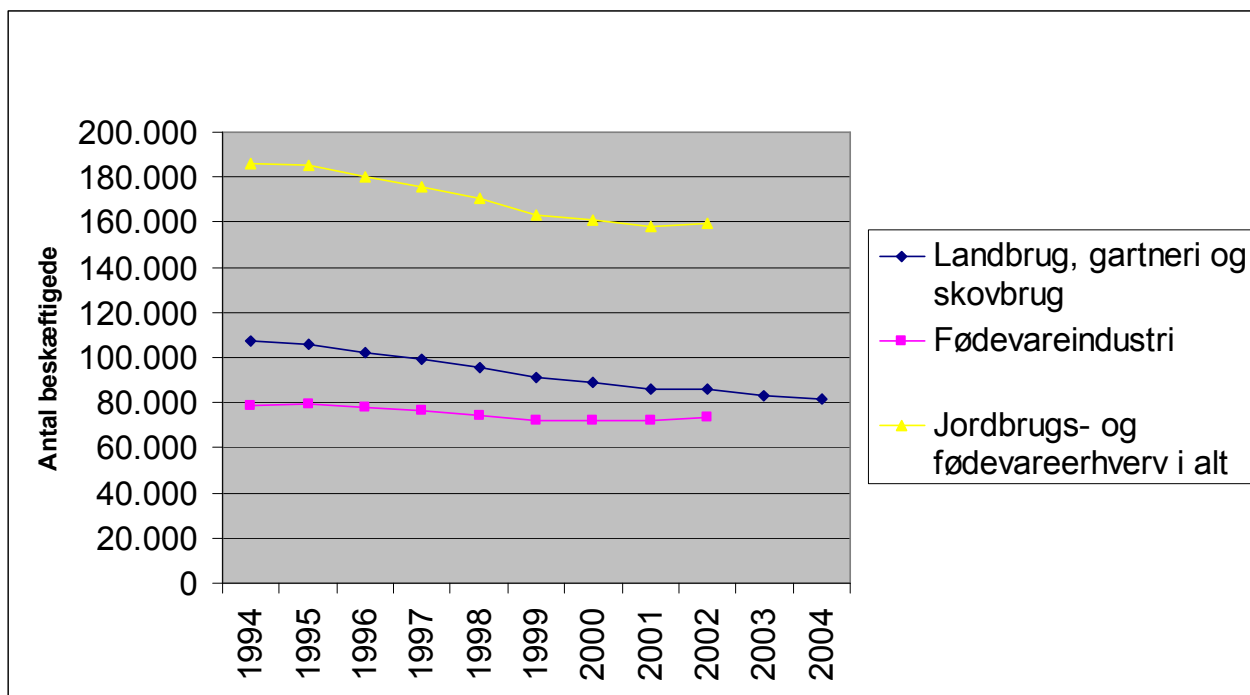


Figure 3: Employment in the agriculture and food industries

| | |
|-----------------------------------|--|
| Footnote/ translation | |
| Antal beskæftigede | Number of people in employment |
| Landbrug, gartneri og skovbrug | Agriculture, horticulture and forestry |
| Fødevareindustri | Food industry |
| Jordbrug og fødevareerhverv i alt | Agriculture and food industry in total |

The number of people employed in the primary agricultural sector was around 80,000 in 2005 and around 70,000 were employed in the production and processing industry. Aggregate employment in the industry was thus around 150,000 (over 5%) in 2005, which represents a decline of about 35,000 or 19% in the last ten years. The decline in employment, which affects the primary industries in particular, was greatest at the start of the period, cf. Figure 3.2. If account is also taken of indirect jobs in the support and service industries, employment in the sector amounts to around 11% of total employment. In the rural areas (outside the urban areas), employment in the primary industries accounts for just over a quarter of total employment (2003).

Exports of agricultural products have grown more slowly than exports of other goods, but agricultural exports in 2005 accounted for around 17% of total Danish goods exports (excluding energy). Danish exports also include exports of machinery for the food industry. Exports from the combined food-industry complex accounted for up to 20% of Danish exports (including exports of agro-industrial products equivalent to 8-9% of total exports). A major part of agricultural exports are related to the production of pigs.

Agricultural and forestry incomes have been largely constant over a number of years, but with distinct fluctuations in individual years⁴. However, there are wide variations in earning capacity between farms. Full-time farms have generally shown negative regular saving, but the real value of equity has grown in the last few years up to 2008 as a result of rising land and property prices. Due to increased income from other occupations, part-time farmers have experienced growth in income and a small positive regular saving.

In order to acquire agricultural holdings of 30 hectares or more, a basic agricultural education is demanded. The number of farmers with a basic and further education was about 29% in 2000 (EUROSTAT). The proportion of farm owners who have secondary occupations outside agriculture was 48% in 2005 (Danish Institute of Food and Resource Economics: Agricultural Economics 2006).

Productivity in the primary agricultural industries has risen by up to 3.5% per annum over the last 10 years, but with a decreasing trend in recent years. Part of this rise is due to an increased input of capital through investment in labour-saving equipment and new technology etc. If account is taken of the increased capital input, the rise in what is known as total factor productivity has amounted to just over 1.5% per annum. The productivity trend in production and processing enterprises has shown the same time profile, but at a lower level.

⁴ Institute of Food and Resource Economics: Economy in the agriculture, autumn 2005.

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| INCREASE IN GROSS VALUE | | | | | | | | | | | |
| Continuous prices (million DKK) | | | | | | | | | | | |
| Agriculture, horticulture, forestry | 28,42 5 | 29,0 62 | 28,2 81 | 23,6 93 | 21,9 95 | 26,8 20 | 30,0 13 | 23,2 92 | 22,0 34 | 22,4 84 | 18,2 45 |
| Food industry | 24,95 8 | 24,4 08 | 26,2 68 | 25,1 76 | 26,1 10 | 26,8 11 | 28,1 98 | 30,1 79 | 29,8 10 | | |
| Food sector in total | 53,38 3 | 53,4 70 | 54,5 49 | 48,8 69 | 48,1 05 | 53,6 31 | 58,2 11 | 53,4 71 | 51,8 53 | | |
| 2000 prices (million DKK) | | | | | | | | | | | |
| Agriculture, horticulture, forestry | 23,81 2 | 24,8 23 | 24,9 45 | 25,8 75 | 24,7 31 | 26,8 20 | 27,7 32 | 26,9 17 | 27,9 68 | 28,6 56 | 30,9 93 |
| Food industry | 26,93 4 | 25,3 22 | 27,4 54 | 27,2 73 | 28,2 45 | 26,8 11 | 28,3 04 | 26,3 58 | 25,5 22 | | |
| Food sector in total | 50,74 6 | 50,1 45 | 52,3 99 | 53,1 48 | 52,9 76 | 53,6 31 | 56,0 36 | 53,2 75 | 53,4 90 | | |
| EMPLOYED | | | | | | | | | | | |
| Agriculture, horticulture, forestry | 105,7 34 | 102, 311 | 99,3 35 | 95,8 23 | 91,5 31 | 89,2 26 | 86,1 08 | 86,1 84 | 83,7 63 | 80,8 98 | 80,3 75 |
| Food industry | 79,68 2 | 77,8 84 | 76,3 08 | 74,4 29 | 71,8 43 | 71,9 24 | 72,0 61 | 73,3 89 | 70,5 80 | | |
| Food sector in total | 185,4 16 | 180, 195 | 175, 643 | 170, 252 | 163, 374 | 161, 150 | 158, 169 | 159, 573 | 154, 343 | | |
| PRODUCTIVITY | | | | | | | | | | | |
| (Annual growth in %) | | | | | | | | | | | |
| Labour productivity | | | | | | | | | | | |
| Agriculture, horticulture, forestry | 5.6 | 6.0 | 6.8 | 2.2 | -0.6 | 5.3 | 0.9 | -0.3 | 4.1 | | |
| Food industry | 0.4 | 0.7 | 4.7 | -0.7 | 3.4 | -2.1 | 0.5 | 2.5 | 4.7 | | |
| Total factor productivity | | | | | | | | | | | |
| Agriculture, horticulture, forestry | 4.4 | 3.7 | 3.4 | 1.7 | -1.3 | 4.2 | -0.7 | -0.9 | 3.6 | | |
| Food industry | 0.6 | -1.6 | 2.1 | -0.5 | 1.5 | -2.0 | -0.7 | 1.5 | 2.5 | | |
| HOLDINGS | | | | | | | | | | | |
| Total | 68,77 1 | 64,4 26 | 63,1 51 | 59,7 61 | 57,8 31 | 54,5 41 | 53,4 89 | 50,5 31 | 48,6 13 | 45,6 24 | 48,2 75 |
| Of this with pigs | 21,41 8 | 19,8 21 | 18,8 29 | 17,6 88 | 15,4 83 | 13,2 31 | 12,9 36 | 11,7 47 | 11,1 10 | 9,99 4 | 8,88 6 |
| Of this with cattle | 27,31 7 | 26,5 95 | 24,7 57 | 23,6 70 | 21,8 14 | 20,8 80 | 20,4 43 | 19,0 65 | 17,6 55 | 16,0 73 | 14,7 47 |

Table 1: Key figures for production in agriculture, horticulture, forestry and the food industry.

Source: Statistics Denmark.

Note: The data for increase in Gross Value for agriculture and number of agricultural holdings in 2005 is influenced by the CAP-reform of 2003 with conversion from the hectare payments to decoupled single farms payments pursuant to Regulation (EC) 1782/2003.

The current financial situation and the provisional assessment of the agricultural economy

With the expected development in sales and factor prices, the operating profit for arable farmers will be under pressure in 2009 and 2010. The earnings are marked by a lower gross yield than in 2008 due to a decline in the price of cereals. Based on a normal harvest years, the price of cereals is expected to be somewhere between DKK 90 and 100 per hkg in 2009 and 2010. The cost level is not expected to fall at the same rate as sales prices.

The operating profit on livestock farms for 2008 to 2009 suggests a significant drop of DKK 500,000. The particular reason for this is a fall in the average price of milk of DKK 0.66 per kg. There is no prospect of a positive operating profit in 2010. Whereas in 2008, it was the financing costs which limited the earnings from livestock farming, in 2009 and 2010 it will be due to lower income from primary farming operations.

The price of pork is not expected to increase until the first few months of 2009, but earnings are expected to take an upward turn in 2009. With an expected increase in the average price of DKK 10.83 per kg of pork, positive operating profits are expected in the pig sector in 2010. Piglet producers in particular can look forward to an improved operating profit.

For crops and cattle, the prospect for 2010 is better than for 2009, yet there is still no prospect of operating profits which would ease the economic burden. It should be emphasised that the projections for 2009 and 2010 depend on the price estimations and are therefore subject to uncertainty⁵.

Agricultural holdings

The number of agricultural holdings was 45,624 in 2004, which corresponds to a decrease in number by a third during the past decade. Just below half of the holdings are fulltime holdings. The decline in the number of farms has taken place in the 5-75 ha size groups, and the number of holdings in the 75-100 ha group has remained largely unchanged, while the number of farms with a land area of more than 100 ha has risen sharply. From 2004 to 2005 the number of registered farms increased by 2,500. This is expected to be only a temporary increase resulting from the implementation of the Single Farm Payment scheme. The increase is due to some landowners having chosen (temporarily) to farm their land otherwise leased to other farmers. For the average farm, the standard gross margin (SGM) is around EUR 101,000. Basic agricultural training is required to acquire agricultural properties of 30 ha or more. The proportion of farmers with basic and further training was around 29% in 2000⁶. The amount of owners of agricultural properties, with an extra non-agricultural source of income, was 48% in 2005⁷.

The total agricultural area has been vaguely decreasing in the past decade while the average size of the holdings in the same period has increased by 50% to approximately 58 hectares in 2004. Approximately 20,000 farms were less than 30 hectares.

The total cultivated area for agricultural purposes (including set-aside areas) was about 2.6 million hectares in 2005. Agricultural land makes up around 60% of the total land area of the country. The area of woodland is around 0.6 million ha. The total area of agricultural land and

⁵ Footnote 5: The 2008 estimates are based on accounts from just over 10% of the farms,

⁶ Reference EUROSTAT.

⁷ Food-economical Institute: "Landbrugets Økonomi 2006".

woodland thus accounts for around 72% of the total area of the country⁸. Of the total cultivated area, permanent pasture (excluding set-aside land with grass) accounts for around 7%, and perennial crops for around 0.5%, while the remaining area is in crop rotation. The breakdown of farms by size in 1994 and 2004 can be seen in Figure 4.

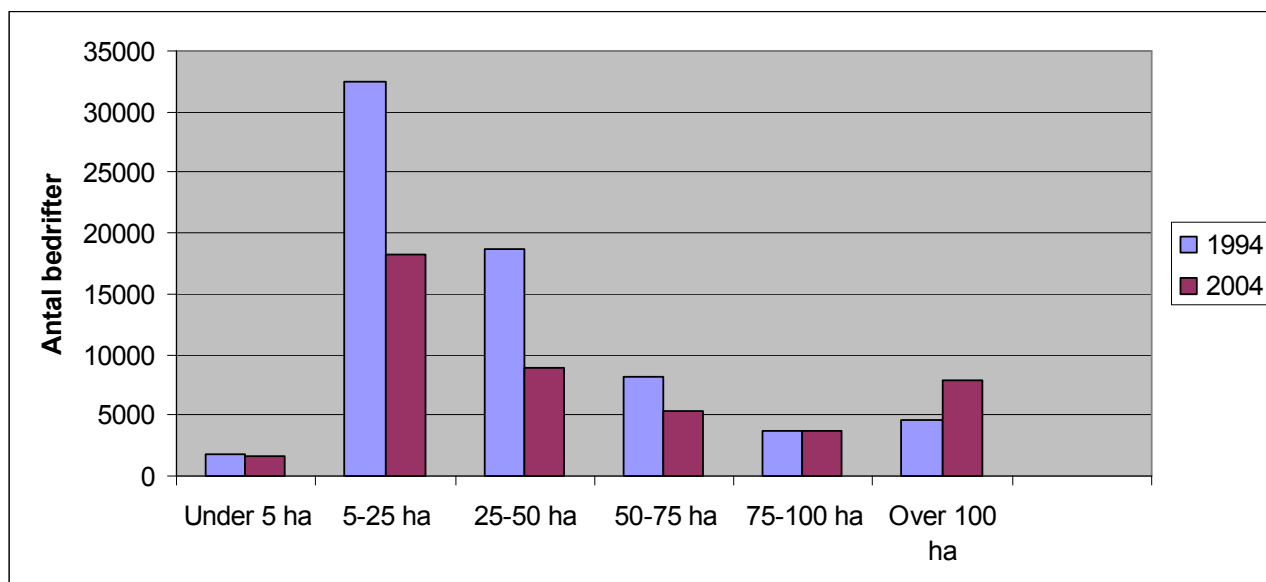


Figure 4: Farms broken down by area in hectares

| | |
|----------------------|-----------------|
| Foodnote/translation | |
| Antal bedrifter | Number of farms |

The most common agricultural crops are winter wheat and spring barley. There is also a substantial production of beets and potatoes, as well as a production of crops like rape, winter barley, sugar beets and others.

Organic farming

Organic farming involves less strain on nature and environment than traditional agriculture. In 2005, approximately 2,900 farms and 6% of the agricultural land area were managed according to organic principles corresponding to 151,000 hectares, including areas under conversion. Between 1993 and 2002 there was strong growth in organic production, to a great extent concentrated on dairy production and horticulture. Other product groups have been added subsequently. Following a period of stagnating demand and production, there is now a trend towards rising demand for organic products. The red organic label is well known and widely used in the Danish market, and covers a wide range of products. Supported by the Rural Development Programme amongst others, organic areas have increased remarkably to 172,000 ha in 2009. The increase is expected to continue throughout 2009.

⁸ In the latest monitoring of the area coverage for the period covering the late 1980s to the mid-1990s, the agricultural area covers 66%, forest and dry nature types 16%, and wetlands 5% of the total area of the country.

A study carried out by the Ministry of Food, Agriculture and Fisheries⁹ shows that 49% of consumers buy 88% of organic products. However, this 49% of consumers only spend between 7% and 14% of their food budget on organic products, so there is significant potential for sales of organic products to grow. The demand for organic products has grown in the last few years, and the significant potential identified in the study therefore requires an increase in the production of organic products if supply is to be able to match demand.

Livestock

Production of pig meat is generally rising, while production of beef, veal and poultry meat has declined. Livestock husbandry has also undergone rapid structural development and specialisation, and concentration of livestock production has been in progress for many years. A total of 14,747 farms had cows in 2005 (of which 6,605 had dairy cows). The number of farms with pigs was 8,886. In North, West and South Jutland there are cows on 35-40% of farms, while there are only cows on around 15-20% of farms in the other parts of the country. The number of farms with pigs is more evenly distributed geographically than the number of farms with cows. There are large variations in the earning power among the holdings.

Structural development livestock farming

The food sector has been characterised by a rapid reorganisation and adjustment to the development in the market situation. The agricultural holdings have grown in size, livestock farming is concentrated on still fewer holdings, investments have been made in labour-saving equipment and new technology and new processes and products have been developed to adjust the production to the shifts in the demand for food products.

The agricultural production has been at a constant level coincident with a drastic reduction in the labour input. Alongside these trends a knowledge-based consequential industry has been developed with a high level of technology (in particular ingredients and machines for the food industry, environmental technology, etc.). Production levels remain unchanged, while labour input has decreased sharply.

This change-over and structural adaptation have created the income basis for the food industries, but at the same time have had a significant impact on employment and living conditions in the rural areas. The following figure and table depicts this development.

⁹ International Centre for Research in Organic Food Systems: "Udvikling, vækst og integritet i den danske økologisektor". Knowledge synthesis on the opportunities for and barriers to continued growth and market based growth in production, processing and sale of organic products", June 2008.

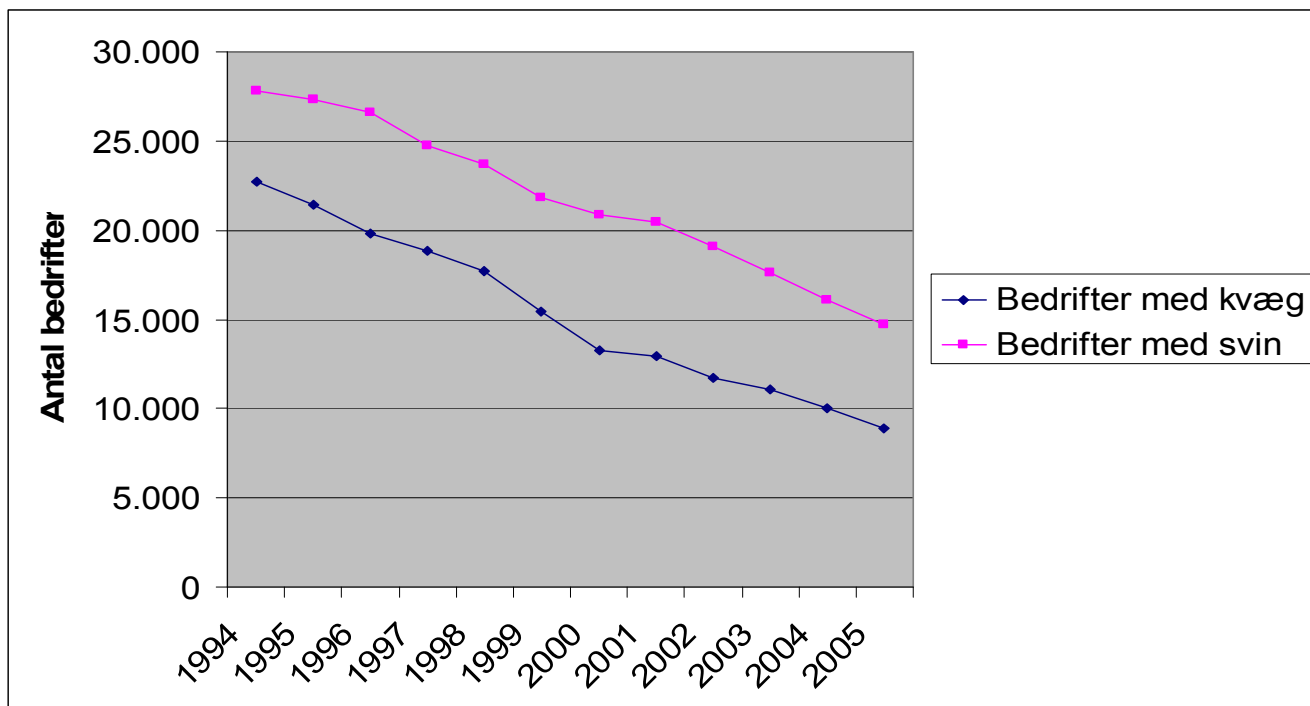


Figure 5: Number of farms with cattle and pigs.

| | |
|----------------------|-----------------|
| Foodnote/translation | |
| Antal bedrifter | Number of farms |
| Bedrifter med kvæg | Farms with cows |
| Bedrifter med svin | Farms with pigs |

| Table: Danish livestock production – number and type of animals | | | | | |
|---|------------|------------|------------|------------|------------|
| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
| Bulls and steer | 69,235 | 59,496 | 47,553 | 43,355 | 36,634 |
| Heifers | 431,630 | 410,861 | 379,914 | 335,533 | 340,107 |
| Milk cows | 609,602 | 596,034 | 563,454 | 564,265 | 550,279 |
| Suckle cows | 120,344 | 112,107 | 107,697 | 101,343 | 100,072 |
| Sows | 1,128,055 | 1,148,589 | 1,155,485 | 1,151,482 | 1,127,345 |
| Pigs (stock) | 12,732,035 | 12,948,944 | 13,233,235 | 13,534,436 | 13,361,099 |
| Slaughter and export of pigs (1000 animals.) | 24,203 | 24,434 | 25,197 | 25,758 | 25,763 |
| Milk ab farmer (mio. kg) | 4,590 | 4,675 | 4,569 | 4,584 | 4,627 |
| Slaughter and export of cattle (1000 animals.) | 668 | 625 | 632 | 549 | 509 |

Table 2: Danish livestock production – number and type of animal.
Source: Statistics Denmark 2007.

Forestry

Timber production is around 2 million m³ of timber per year, broken down into 25% hardwood and 75% softwood. In 2005, however, felling accounted for almost 3 million m³ as a result of storm damage. Timber consumption is around 8 million m³. 75% of the area of woodland is privately owned, while the remainder is state-owned forest. The area of the woodland is dispersed throughout the country. Altogether there are more than 26,000 forests and woods over 5 ha in Denmark. 96% of the forests representing 30% of the total area of forest, are smaller than 50 ha.

The primary forestry sector contributes around 1% of national gross value added. The sector employs around 4,000 people and supplies the industrial timber sector. Timber prices have fallen in recent years, and the economy in the private woodland sector is therefore faltering. Production of Christmas trees and ornamental greenery as well as the leasing of woodland for hunting has gradually assumed the same economic significance as timber production.

Horticulture

For a number of years there has been substantial structural adaptation in horticulture towards fewer and larger enterprises. The average greenhouse area per pot plant horticultural enterprise rose from 6,194 m² in 2000 to 8,632 m² in 2005, while the average outdoor growing area for all horticultural enterprises over the same period rose from 14.7 ha to 21.1 ha.

The number of people employed in horticulture has declined. At present around 8,000 people are employed in the horticultural industry, whereas in 1997 around 10,000 people were employed in the industry. Horticultural production in recent years has had a value of around EUR 560 million per year, broken down into around 75% from greenhouse production and around 25% from outdoor production. Pot plant production accounts for nearly 60% of the total turnover of the horticultural industry, and most of this goes for export. The average turnover of a pot plant horticultural enterprise in 2005 was around EUR 845,000.

The earnings from horticulture depend greatly on the balance between the trend in sales prices and the trend in energy prices and wage costs. Some horticultural enterprises, particularly larger ones, achieve reasonable earnings, while smaller horticultural enterprises (both greenhouse and outdoor) producing vegetables, fruit and berries are under severe economic pressure due to a strong international competition. Globalisation and a larger internal market in the EU will put pressure on Danish horticulture and may be expected to lead to significant structural changes in the industry over the next few years.

Future challenges

The continued trend of globalisation compels Danish trade and industry to compete on the base of new knowledge and ability to create innovation. Danish food industries and authorities are strongly committed to continue the efforts for innovation, research and development, which have already contributed to the rapid conversion and adaptation of the industries. This is illustrated by the sharp rise in the number of patents in the agriculture and food sector. In 2004, 51 out of a total of 825 Danish patents went to the food sector.

The trend towards rapid change-over and adaptation to market conditions is expected to continue over the next few years. According to the OECD's medium-term projection for the period 2006-2015, increased competition may be anticipated on the world market. The countries outside the OECD will increasingly come into play as exporters of agricultural products in the globalised economy by virtue of their cost advantages. The increased competition and improvements in productivity will exert downward pressure on prices. The growth in demand for foods comes in particular from countries outside the OECD, where population growth and changed dietary habits as a result of rising income will change food consumption in the direction of more animal products. Demand for foods in the OECD countries is expected only to grow slowly, but products produced with consideration to food safety, quality, the environment and animal welfare will become more popular and competitive.

In recent years, even greater focus is given to sustainable agricultural production, quality foods and creation of local and regional added value in primary production. Consumer demand for quality foods and interest from producers and consumers in greater use of quality marks is increasing.

The opportunities for Danish food production exists particularly in the animal sector, and the development of products is dominated by the factors of food safety, quality, the environment and animal welfare, which may be expected to play an increasingly significant role in consumers' preferences.

However, the effort shall be focused on innovation in the primary production and processing sectors, in food safety, quality, environmental and climate sustainability, animal welfare and development of best practises to achieve these objectives. No targeting of specific sectors of agricultural production shall be established, and no production sector shall be disqualified or prioritised in advance.

To sum up, the main challenges for the agriculture and forestry sectors in the years to come are:

- Further innovation and development in the agriculture, forestry and food sectors is needed if the sectors shall overcome the challenges of globalisation.
- Reduction in labour input in the agricultural production together with other structural adaptations in the last decades has saved the income basis for the food sector, but at the same time it has had significant consequences for the employment and conditions of life in the rural areas.
- Increased global competition and improvement in competitiveness may exert a long term downward pressure on prices.
- However, demand for products made with special consideration for food safety, quality, environment, climate, and animal welfare is expected to accelerate. The food agriculture and forestry sectors must make use of this growth in demand through continued innovation and development.

1.4. Nature and environment

In Denmark, approximately 60% of the total area is agricultural land corresponding to approximately 2.6 million hectares. Urban areas cover about 250.000 hectares. Thus the land use and development in agriculture play a very important role in the overall conditions of nature and environment. A competitive agricultural production does not necessarily conflict with considerations for the environment, nature and neighbours. An environmentally friendly agricultural production is a Danish position of strength..

The Danish Government has over a number of years, in collaboration with the agricultural sector, worked on integrating the considerations for the environment and nature into the general regulations for agricultural production. This has been done partly through implementation of national action plans, and through implementation of the common agricultural policy, including the rural development policy.

Agriculture as a nature manager

Agriculture plays an important role in the conservation of natural, environmental and cultural assets and recreational assets in the Danish countryside. In general the last half century of mechanisation and specialisation in the agricultural production, has contributed to the pressure on a number of natural habitats. The numbers of rare plant species have become fewer while the number of common species has increased, and the boundaries between farmed areas and the “wild” unfarmed areas have become clearer. At the same time these unfarmed areas are predominantly placed in the margins of the farmed areas. Permanent grasslands, meadows, pastures and heathers are types of extensive farmlands, where grazing can contribute to the maintenance of specific natural values.

Therefore these areas are dependant on the agricultural farming. No farming means that the areas overgrow, while intensive farming can lead to diminishing the values associated with the specific areas. Also the establishment of natural windbreak on agricultural lands can increase natural values. They are important biotopes, and they create ecological links between larger natural areas.

National actions taken under the Rural Development Programme

The efforts made so far to counteract a negative environmental influence from agriculture have shown positive results. Voluntary measures financed under the rural development programmes have contributed to these results. By the end of 2006 around 98,000 ha of agricultural land were covered by agreements on environmentally friendly agriculture with requirements for land set-aside or conversion to extensive pasture without the use of pesticides and fertilisers. The area was maintained in 2008. In 2006, another 153,000 ha were covered by agreements on organic farming or extensive production on agricultural land with no use of pesticides and limits on the use of nitrogen. There has been a positive development in this regard, bringing the area to 179,000 ha at the end of 2008.

National objectives and action plans

Even though Denmark has achieved a lot in many areas, there is still an ongoing need to improve the aquatic environment and reduce the use of pesticides. This is why Green Growth replaces and supplements the Government's Aquatic Environment Plan III from 2004 and is also the Government's follow-up to the Pesticide Plan 2004-2009.

Emissions of nitrogen from agriculture were halved through the national Aquatic Environment Plans I and II over the period 1987-2003. AEPIII encompasses a broad-based initiative to further reduce the impact of agriculture on the aquatic environment, nature and neighbours over the period 2005-2015.

The objectives of the national Aquatic Environment Plan III were;

- 50 per cent reduction of excess phosphorous
- Establishment of 50,000 hectares of buffer zones along lakes and water courses
- Further 13 per cent reduction in nitrogen leaching.
- Protection of particularly vulnerable nature
- Research aimed at limiting odour nuisances, reducing excess phosphorous and phosphorous discharges and improving methods for manure management
- Strengthening organic farming
- New distance requirements for manure management

Reduction of excess phosphorous shall be achieved through a tax on mineral phosphorous in feed, through general improvement of the phosphorous balance on basis of new knowledge and through support measures under the RDP. Reduction of nitrogen leaching shall be achieved by regulation on N norms, farming of late crops and N-utilisation in livestock manure and through establishment of wetlands and forest on agricultural land and strengthening organic farming through support measures under the RDP.

The mid-term evaluation of the AEPIII shows that the excess phosphorous has been reduced by approximately 6,500 tonnes of P in the period 2001-2002, corresponding to a reduction of approximately 23% while no certain reduction in nitrogen leaching can be detected for the period 2003-2007.¹⁰

In 2002, the Government introduced an Action Plan for Reducing Ammonia Emissions from Agriculture. Through the action plan, a ban was introduced on certain methods for spreading of manure. When the plan has been fully implemented in 2007, a total reduction of about 9,500 tonnes of nitrogen emissions per year is expected. The activities of the AEPIII shall assist to follow up on the plan.

Ammonia evaporation from agriculture has been reduced by an average of 2,600 tonnes of N in the period from 1985 to 2007¹¹.

The national Pesticide Plan 2004-2009 was also aimed at the objectives in the Natura 2000 and Water Framework directives. The objectives were to

- reduce the plant protection treatment frequency to 1.7 per year,
- promote re-adjustment of agriculture to non-pesticide cultivation and to
- facilitate that 25,000 hectares of pesticide-free marginal areas are established along streams and lakes before the end of 2009.

¹⁰ The Faculty of Agricultural Sciences, Aarhus University, and the National Environmental Research Institute, Aarhus University. "Mid-term evaluation of the Aquatic Environment Plan III", December 2008.

¹¹ Danish Agriculture: "Dansk landbrug i tal 2008" (Danish agriculture in numbers), October 2008.

The Government will maintain and survey approved pesticides to ensure they are not washed out into the ground water above limit values.

The Pesticide Plan 2004–2009 was assessed in 2008 and it was concluded that the objectives described above will not be achieved. However, in some areas there have been fewer improvements. At the same time, for many of the initiatives it will only be possible to see an effect in the long term¹².

According to the Green Growth plan the following initiatives will be carried out:

- Green conversion of pesticide fee
- Support for establishment of spray, fertiliser and cultivation-free border strips
- Establishment of a point system for pesticides enabling the farmer to choose the pesticides with the least impact on the environment and health
- Restrictive approval scheme
- Promotion of pesticide-free cultivation
- Consolidation of advice for the use of pesticides, focusing on integrated plant protection.
- Reports on the farmers' spraying records
- Increased research effort in, amongst other things, integrated plant protection, decision-making support systems and the damage caused by pesticides

Other national environmental initiatives

Extension or establishment of livestock production in Denmark is regulated in the national Planning Act and the Environmental Protection Act. This ensures that extension or establishment of livestock farms is assessed in relation to the impact on the environment and nature in accordance with applicable Community policies. Approvals under the Environmental Protection Act must be reconsidered at least for every ten years. If new information arises about environmentally harmful effects or best available techniques, authorisations may be reconsidered before expiry of the ten years.

In addition to the national action plans, developments of new technologies and improved feed utilisation have contributed to more environmentally friendly production. Within livestock production and horticulture, the trend towards larger production units has created a need for investment in technologies that can reduce the impact on the environment, nature and neighbours. Such investments are not only necessary for optimisation of production processes and competitiveness, but also for enabling agriculture to meet society's goals for nature, climatic effects, the environment and animal welfare.

With the multi-annual plan for sustainable and environmentally friendly livestock production from 2006, the Government has proposed a number of recommendations for innovation, demonstration, documentation, and introduction of environmentally friendly technologies in agriculture, which can ensure a continued sustainable development of the livestock production. To reach this objective, adjustment of national regulations on livestock production may prove

¹² The Ministry of the Environment: "Evaluering af målopfyldelse og virkemidler i Pesticidplan 2004-09" (Assessment of goal achievement and means in the Pesticide Plan 2004-9), Environment project No 1247, 2008.

necessary to enable sustainable solutions and to provide greater incentives for investment and operational measures.

Water

The drinking water in Denmark is of high quality, and generally it is possible to drink groundwater from most drinking water drilled wells without filtering/cleaning. Local problems with drinking water quality can be concentrations of pesticides, nitrate, inorganic and organic matter. Today, abundant quantities of pure drinking water are ensured by protecting the ground water resource against discharge and by the existing regulations concerning pesticides. Furthermore, areas sensitive to pesticides and non-spraying zones around drillings are designated.

Denmark has implemented the nitrate directive objectives through regulations. The use of subsidies – including the establishment of wetlands and forest supported through the Rural Development Programme has also contributed to the national objectives. The national aquatic environment action plans I and II, have in the period 1987-2003 contributed to a reduction of discharge of nitrogen from agriculture by around 50%. The positive trend for the environment will continue with the national Aquatic Environment Plan III (AEP III).

In order to achieve a good ecological status in all Danish lakes, watercourses and coastal waters, the Government aims to reduce nitrogen-leaching into the aquatic environment by approximately 19,000 tonnes and phosphorus leaching by approximately 210 tonnes compared to the current level by 2015. This will result in achieving the objectives set in the Aquatic Environment Plan III, and complying with the obligations of the EU's Water Framework Directive. Prior to the Directive's second plan period (2016-2021) the need for additional initiatives will be assessed in order to comply with the Water Framework Directive's goals for good conditions in Danish lakes, watercourses and coastal waters. This assessment will be carried out on the basis of new knowledge acquired, including on climate change in relation to the aquatic environment.

In order to achieve a good quality aquatic environment, the Government will implement an ambitious initiative which will include:

- A green conversion of nitrogen regulation
- Additional general regulation for reducing nitrogen and phosphorus, e.g. a ban on soil preparation in the autumn
- Targeted measures, including spray, fertiliser and cultivation-free border strips, wetland areas, extensification of river valleys and late crops
- Improved physical conditions on certain stretches of 7,300 km of watercourse
- Improved cleansing of rain and waste water
- Reinforced protection of groundwater resources

EU Nitrates Directive derogation

In general according to the Nitrates Directive a quantity of manure not exceeding the equivalent of 170 kg of nitrogen per hectare may be spread per plan period. The Commission has decided to allow derogation (2005/294/EC) to Denmark in relation to the Nitrates Directive, in that it is possible – under certain conditions – to have more livestock units per hectare than the directive in general prescribes. The derogation allows under certain additional conditions an amount of

livestock manure applied to the land on cattle farms each year, including by the animals themselves, equivalent to up to 230 kg of nitrogen per hectare. The derogation was extended in 2008 until 2012. The derogation shall have no direct effect on the calculation of support rates in the measures under Axis 2 of the programme. This is because the calculations shall cover additional costs and income foregone due to other obligations than reduced input of nitrogen in the agricultural production. Compensations are given for obligations to not use plant protection products, to conserve natural habitats by grazing, cutting or trimming of grass, or to produce organically. Therefore no adjustments of support conditions or rates are needed, if the derogation is not extended. The possibility for farmers applying the derogation, to apply for support under Axis 2 measures shall be specified in the Rural Development Programme for the relevant measures.

The total agricultural area of Denmark has been appointed as Nitrate Vulnerable Zone pursuant to the Nitrates Directive. Therefore no Codes of Good Practice have been introduced for farms outside these zones in Denmark.

Nitrogen and phosphorus

The surplus of phosphorus and ammonia emissions from manure from agriculture has been decreasing during the past 15-20 years. The surplus of phosphorus has been reduced by about 50% since the mid 1980s, and the loss of ammonia from manure has decreased by approximately a quarter.

With AEP III, the surplus of phosphorus is expected to be reduced by 50% in relation to the level in 2001/2002 which was approximately 32,700 tonnes of phosphorus. According to the national agreement on AEP III 50,000 hectares of marginal zones around streams and lakes must be established, and the discharge of nitrogen must be reduced by 13% before 2015. To reach these objectives, it is among other things necessary to invest in more environmental technology on larger livestock holdings. Investments in new technology are also expected to reduce odour inconveniences from the livestock holdings. A significant lowering of the airborne strain with nutrients should however imply that other sectors – transport, industry, energy production – contribute as well. In addition a significant part of the nutrients strain in Denmark is due to contribution from our neighbouring countries.

The rural development programmes contribute to the reduction of negative environmental effects from the agricultural activities. The efforts under the rural development programmes have resulted in that approximately 98,000 hectares are included in agreements concerning environmentally friendly farming with fallow or extensive grazing areas without the use of fertilisers. A further 153,000 hectares (approximately 179,000 hectares in 2009) are included by arrangements concerning organic or environmental friendly farming without the use of pesticides and with limited use of nitrogen.

Apart from the environmental action plans, investments in new technology have contributed to a more environmentally friendly production. Technological development and improved feeding technology have made it possible to increase the livestock production without a larger total environmental strain.

Trends in nitrogen and phosphorus balances can be found in the following two figures.

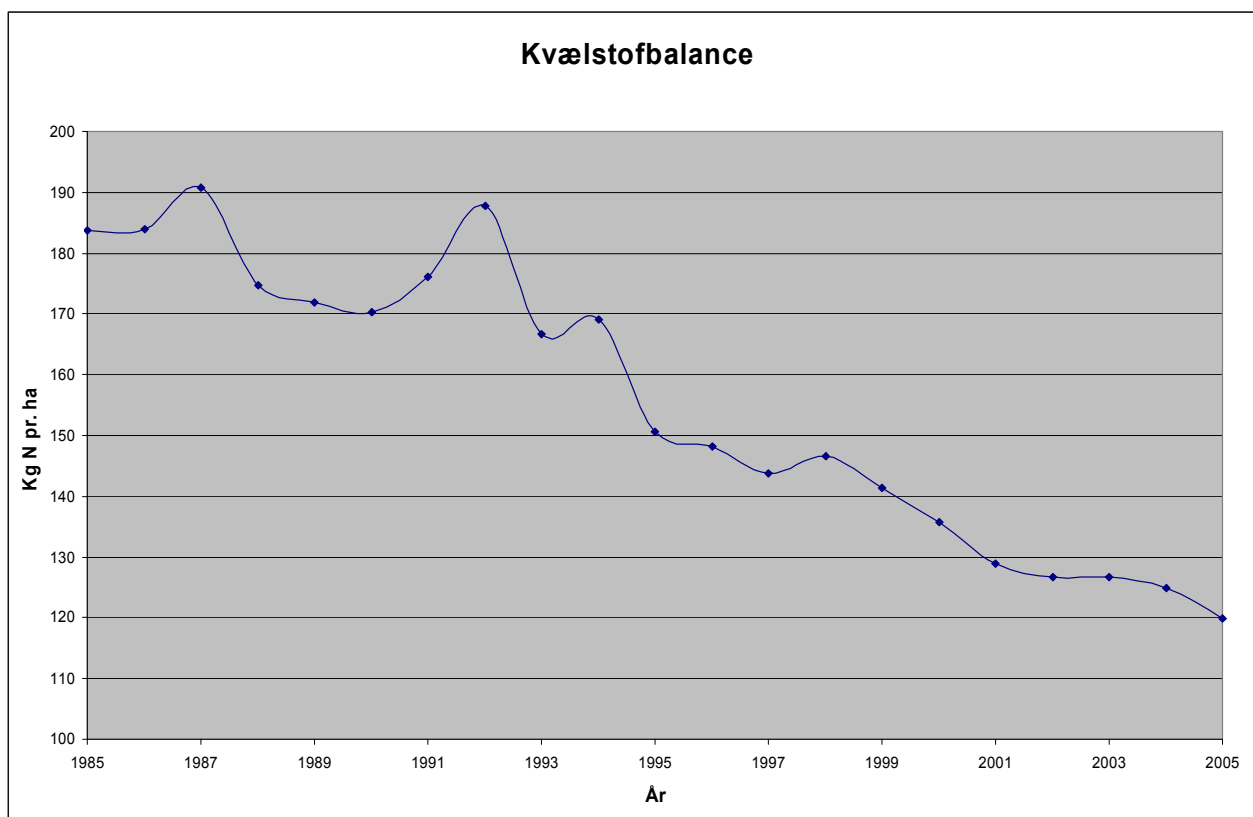


Figure 6: Trend in the Danish nitrogen balance from 1985-2005

| | |
|----------------------|------------------|
| Foodnote/translation | |
| Kvælstofbalance | Nitrogen balance |
| Kg. N pr. ha | Kg of N per ha |
| År | Year |

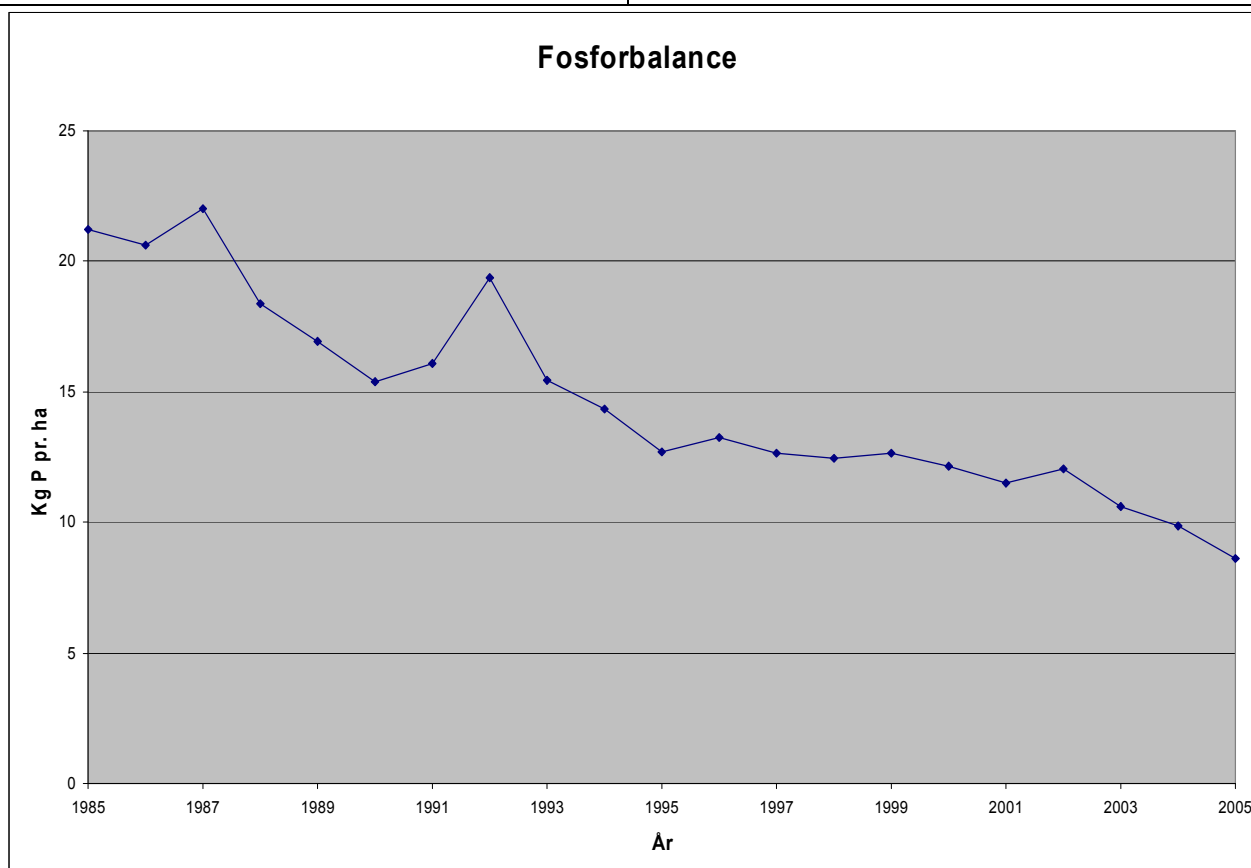


Figure 7: Trend in the Danish phosphorus balance from 1985-2005

| | |
|----------------------|---------------------|
| Foodnote/translation | |
| Fosforbalance | Phosphorous balance |
| Kg. P pr. ha | Kg. P per ha |
| År | Year |

Pesticides

As an element of the Pesticide Plan 2004-2009, the target was to reduce the frequency of treatment in agriculture to 1.7 and to promote the change-over to pesticide-free cultivation. The Government's goal was to ensure that approved pesticides were not leached to the groundwater in excess of the limit value. It was also a Governmental objective to convert 25,000 hectares of no-spray border strips along targeted watercourses and lakes before the end of 2009. Pesticide-free cultivation is promoted today by the payment of support for conversion to organic agriculture and through the area payment system for extensive production on agricultural land.

The Government wishes to maintain the ambition level from the Pesticide Plan 2004-2009. Only the amount of spraying that nature and the environment can handle should take place. The previous indicator for spraying frequency is expected to be replaced by an improved indicator which take account of the actual effect on the environment. The Government's objective is that

the indicator shall be reduced to 1.4 by the end of 2013. In addition, the Government is increasing the ambition level for no-spray border strips to 50,000 hectares by the end of 2012.

The development in the sales of pesticides in Denmark over the period 1981 to 2006 is shown in the tables below. The figures also contain pesticides use outside the agricultural sector.

Table 3a Sale of pesticides after type and year – kilo active substance per hectare

| | 1981 | 1986 | 1991 | 1996 | 2001 | 2006 |
|-------------------|------|------|------|------|------|------|
| Total | 2,33 | 2,36 | 1,83 | 1,58 | 1,42 | 1,46 |
| Herbicide | 1,78 | 1,48 | 1,13 | 1,26 | 1,00 | 1,12 |
| Fungicide | 0,42 | 0,65 | 0,56 | 0,27 | 0,26 | 0,24 |
| Insecticide | 0,10 | 0,09 | 0,06 | 0,02 | 0,02 | 0,03 |
| Growth regulation | 0,04 | 0,14 | 0,07 | 0,03 | 0,14 | 0,06 |

Source: Statistics Denmark 2007.

Table 3b Sale of pesticides after type and year – tonnes active substance

| | 1981 | 1986 | 1991 | 1996 | 2001 | 2006 |
|-------------------|------|------|------|------|------|------|
| Total | 6115 | 6085 | 4628 | 3669 | 3083 | 3212 |
| Herbicide | 4671 | 3810 | 2867 | 2915 | 2164 | 2479 |
| Fungicide | 1094 | 1682 | 1426 | 631 | 561 | 536 |
| Insecticide | 253 | 233 | 146 | 36 | 49 | 57 |
| Growth regulation | 97 | 360 | 189 | 87 | 309 | 140 |

Source: Statistics Denmark 2007.

Natura 2000 and Water Framework directives

Denmark has substantial obligations in the fields of nature and environment in relation to a number of EU directives, including the Natura 2000 directives (the habitat directive and the bird protection directive) and the Water Framework Directive. These obligations play a central role in the future nature and environmental effort in Denmark. There is a close correlation between the implementation of Green Growth and the implementation of the EU's Water Framework Directive and Habitats Directive.

The obligations of the Natura 2000 directives and the Water Framework Directive will play an important role in future nature and environmental conservation efforts in Denmark. In order to reach the objectives it is expected that further reduction of discharge of nutrients and increased quality of the water bodies and natural areas must be obtained. Specific nature and environmental targets must be set for the areas designated, and a more differentiated implementation of the objectives in each of the areas must be carried out.

Under the Natura 2000 directives which oblige the Member States to maintain or establish a favourable status of preservation for a number of types and species of nature, 254 habitat areas and 113 bird protection areas are appointed which corresponds to 359,100 hectares or approximately 8.3% of the total area in Denmark. The designated areas include agricultural land, forest, common land, salt marshes, fresh meadows, bogs, dunes, moors etc.

According to the Natura 2000 directives, objectives and scopes are to be fixed for water bodies and Natura 2000 areas in 2009 at the latest, but already today Denmark is obliged to active management to protect Natura 2000 areas, as well as the country is obliged by the EU objective to stop the recession of biodiversity in 2010 at the latest. The Natura 2000 designated areas are shown in the following map.

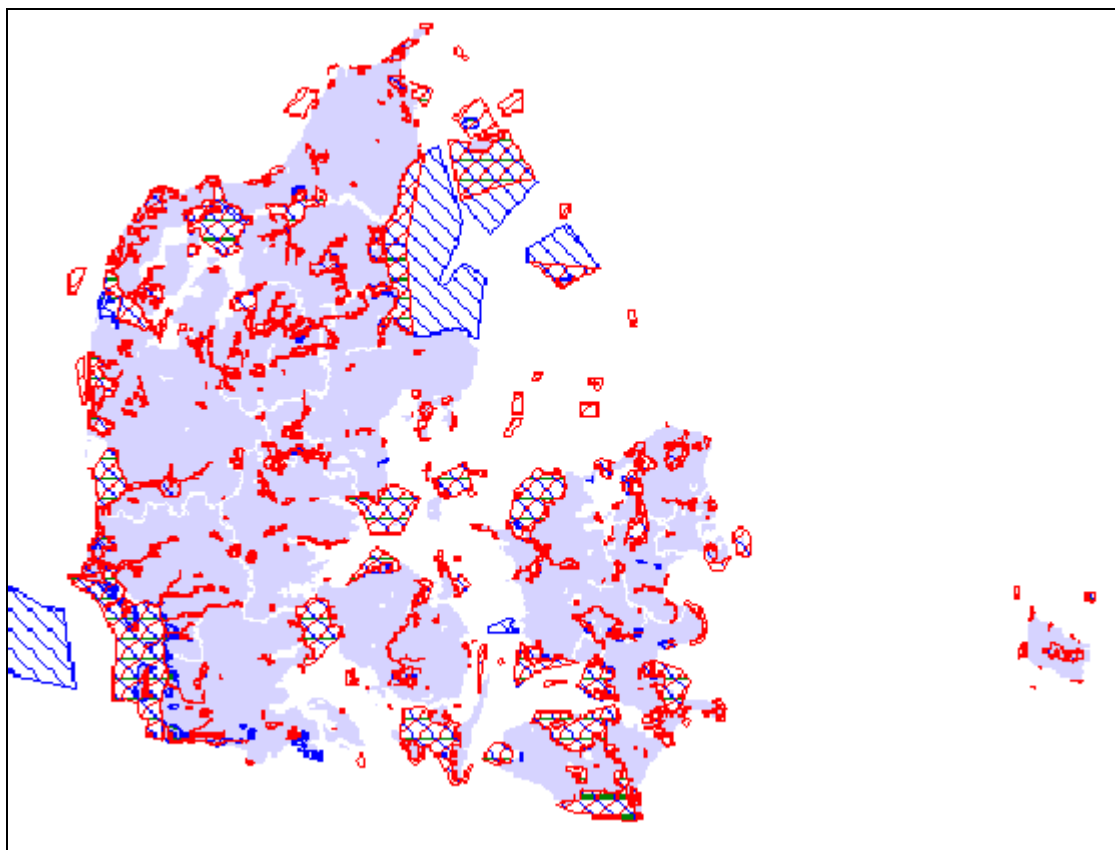


Figure 8: Map showing Natura 2000 sites.

Not later than 6 years after the approval of the national designation of Natura 2000 areas the national authorities shall have a proactive administration in order to secure or re-establish a favourable conservation status. In Denmark this will happen in 2010. The main timetable for making Natura 2000 plans is:

| | |
|-------------|--|
| End of 2006 | A survey in order to locate the sites of 18 nature types in open area and all the forest nature types within the Natura 2000 areas completed |
| 2008 | The Ministry of Environment will make drafts of Natura 2000 Plans for all Natura 2000 areas. Public debate |
| 2009 | The Natura 2000 Plans will be approved |
| 2010 | Action plans will be drafted and approved. A proactive administration will begin. |

The plans will show objectives for the long term development and for the administration to be followed in the first plan period. The action plans will give the guidelines for the proactive administration. For the forests it is foreseen that the proactive administration in most cases will be made by voluntary agreements with the forest owner, and only use imposed restrictions when it is impossible to obtain a voluntary agreement.

Water Framework Directive

The concrete targets of the Water Framework Directive and the corresponding effort required will be specified in future water plans in accordance with the directive.

The demands of the Water Framework Directive are in principle to be met for the individual water bodies by 2015 at the latest. If the scale of improvements required can only be achieved in phases exceeding the timescale for reasons of technical or economical feasibility the deadlines for achievement of the objectives can be extended to 2027.

The inter calibration process according to the Water framework Directive will set the precise obligations to be specified in the water plans expected to be established nationally by 2010.

Implementation of the Water Framework Directive and Natura 2000 directives

Until the national planning for the implementation of the directives has been established and the specific provisions for support have been decided upon, other measures in the Rural Development Programme will contribute to the achievement of the same objectives. Farmers and forest holders will be able to apply for support on a voluntary basis.

The Government's water and environmental plans are being prepared and are expected to be approved before the end of 2009. The plans include individual mandatory initiatives, which for some initiatives are foreseen to be compensated under the Rural Development Programme.

Other national environmental action plans already contribute to the achievement of the aims of the directives. The implementation of the national multi-annual plan for sustainable and environmentally sound livestock production is expected to contribute in various ways. The Danish Government put forward a number of recommendations in 2006 for a further commitment to innovation, demonstration, documentation and introduction of environmentally friendly technologies in agriculture, which are capable of ensuring the continued sustainable development of livestock production.

The majority of the measures under Axis 2 of the Rural Development Programme shall contribute to meeting the objectives of the Natura 2000 and the Water Framework directives.

These measures may concern:

- Conservation by grazing or cutting on pasture and natural areas
- Conversion to organic agricultural production
- Extensive production on agricultural land
- Establishment of border strips along watercourses and lakes
- Nature and environment projects (support for planning of projects and for non-productive investments in connection with protection of environment, nature and animal welfare)
- Establishment of wetland areas
- Extensivation of river valleys

- Establishment of natural hydrological conditions
- Establishment of landscape and biotope-improving vegetation

Also measures under Axis 1 shall contribute combining both the aim of ensuring a competitive sector and the protection and improvement of the climate and the environment. The measures under Axis 3 and 4 shall also contribute, however on a more limited scope.

The scope of the additional financing and regulation needed to achieve the aims is in the process of being assessed nationally in accordance with the Community policies.

Denmark intends to modify the Rural Development Programme in order to include the specific measures for Natura 2000 in both the agricultural and forestry sector. This is expected to be established in 2010 with full implementation in 2011. Special provisions for implementation of the Water Framework Directive may also be included when the necessary basis is available. Establishment of such provisions is not anticipated until after 2010 and after establishment of the Natura 2000-plans.

The instruments are implemented as voluntary for farmers and foresters as an outset. When the necessary planning has been laid down selected instruments are expected to be set up as mandatory, and the instruments is accordingly expected to be included in the Rural Development Program under the relevant provisions.

High Nature Value Farming

An impact indicator measuring the area of High Nature Value farmland shall be used to measure the impact of the Rural Development Programme on biodiversity, landscape features and habitats. The concept of High Nature Value farming and forestry does not only cover defined areas but also high nature value features (e.g. buffer strips etc.) introduced into areas that as such would not fall under the definition of high nature value. In addition it refers to agricultural and forestry management systems being a driver for high nature value. The indicator developed by the European Environment Agency and the Joint Research Centre distinguishes the following types of HNV farmland:

1. Farmland with a high proportion of semi-natural vegetation
2. Farmland dominated by low intensity agriculture or a mosaic of semi-natural and cultivated land and small-scale features
3. Farmland supporting rare species or a high proportion of European or World population

In Denmark it is estimated that approximately 78,000 hectares of agricultural area is operated in accordance with the concept¹³. The programme should contribute to at least maintain extensive management of these areas. The FIA shall develop further the method for monitoring the indicator.

Climate change and bio energy

¹³ DG AGRI-G2 and European Environment Agency, 2000.

There is a general need for an initiative to cut greenhouse gas emissions and to make use of alternative energy forms and adapt our society to new times.

Agricultural caused emissions of greenhouse gases can be influenced by a number of different measures, which to varying extents will affect the emissions of the individual greenhouse gases (methane, nitrous oxide and carbon in the ground). It is also important to increase the utilisation of nitrogen during production, in the same way that there are cultivation and environmental reasons for maintaining and possibly increasing the amount of carbon in agricultural land. There is also a need to increase the utilisation of biomass to create energy. In the latter case it is especially interesting to identify resources which neither compete with the food production nor have a negative impact on the environment. The possibilities for doing so are mainly through greater utilisation of waste and residual products as well as cultivating perennial energy crops on marginal areas.

In Denmark agricultural emissions account for approximately 16% of national greenhouse gas emissions. Methane and nitrous oxide emissions from Danish agriculture decreased by 26% in the period 1990 to 2006. This decrease is particularly due to less cattle farming and a better utilisation of nitrogen in cultivation of agricultural products as a result of implementing the aquatic environment plans¹⁴.

Through the Kyoto protocol, Denmark is obliged to reduce its discharge of greenhouse gasses by an average of 21% for the period 2008-2012 in relation to 1990. The target is an annual discharge of 55 million tons CO₂. In connection with the preparation of the Danish Climate Strategy in 2003 it was calculated, that the need for reduction was 20-25 million tons a year. It is now estimated, that Denmark needs a reduction of 12 million tons a year. The agricultural sector has reduced the discharge of greenhouse gasses by 23-24% - a reduction that has taken place at the same time as a rise in production and implementation of the environmental action plans. The discharge of greenhouse gasses from agriculture consists mainly of methane and laughing gas, and not so much of CO₂.

In accordance with the Gothenburg Protocol and the EU's National Emissions Ceilings Directive, in 2010 Denmark must comply with emissions ceilings for a range of substances, including NH₃. It is anticipated that Denmark will be able to comply with the ceiling for NH₃ as a result of the reductions in emissions that have taken place over a number of years¹⁵. However, further reductions in the airborne nutrient burden shall also depend on the contribution from other sectors – transport, industry and energy production – and contributions from neighbouring countries.

Approximately half of the agricultural discharges of greenhouse gasses come from spreading and decomposition of manure on the fields. But digestion from cattle, storage of manure and discharge from agricultural machines also contribute to the discharges. The production of renewable energy in forestry and agriculture constitutes in total about 4% of the total energy production.

¹⁴ Ministry of Food, Agriculture and Fisheries: "Agriculture and climate". An analysis of agriculture's means for reducing greenhouse gases and the financial consequences), December 2008.

¹⁵ Danish Environmental Protection Agency, Environment project 1104, 2006.

The production of renewable energy in the agricultural and forestry sector has generally been increasing during the last many years. This increase is in good accordance with the objectives of the EU biomass action plan from 2005 and the EU strategy for bio fuels adopted in 2006. In addition, a significant national research effort has been started with the objective to examine the connection between agriculture and the environmental situation. This is done as part of the national Aquatic Environment Plan III and other national plans.

Currently, the use of biomass to produce electricity is a socio-economically relatively expensive solution but, with higher CO₂ and fossil-fuel prices, biomass-based production may well become an economically sensible choice. Today, a substantial amount of biomass is used at power plants as a result of the biomass agreement and the associated subsidy. This contributes to the scientific basis for future increased use of biomass. The European Commission is working on the presentation of an overall biomass-trading plan and, generally, it is to be expected that biomass will be used more and more within the European Union in the years to come.

The Danish Government has presented a plan to meet the energy policy challenges based on the vision, that Denmark in the long term shall be entirely independent of fossil fuels. The proposal includes the following targets prior to 2025:

- A minimum 15% reduction in the use of fossil fuels compared with today
- Preventing an overall increase in energy consumption, while sustaining economic growth
- An increase in the share of renewable energy to at least 30% of energy consumption
- A doubling of publicly funded research, development and demonstration of energy technology

The Government wishes to promote the use of biogas that may contribute to reducing consumption of fossil fuels and emissions of the greenhouse gas methane and also solve a waste disposal problem for the farming industry. According to the policy proposal the proportion of bio fuels used in transport shall increase to 10% by 2020. The Government is ready to set up partial targets earlier than 2020 provided that adequate socio-economically competitive and environmentally sustainable technologies have been developed.

Forests

The forests in Denmark have a large significance for nature, environment and landscape. They are subject to a significant protection, partly through Natura 2000 protection and partly through a special effort regarding forests with high natural values. Furthermore there is a special effort concerning natural forestation, and conversion of areas from softwood to hardwood. In addition, the forests are important for outdoor life, and it is estimated that around 75 million visits the forests annually. Finally, the forests contribute to production of renewable energy. The forested areas are increasing. Approximately 14% of the Danish area is covered by forests, which corresponds to approximately 534,500 hectares.

The Danish forest policy is laid down in the national forest programme from 2002 and the objectives are in accordance with the EU Community Forestry Strategy. The national programme is based on the concept of sustainability, which takes account of economic, social and environmental concerns.

The Forestry Programme has six overall objectives:

| | |
|---------------------------------------|--|
| <i>Nature and environment</i> | Conversion to more environmentally friendly forestry and conservation of the forests' natural assets, for instance, by ensuring that nature and biological diversity become the main management objective for 10% of the total area of forest by 2040. |
| <i>Economics</i> | Safeguarding forestry as a sector through the establishment of sustainable basic economic conditions. |
| <i>Social considerations</i> | Defining and developing forests as a benefit to the population's welfare, where they offer guaranteed opportunities to enjoy the outdoor life and nature. |
| <i>More forests and natural areas</i> | The area of forest must be increased so that 20-25% of Denmark's area is covered by forest landscapes in the course of one tree generation (80-100 years). This objective is being developed with the aim of improving the nature content and encouraging local participation in the initiative. |
| <i>Knowledge</i> | Effective accumulation of expertise and the exchange of knowledge in the forestry sector. Access to up-to-date, relevant knowledge as a basis for forest policy through research, education, promotion and information. |
| <i>International objectives</i> | Promotion of sustainable forestry globally, regionally (Europe, the EU), as well as in Scandinavia and the Baltic region. |

The national forest programme has no date of expiring and there are no funds directly attached to the programme. The objectives are to double the forest area within a wood generation (i.e. approximately 100 years), so about 20-25% of the total area of the country should be covered by forest landscapes in 2100, and to convert forestry into a more nature-friendly operation. These objectives shall be supported through the rural development programme. The effort in the forestry area has been concentrated on deforestation on agricultural land in the period 2000-2006 according to the objectives in AEP II and AEP III. In this period, 9,500 hectares of new forests have been planted on agricultural land with subsidies from the rural development programme. Furthermore, the rural development programme has contributed to changing the composition of tree species in the Danish forests in the direction of more hardwood, and it has also contributed to supporting biological and outdoor considerations in the forests. Approximately 14% of Denmark is covered by forests, and therefore in good progress of meeting the targets in the national forestry plans.

Islands with specific handicaps

In certain parts of the country, agricultural production is less favoured due to structural and geographic conditions. In Denmark these less favoured areas are pointed out to be 27 small islands and the islands Fanø, Læsø, Samsø and Ærø. The business economy of these islands is in

a very high degree linked to a viable agricultural sector, and it is considered vital, that agriculture is sustained on these islands to counteract depopulation. The islands are today covered by the so-called island support scheme under the RDP and constitute 1.1% of the total agricultural areas.

Main challenges in nature and the environment

To sum up, the main challenges concerning nature and environment in the years to come are:

- Sustainable energy production and technology within agriculture and forestry play a part in the Danish compliance with the Kyoto protocol, but also in national energy schemes. In the years to come sustainable energy will play an increasing role in the Danish energy supply.
- Within the aquatic environmental action plans and other national plans an effort is planned to research and promote environmentally friendly technologies in agriculture. These efforts should be continued in order to maintain the Danish stronghold within this industry, and to contribute to the compliance to the Kyoto protocol.
- An ongoing effort to maintain extensively farmed areas is needed. In that context a focus on grassing and the maintenance of grassland areas is essential.
- The protection of drinking water supplies must continue to ensure drinking water for the generations to come. It is a national objective, that groundwater should be drinkable without cleansing.
- Denmark has implemented the Nitrate Directive. The efforts to maintain these objectives are set in the national aquatic environmental action plans. Thus the actions under these plans should be maintained.
- To reach the objectives in the Natura 2000 and Water Framework Directives, a more differentiated implementation of the objectives in each of the geographical areas must be carried out. Efforts under the RDP shall contribute to ensure the protection of the Natura 2000 areas. New efforts shall be introduced when local Natura 2000 plans have been established.

1.5. The socio-economic situation in the rural areas

As described in Chapter 1.2, an index for the rural degree has been calculated for each municipality based on 14 chosen indicators with a starting point in the new municipal structure from 1 January 2007. The calculated index shows a rather significant difference between the municipalities which have been divided into four classes

- Remote municipalities (16 municipalities)
- Rural municipalities(30 municipalities)
- Medium municipalities(17 municipalities)
- Urban municipalities (35 municipalities)

The calculated index and the underlying indicators will in the following be used to describe the demographic and socio-economic starting point in the rural district municipalities that are defined as the sum of the categories called rural municipalities and remote municipalities¹⁶.

¹⁶ Moreover, the Chapter is based on The Government's Statement concerning rural areas 2004.

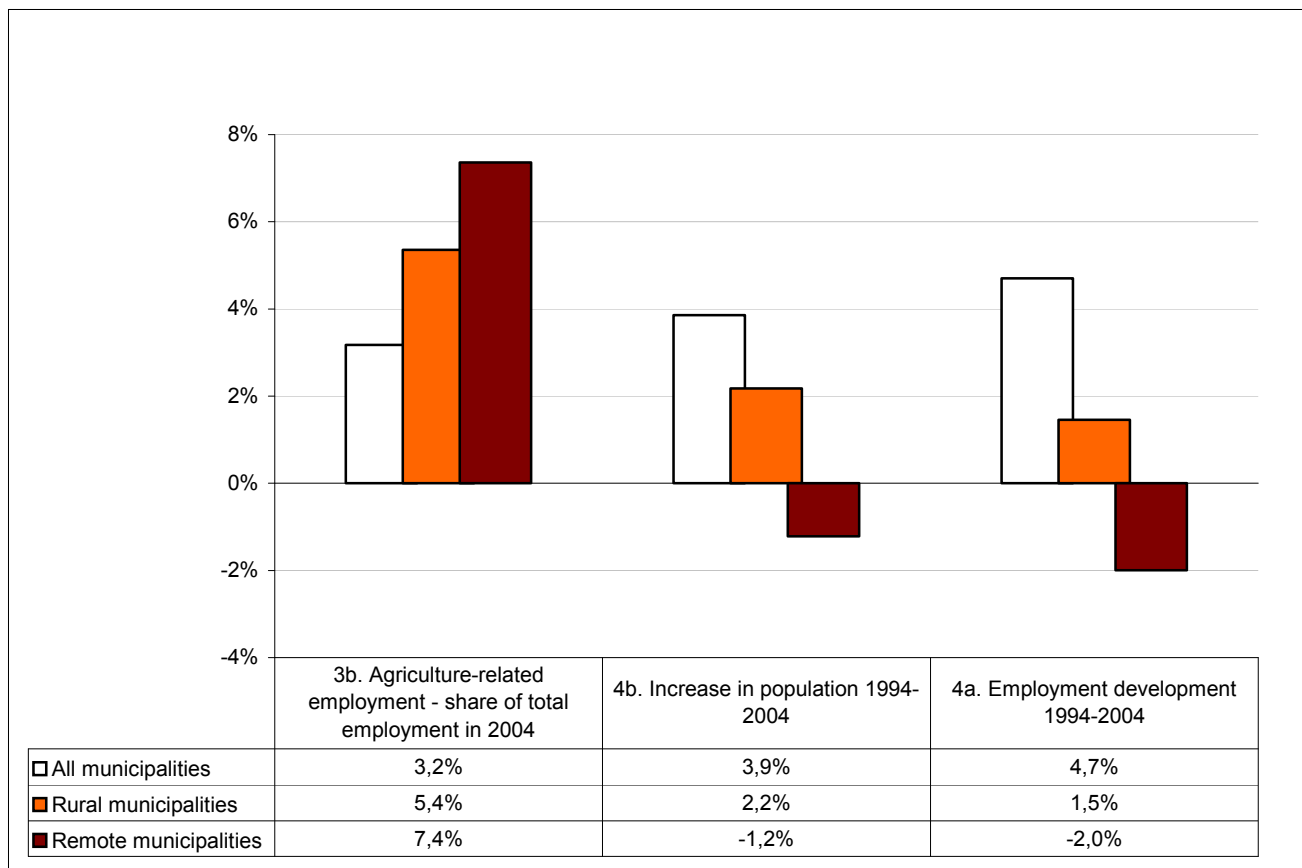


Figure 9: Development in population and employment

From 1994 to 2004, the population in Denmark grew by 3.9%. The increase in population has been largest in the cities. The increase in population in the rural municipalities was distinctively lower, i.e. 2.2%, while in the remote municipalities in total there was a decrease in population of 1.2 % in the period 1994-2004 (see figure 2).

On a national basis, 64.1% of the population is in the working age (17-64 years). In the rural municipalities the corresponding number is 62.3%, while in the remote municipalities it is 60.9%. In the rural district municipalities and especially in the remote municipalities there is thus a majority of children and older people in the population. In the same way, on a national basis 28.7% of the population is in the age group 25-44 years, where it is normal to have finished one's education and start a family. In the remote municipalities the corresponding number is 24.0 % while it is 25.9% in the rural municipalities.

The population density for the entire country was 124 inhabitants per square kilometre in 2004. The corresponding number for remote municipalities was 47 and for rural municipalities it was 76 inhabitants per square kilometre (see figure 3).

The educational level of the population has been in progress during the period 1994-2003, but the population in the rural areas, including the remote areas, still has a somewhat lower level of education than the population in the cities. The educational profile in the rural areas and smaller cities is dominated by unskilled and persons with an occupational education, while in the cities there is a larger part with a further education. In the entire country, 28.7% of the population only

has a basic general education. In the rural municipalities the corresponding number is 33.1% and in the remote municipalities it is 36.4%. Corresponding to this, the part of the population with at least a medium-term education is 21.1%, while in the remote municipalities and the rural municipalities it is 13.6% and 15.7% respectively. Thus there seems to be a general need for an enhancement of competences among the population in the rural district municipalities.

The level of innovation is high in many places in the country. Overall, the level of innovation is highest in Region Greater Copenhagen with Region South Denmark just behind, while Region Central Jutland and Region North Jutland lag some way behind. Region Zealand has the lowest level of innovation.

The change-over to more knowledge-based production represents a major challenge for many Danish enterprises. Most private research and development activities takes place in the larger towns and cities, because that is where knowledge-based enterprises are located. Outside the large towns and cities, renewal is substantially less research-based and is based more on cooperation between customers and suppliers.

In the decade, the employment has developed differently in rural areas and in cities. The employment has generally seen been increasing but with movements following the state of the market. As it appears from figure 2, the employment in the entire country in the period 1994-2004 has increased by 4.7%. In the rural municipalities the increase in the same period has only been 1.5%, while in the remote municipalities there has been a decrease in employment of 2.0%.

The employment assessed according to residence will be influenced by many people commuting from residence to job typically from rural areas to more urban areas. If you look at the employment assessed according to job location (i.e. local jobs), the employment in rural district municipalities as well as in urban municipalities has generally been growing. Though, the growth in the number of jobs in the rural areas has been a bit slower than the employment assessed according to residence, which could signify an increased extent of shuttling. In an analysis of the foundations of life in 36 Danish regions, Oxford Research shows that the regions surrounding the big cities have a daily commuting rate of 20% of the work force¹⁷. It means that time spent on transportation is rather large for people in the rural areas and the remote areas, and at the same time the areas are depopulated during the day.

The largest changes in the occupational structure during recent years have taken place in the rural areas. The decade 1994-2004 has been characterised by a significant decline in the employment in the agricultural sector and other primary sectors. The agricultural trade still has a relatively large significance in remote municipalities and in rural municipalities. It appears from figure 2 that the number of people employed in the agricultural trade in 2004 was more than twice as high in remote municipalities as the average for the entire country (7.4% compared with 3.2%). For the rural municipalities, the corresponding number is 5.4%.

Another indicator for the development potential in the municipalities is the average distance to a motorway. On a national basis, the average distance to a motorway is 19.6 kilometres, while in the remote municipalities it is 41.1 kilometres and 15.2 kilometres in the rural municipalities (see figure 3).

¹⁷ Reference "Funktionelle sammenhænge på regionalt niveau, Oxford Research, May 2005.

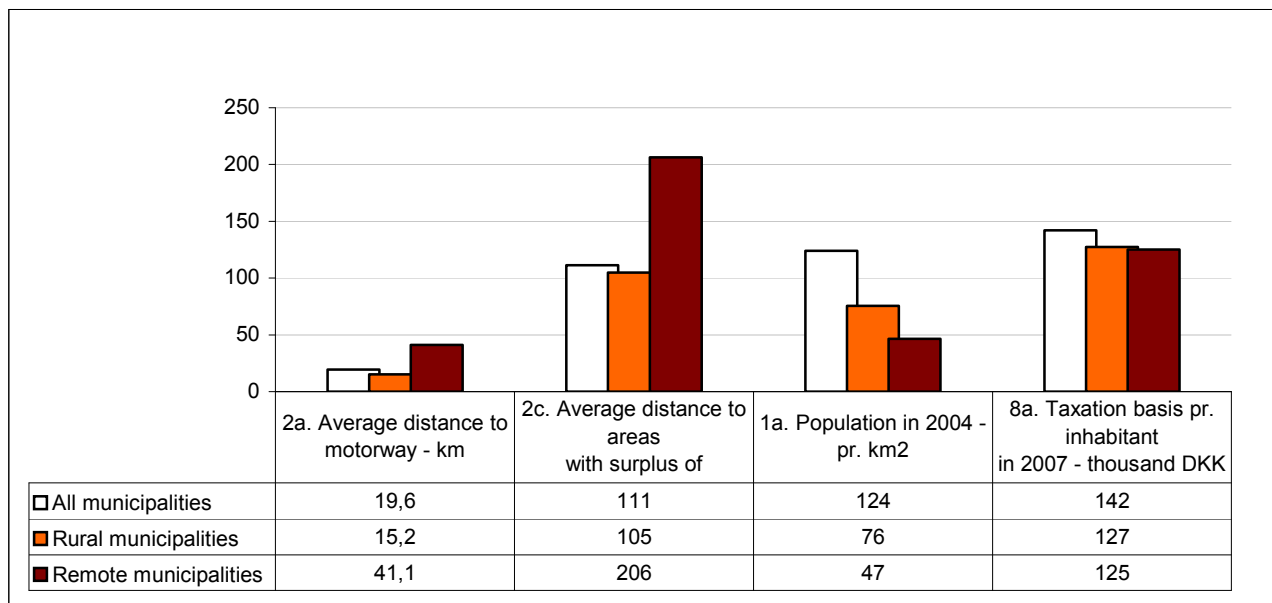


Figure 10: Chosen indicators for rural degree.

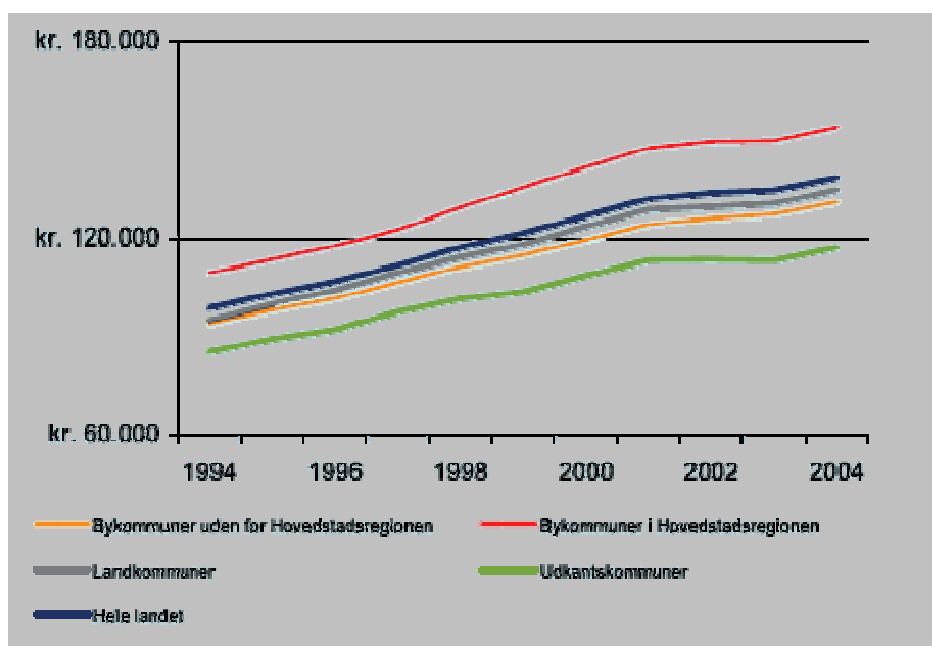


Figure 11. Trends in primary income (DKK.) per inhabitant 1994-2004, divided into municipality classes. Source: Statistics Denmark.

| | |
|--|---|
| Footnote/translation | |
| Bykommuner uden for hovedstadsregionen | Urban municipalities outside the capital area |
| Bykommuner i hovedstadsregionen | Urban municipalities in the capital area |
| Landkommuner | Rural municipalities |
| Udkantskommuner | Remote municipalities |
| Hele landet | All the country |

There is a large difference between the income and taxation basis of the Danish municipalities, as well as the municipalities often have a very different age composition and social structure. On a national basis the average taxation basis per inhabitant in 2007 is expected to be EUR 19,000 while in the remote municipalities and the rural municipalities will be only EUR 16,800 and EUR 17,000 respectively (see figure).

If you look at trends in income (see figure), it is apparent that the average primary income per inhabitant has risen in the period from 1994-2004. It can also be seen that the level of income in the peripheral municipalities is significantly lower. At the same time it is clear that you find the highest level of primary income in the urban municipalities in the Capital.

The calculated rural areas index for each of the new municipalities is as mentioned an expression of *the degree of rural district* and thus an expression of the need for development support. The calculated index for the average of all Danish municipalities is 42.4, while it for the remote municipalities is 15.1 and for the rural municipalities 33.3.

Gender mainstreaming

In Denmark, an inter-Ministerial gender mainstreaming project was launched in 2001 and a national action plan 2002-2006 for gender equality was adopted. The three primary goals for the action plan were:

1. To ensure that gender equality is incorporated into the principal parts of the individual ministries' core activity areas and in relevant large inter-ministerial tasks.
2. To ensure that the ministries formulate gender equality policies and specific gender policy objectives within their own core areas and thereby identify gender equality policy challenges and gender-based problem areas.
3. To ensure that the resources and competencies for identifying and working professionally with gender related issues and gender equality related challenges are in place within the ministries.

With gender mainstreaming, all public authorities must work to promote equality between women and men. Gender perspectives need to be analysed and possible consequences of initiatives in terms of gender equality must be considered. This implies a pro-active approach to gender equality. The results of this effort shall be evaluated and new initiatives proposed.

Entrepreneurship and gender

The Government's opportunities for achieving the Globalisation Strategy goal of Denmark being among the countries with the highest numbers of entrepreneurs by 2015 have been improved by the Ministry of Education undertaking a gender equality assessment of their work. By far the largest number of entrepreneurs in Denmark are men. If the number of entrepreneurs is to be increased, it is necessary to get women involved. Therefore, the Ministry of Education has integrated a gender perspective in their future work with education in entrepreneurship and enterprise. In this way, the gender equality assessment has improved the opportunities for achieving the goals of the Globalisation Strategy.

The Minister for Gender Equality has published a leaflet and set up a database with facts on equality. More key figures are available at www.lige.dk.

Gender difference in wages for the period 1997-2001 were as follows:

Gross wage difference between men's and women's earnings 12 – 19%
Wage difference that cannot be accounted for statistically 2 – 6%

Source: *The Danish National Institute of Social Research: Men's and Women's Earnings 10 April 2004*

Internet access

The internet has had a significant importance for both private and occupational communication. As it appears from figure 4, there is a significant distribution of broadband connections in Denmark, but the distribution is generally speaking higher in areas with a large concentration of population and lower in the rural areas.

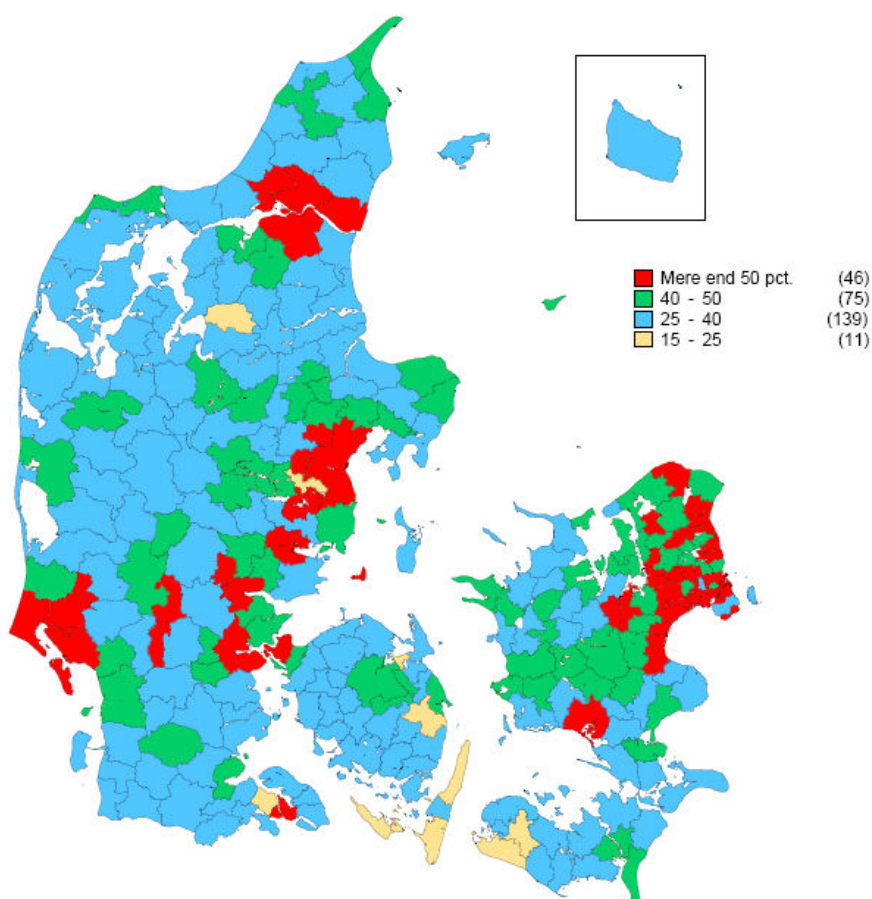


Figure 12: Distribution of broadband at municipality level, percentage of enterprises and households with ADSL in 2005. Source: National IT and Telecom Agency.

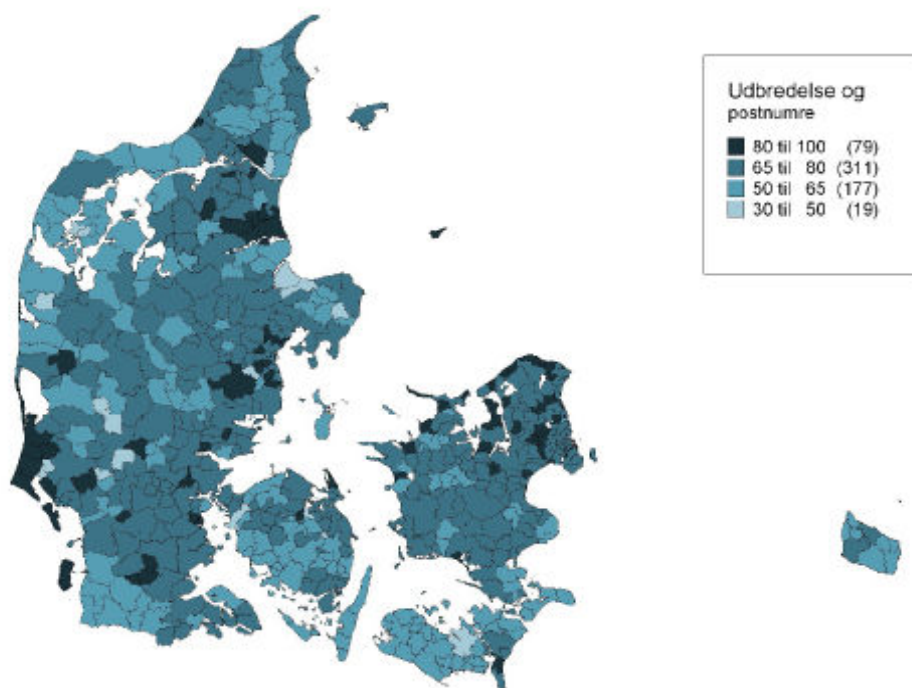


Figure 13: Distribution of broadband in households and businesses at municipality level 2008.

The distribution of broadband has grown throughout the country. On 30 June 2008 there were 2,024,849 broadband subscriptions in Denmark. This is equivalent to 36.9 broadband connections per 100 inhabitants, or broadband in 71% of all households and businesses. As seen in figure 13, almost all postcodes have a broadband distribution of more than 50% (567 of the total 587 postcodes). This also proves that two thirds of all postcodes have a distribution of over 65%. Broadband distribution is not to the same as broadband availability.

The Danish National IT and Telecom Agency estimates that at national level approximately 21,000 households and businesses, equivalent to less than 1%, do not have access to broadband through fixed broadband technology¹⁸. With the increasing expansion of the mobile broadband network, it is also likely that there are several places in the country where mobile broadband covers households and business which are not covered by the traditional fixed broadband connections. However it is not possible to estimate the precise extent of this.

The Danish Government is aiming for all households and businesses to have access to broadband before the end of 2010.

¹⁸ By fixed broadband technology we are referring to broadband connections to a fixed point. This includes both wired and wireless broadband technologies, but does not include mobile broadband technology. Danish National IT and Telecom Agency: "Bredbåndskortlægning 2008" (Broadband survey for 2008).

Summary

To sum up the rural district municipalities and especially the remote municipalities have not experienced the same positive development as the rest of the country, as they have been characterised by a stagnant and in some areas negative development. The main challenges in the rural district municipalities are:

- The increase in population has been lower than average
- The population density is lower than in urban and peri-urban areas
- Employment development has not been as positive as in the rest of the country
- The educational profile is lower than in urban and peri-urban areas
- The general income level and taxation basis is lower than average
- Lesser access to broadband technologies than rest of the country

1.6. SWOT and objectives

Based on the review of the economic situation in the food industries, the state of nature and the environment and the socio-economic situation in the rural areas, the strengths, weaknesses, opportunities and threats mentioned below have been identified. These have been adopted to take account of the challenges identified in the Health Check of The Common Agricultural Policy.

For the agricultural, forestry and food industries (Axis 1):

Strengths

- The industries are highly adaptable in relation to new requirements and changed conditions
- New research results, products, etc. are disseminated quickly.
- The industries are characterised by high production efficiency
- The industries are integrated into the global economy
- Capacity for greater exploitation of a growing market for quality products, food safety, etc.
- The industries consider nature and the environment, including via the production of environmentally friendly raw materials and protecting drinking water
- The industries are characterised by diversified production, including the involvement of recreational and natural assets
- A public-private partnership has already implemented a major initiative to counteract the impact on nature and the environment caused by the industries

Weaknesses/threats

- The income development of the industries seems to be stagnating as a result of globalisation and international competitive pressure
- Production is characterised by a high national cost level
- The industries are experiencing a decline in efficiency as a result of a lack of innovation and development
- The industries are facing a growing economic burden as a result of environmental regulation
- Climate changes are affecting the production basis.

Opportunities

- Exploitation of growing international market for animal products
- Exploitation of growing market for quality products, food safety, food produced under approved food quality schemes such as organic products etc.
- Promotion of continued innovation, product development and new technology
- Increased diversification of the industries' earning potential
- Continued development of recreational assets and nature management
- Increase the contribution of the industries and nature to the quality of life in the countryside
- Continued promotion of climate-, environmentally and naturally sustainable production through specific development projects and regulation
- Increasing the use of biogas
- Increase the energy-production from renewable sources such as biomass
- Increase the readiness for climate change by for example improving the control of water resources

- Implementation of new technologies aiming at the protection of the environment and nature.

For nature and the environment (Axis 2)

Strengths

- Farmers take nature and the environmental factors into consideration, including the production of environmentally friendly raw materials and protecting drinking water
- The agricultural sector is characterised by diversified production, with an increasing segment for organic production
- A public-private partnership has already implemented a major initiative to counteract the impact on nature and the environment caused by the industries
- Capacity for greater exploitation of a growing market for quality products, food safety, etc.
- Farmers have been able to counteract environmental influences by increased production through improved production efficiency

Weaknesses/threats

- Production is characterised by a high national cost level
- The industries and farmers are facing a growing economic burden as a result of environmental regulation
- Extensification of production can lead to overgrowth of natural habitats
- Influence on nature-, and waterareas and climate due to intensive farming
- Influence on nature and environment due to climate changes e.g. loss of biodiversity, increased immigration of invasive species and increased exploitation of the waterenvironment by nutrients and pesticides.

Opportunities

- Exploitation of growing international market for animal products.
- Exploitation of growing market for quality products, food safety, etc.
- Promotion of continued innovation, product development and new technology
- Increased diversification of the farmers and industries' earning potential
- Continued development of recreational assets and nature management
- Improved water management and improvement of the water environment for climate adaptation, by e.g. the use of wetlands as buffers in case of periodically flooding.
- Increase the contribution of agriculture to nature (biodiversity), clean water and to the quality of life in the countryside
- Continued promotion of environmentally and naturally sustainable production through specific development projects and regulation

For living conditions and development in the rural areas (Axis 3):

Strengths

- Solidarity and cooperation
- Ability to develop new local initiatives
- Small, flexible enterprises
- Cheap housing
- Proximity to nature
- Attractive scenery

Weaknesses/threats

- Industry in recession
- Lack of local jobs
- Lack of innovative enterprises
- Wage-intensive industry is being lost to low-wage countries
- Low level of education
- Skewed age distribution and depopulation
- Young people abandoning rural municipalities
- Environmental pollution from agriculture in certain areas
- Lack of provision of public services

Opportunities

- Promote the creation of local jobs
- Promote regional and local food products, e.g. local niche products
- Promote development of local initiatives
- Promote natural, cultural and recreational assets incl. local tourism
- Reinforce local solidarity and cooperation
- Promote opportunities for young, well-educated people to move out from urban areas
- Promote distance learning, teleworking and the use of new digital technology in both the private and public sectors
- Locally adjusted initiatives focusing on climate changes and renewable energy, including increased production of biogas

Main tasks for the Rural Development Programme

- On this basis and in accordance with the Community strategic guidelines for rural development the following main challenges have been established:
- To support innovation and quality development, including the efforts of the agricultural trade to make the necessary adjustments to the development in the agricultural market trends, achieve improved competitiveness, etc.
- To contribute to creation of alternative possibilities, increased quality of life, and diversification of the economic activity. The diversification of the economic activities must also be seen in connection with the efforts of promoting a cleaner aquatic environment, a more varied nature, and an increased offer of recreational possibilities.
- To continue the agricultural, nature, and environmental policy, which has been implemented through the national Aquatic Environment Plans, pesticide action plan and forest programme, and through development projects, area support and adjustment to extend the nature and environment improvements already achieved in relation to the agricultural trades, and
- To meet the challenges identified in the Health Check of the Common Agricultural Policy regarding climate changes, renewable energy, management of waterresources and preservation of biodiversity.
-

The main objectives of the programme can subsequently be summed up as;

For improving the competitiveness of the agricultural and forestry sectors (cf. Chapter 1.3)

- to counteract on the recession in the number of jobs
- to promote the necessary continued structural adjustment, among other things through investments in new technology, including climate and environmental technology and optimisation of use of energy
- to promote development of competences of the workforce
- to adjust the food production to changed tendencies in the demand for quality products and organic products through innovative steps

For improving the environment and preserving nature (cf. Chapter 1.4)

to implement the Water framework directive and maintain results from the earlier Aquatic Environment Plans

to maintain the positive development concerning the influence from the agriculture on landscape, nature and environment, including contributing to meet the objectives of

- the national Green Growth Plan
 - national Pesticide Plan,
 - national Aquatic Environment Plan
 - national forest programme
 - Natura 2000 Directives and EU's 2010 objectives on biodiversity
 - Kyoto protocol

For improving the quality of life in rural areas and diversification of the rural economy (cf. Chapter 1.5)

- to retain and create more local jobs in the rural areas
- to counteract the tendency to migrate from rural areas to urban areas
- to increase the quality of life and create more cohesion
- to strengthen the local competences, decisions and participation

2 Strategy

Chapter 2 presents the overall strategy with the nationally prioritised objectives in the light of the analysis of the situation and the EU strategic guidelines.

2.1. The four main priorities

According to the Community strategic guidelines for rural development (Council Decision 2006/144/EC of 20 February 2006 amended by Council Decision 2009/61/EC of 19 January 2009), Member States are encouraged to focus support on key actions for each of four guidelines set out by the Council in accordance with Article 9 of Regulation (EC) No1698/2005. The proposed key actions in the Community's strategies are set out in Annex IV.

The four Community strategic guidelines for the period 2007-2013:

1. improving the competitiveness of the agricultural and forestry sector
2. improving the environment and the countryside
3. improving the quality of life in rural areas
4. stimulating diversification of the rural economy .

The local capacity for employment and diversification should also be expanded.

In the light of the EU strategic guidelines, the analysis in Chapter 1 and the public dialogue preceding work on the national strategic framework, the Danish Government has decided upon the following four overall objectives for the National Strategy Plan for Rural Development 2007-2013, in no prioritised order.

Four overall objectives

- Stronger competitive force in the food and forestry sector
- Varied landscapes, rich nature and clean environment, including water quality
- More entrepreneurs and local jobs in the rural areas
- Attractive living conditions in the rural areas contributing to a strong cohesive force between rural and urban areas

The four objectives are to be realised through the most cost efficient actions and operations.

The measures to pursue the objectives shall be found under all four axes of the Rural Development Programme. More entrepreneurs and local jobs in rural areas shall be achieved mainly through measures in Axes 3 and 4. The measures to target competitiveness are primarily in Axis 1, but measures in Axes 3 and 4 may contribute. The effort for nature and environment shall primarily be achieved through Axis 2 but measures in all four Axes shall contribute. The measures to improve the living conditions in rural areas are primarily placed in Axes 3 and 4, but Axis 2 measures may however contribute. The objectives and the relation to the Community strategic guidelines are described in more detail below.

2.2. Strong competitive force in the food and forestry sector

In the analysis of the situation in Chapter 1 it has been pointed out that the main challenges for the food and forestry sectors are to promote the continued structural adjustment in the light of the need for continued efficiency progress, increasing regulation in consideration of environment and nature and a strong international competitive pressure as well as facing increased pressure on natural resources, including water resources and a need for renewable energy sources. The purpose of the Rural Development Programme is thus to ensure that the sector can develop and remain competitive while observing an increasing number of nature and environment requirements. This calls for new technology and a well trained work force with a high level of knowledge. At the same time new products must be promoted where the competitive parameters are quality and animal welfare.

The prospects for the development of international food markets in the years to come suggest the food sector will be facing a high increase in price and cost-based competition as the result of market opening, the financial crisis and increasing globalisation. The increased competition will be especially noticeable for traditional agricultural products.

New knowledge and innovation to create growth

To an increasing extent, the food sector thus has to develop, produce and promote products with a high content of knowledge and quality which have more favourable market conditions.

New high-tech methods, processes and products are crucial for the development of efficient and sustainable production systems in the entire food sector. New technology among other things includes many possibilities for solving a large number of environmental problems, just as digital solutions can reduce administrative costs.

In the EU strategic guidelines for the rural development policy, knowledge transfer, innovation and quality are also stressed as focus areas for the effort of improving the competitive force for the agriculture. Furthermore, it is recommended that investments in physical and human capital in priority sectors be promoted.

In the dialogue with the partnership and the citizens about the strategy, product development and the marketing of regional quality products were also pointed out as important activities for improving competitiveness in the food sector.

- *Denmark will pursue the target of competitiveness through innovation and development of competences, and investing in new technologies for production in all parts of the value chain. The measures for this are primarily found in Axis 1 of the rural development regulation. Focus shall be on investments with regard to environmental technology, information and communication technology (ICT), quality products and non-food products including bio energy to meet on farm requirements through the establishment of storage and treatment facilities for manure and slurry.*
- *Denmark will also pursue the target of competitiveness by focusing on quality food products, knowledge exchange and strengthening the network between a broad circle of actors in the food sector. There will be a focus on organic farming and local products, among other things.*

These actions will also contribute to meeting priorities for environment and climate and the priorities for promoting attractive living conditions and development in the rural areas.

2.3. Varied landscapes, a rich nature and clean environment

The analysis of the situation in Chapter 1 showed that the main challenges in the environment and nature area in the years to come will be to maintain the results from the aquatic environment plans, contribute to implementation of the Green Growth initiatives, the Water Framework and Natura 2000 directives, the national forest objectives, the 2010 objective of stopping the decline in biodiversity and also to contribute to meeting the Kyoto protocol. These initiatives will also support the new challenges facing agriculture related to climate change, loss of biodiversity, stricter requirements for water management as well as an increase in the share of renewable energy sources.

In the EU's strategic guidelines there is a focus on also pursuing the Gothenburg conclusions on sustainable development via the programme. During the course of dialogue with residents in the rural areas and other interested parties it was emphasised that a major challenge for further development is to secure continued development of the agricultural and forestry sectors which can also improve conditions for nature and environment. Therefore, the role of the farmer and of the forester as nature manager must be strengthened.

Denmark will pursue the nature and environment targets primarily through the contribution to meeting national action plans. These action plans (Green Growth, Action Plan for Biological Diversity, the pesticide plan and the national forestry programme) have objectives which are to be pursued during the programme period. Until now, the effort in the rural development programmes has focused on meeting the objectives of the Nitrate Directive and the national aquatic environment plans. In the future, the initiative will have a stronger focus than there has been so far on fulfilling the Water Framework and Natura 2000 Directives. Part of the initiative will begin as soon as 2010, while some of it will start in 2011 as the national water plans and municipal action plans become available for implementation.

- *There will be an emphasis on the implementation of Green Growth, which includes the establishment of wetlands and border strips along watercourses and lakes.*
- *A new feature of the Rural Development Programme will be the option to establish extensive areas with periodical flooding as a result of changed watercourse maintenance. This will help improve the conditions of the aquatic environment and nature.*
- *The effort relating to entering into new agreements on conversion to organic farming will be continued.*
- *The effort relating to extensive management of pasture and natural areas will be continued within Natura 2000 areas and will be extended to include protected habitats outside Natura 2000 areas.*
- *A new measure for the planning and implementation of projects aiming at promoting nature and environment will be introduced.*

It is the intention to continue to support the establishment of forests on agricultural land. The effort will be focused on nationally designated afforestation areas. In the period 2000-2006 a significant part of the EU funding was used to re-establish forests that were destroyed during the storm in 1999. This support will continue and will also be extended to cover natural disasters on agricultural land.

- Furthermore, initiatives to maintain agricultural production on certain islands with special disadvantages for agriculture will be continued in order to maintain the conservation of habitats and landscapes. In Denmark, a number of small and medium-sized islands *have been* designated as less-favoured areas.

In accordance with the EU strategic guidelines on rural development and the Gothenburg conclusions about sustainable development, the objectives of varied landscapes, rich nature and clean environment shall be pursued through Axes 1 and 2 of the Rural Development Programme.

Axis 2 efforts shall aim to contribute to the widest possible extent to national implementation of the Natura 2000 and Water Framework Directives, including a significantly reinforced effort for the establishment of wetland areas. This was also the case in the previous programming period, where priority was given to drafting agri-environment agreements in designated Natura 2000 areas and to improving the aquatic environment.

2.4. Entrepreneurship and new jobs in the rural areas

In Denmark there is a need to strengthen the cohesive force and to avoid escalating differences between regions and between remote and urban areas. Economic development is an essential prerequisite for retaining or creating new jobs in the rural areas. In the analysis of the situation in Chapter 1, it is pointed out that the main challenge is to create or retain local jobs and to prevent the decline in employment in the food industry. This is a particular problem in the peripheral areas.

Jobs within a reasonable distance

If the rural areas are still to be a place where people take up residence, work has to be found within a reasonable distance of commuting or there must be good framework conditions for people to create income and employment for themselves and get a reasonable everyday life to function in the local area. Access to broadband is an important factor for creation of new local jobs and economic development in the rural areas, and must be considered a necessary facility – not only in the cities and in the rural areas but also in the peripheral areas. Table 2 in Chapter 1 shows a weaker development in employment in rural and remote municipalities than in the country as a whole. Many inhabitants of remote areas commute from the local area to work elsewhere. Peripheral areas with a large commuting distance to the nearest town and areas with few large businesses which dominate the employment in the area are most vulnerable to major economic changes.

- Local employment is a priority for the Danish Rural Development Programme.

The EU's strategic guidelines for the rural development policy point out that the EU's Lisbon agreement is to be pursued with the help of the rural development policy. In the EU strategy there is a strong focus under Axis 3 on employment and growth conditions being the key goals. At the same time, in its globalisation strategy, the Danish Government emphasises ensuring Denmark's

competitiveness, so that it continues to be one of the countries in the world with the highest rates of growth and prosperity. The dialogue with the Partnership and citizens in rural areas on the national strategy pointed out that entrepreneurship is very important when it comes to achieving sustainable development of rural areas and helps to balance development between urban and rural areas. Biogas production is one possible business activity outside agriculture that may stimulate local entrepreneurship since it builds on the locally available manure and slurry. Entrepreneurship will thus be an instrument for creating growth and local jobs in the rural areas.

- *Denmark will strengthen entrepreneurship and creation of jobs with activities pursuant to Axis 1 and Axis 3.*

2.5. Attractive living conditions

From the analysis of the situation in Chapter 1 it appears that during the past decade the rural areas have experienced a lower increase in population growth than the average for the country. There are many reasons for that, and there is no doubt that the lack of public service and cultural offers are important factors.

Attractive rural areas contributing to strong cohesion

In accordance with the EU strategic guidelines on rural development it must be ensured that the rural areas continue to be attractive places to take up residence for future generations.

- *Denmark will pursue the objective of attractive living conditions in the rural areas by investing in local cooperation, which establishes better framework conditions for good quality of life in the individual rural areas.*

It is a Government target to ensure good and attractive living conditions for the Danish population, no matter where in the country you live. Likewise, the dialogue with the partnership and the citizens in the rural areas has shown a need for intervention to prevent depopulation, to ensure service of high quality and to strengthen social networks. It is important for a good quality of life in the rural areas that the citizens together have a possibility of creating their own frames and affecting their own local area, so they get the largest possible influence on their life situation. The effort will thus be implemented especially through local action groups. Horizontal efforts to increase the production of biogas from manure and slurry provides beside access to a local source of renewable energy a platform for a more even distribution of slurry and manure in high density livestock areas and reduces the odour nuisance.

- *Attractive living conditions are thus a significant area of action for the local action groups and for the local and regional authorities.*

To ensure attractive living conditions and settling possibilities in the rural areas, there are a number of specific basic facilities which the citizens need to have access to. These include schools, shopping facilities, internet access, leisure activities and cultural facilities to a reasonable extent. Furthermore it is necessary to ensure good framework conditions for the establishment of private

services. Not all these requirements can be fulfilled via the Rural Development Programme, but the local action groups can become partners in the dialogue with the local and regional authorities.

The amenity values connected to the cultural inheritance in the rural areas also have significance for the quality of life.

- *Attractive areas with a well preserved and accessible cultural heritage must be ensured.*

The measures to meet these aims are primarily placed under Axes 3 and 4. Axis 2 measures may however also to some extent contribute to meet these aims. The intention is to implement most Leader activities within the framework of the Axis 3 provisions of Regulation (EC) No 1698/2005.

2.6 The basis for granting support under the Rural Development Programme

The programme must contribute to socially desirable activities which the beneficiaries do not perform to the desired extent without receiving support (or to fulfil the obligations imposed under the Natura 2000 directives or the Water Framework Directive). Positive externalities of this kind can be mentioned within all four Axes of the programme. There may for example be social benefits to be reached in innovation but without sufficient incentive to act for the individual actor.

This is for instance the case for investments in agri-environmental technologies where the need for improving competitiveness is accompanied by a societal need for investments and dissemination of knowledge. This is also the case for environment and nature protection where positive externalities may be achieved through voluntary measures.

Public support is only one tool to achieve the aims and is only justified if it is able to contribute to socially desirable actions that would not be performed to the desired extent without support.

2.7 Financial balance between Axes

The balance between the axes has been decided upon by the Danish Government with due consideration to the challenges and objectives formulated in Chapter 1. In order to meet the challenges and specific objectives described so far, the following budgetary balance between the axes was originally decided for the programme 2007-13:

| % | Total public costs | EAFRD contribution |
|--------|--------------------|--------------------|
| Axis 1 | 21 | 20 |
| Axis 2 | 63 | 65 |
| Axis 3 | 6 | 5 |
| Axis 4 | 10 | 10 |
| Total | 100 | 100 |

As a result of the challenges identified in the Health Check of The Common Agricultural Policy in 2008 and the national plan for Green Growth in 2009 changes have been made to the balance in the Rural Development Programme budget for 2007-2013 .

Denmark is facing significant challenges and even if we have come a long way in many areas, efforts so far for improving the aquatic environment and reducing pesticide use have not reached the expected targets. Approximately two thirds of the total area of Denmark is currently used for agricultural production, of which a great deal of land is cultivated extensively. This puts nature and biodiversity under pressure. The requirements for effective agricultural and food production are currently being tightened in order to deliver competitive, high quality products to the global markets. It is crucial for the agricultural and food industry to actively contribute to development, which means that solutions benefiting the environment and the competitiveness of the industry must be implemented.

Emissions from nutrients and the use of pesticides must be reduced and the decline in biodiversity must be stopped.

Under the EU's climate and energy package, Denmark must reduce greenhouse gases in the non-quota sectors, including agriculture, by 20% in 2020 compared to 2005. The industry must have more free frameworks and produce green energy to a larger extent.

Because of factors such as a new effort in the short and medium-term for the establishment of biogas plants and an increased focus on investments in environmental technology from 2010, as well as the phasing out of part of the support for organic farming under the Rural Development Programme (which from 2010 is expected to be changed into "Article 68" support under the Common Agricultural Policy), Axis I has been given more importance in the last part of the programme period with significant payments being made during the programme period. Under Axis II, significant new long-term efforts for a nature and environment targeted implementation of the Water Framework Directive and the Natura 2000 directives will be phased in from 2010-2011.

Of the total public costs and EAFRD contribution 2% was a priori allocated for technical assistance. The main part of the Axis 1 activities and all Axis 2 activities shall be implemented centrally by the FIA or after delegation by the national Forest and Nature Administration under the Ministry of the Environment. Because of introduction of many new action areas for 2010-2013 after adoption of the Health Check and Green Growth plans and a growing number of administrative requirements, including monitoring, assessing and debriefing programme effects, the allocation for technical assistance is increased to 4% of the EU budget.

As a consequence of these revised plans and the new modulated means to the programme, the total public support for 2007-13 of **EUR 1,021 million**, out of which the EAFRD contribution amounts to EUR 578 million, is allocated on axes as shown below:

| % | Total public costs | EAFRD contribution |
|---------------------|--------------------|--------------------|
| Axis 1 | 23.1 | 23,1 |
| Axis 2 | 52.6 | 55.5 |
| Axis 3 | 7.5 | 6.6 |
| Axis 4 | 11.1 | 10.7 |
| Technical assistanc | 4.5 | 4.0 |

| | | |
|-------|-----|-----|
| e | | |
| Total | 100 | 100 |

The budget indicated for Axis 3 covers only activities implemented centrally by the Danish Food Industry Agency (hereafter the FIA). Almost all Axis 4 activities shall be implemented in accordance with the Axis 3 Articles of Regulation (EC) No 1698/2005 and shall target improvement of the quality of life in rural areas and diversification of the rural economy. A small part of the Axis 4 activities shall be implemented in accordance with Axis 1, cf. Article 20(b)(iii) of Regulation (EC) No 1698/2005, for adding value to agricultural and forestry products.

The weight given to Leader is strengthened compared to 2000-2006, where the EU funding for Leader accounted for only 5% of the combined EU funding for the Rural Development Programme and the Leader initiative.

The requirements of Council Regulation (EC) No 1698/2005 for minimum contributions from EAFRD per Axis are still met, even after the inclusion of an additional EUR 123.8 million in the EU contribution from the Health Check . According to Article 17(1) of the Regulation, Axis 4 payments may also contribute to the minimum contributions required for Axes 1, 2 and 3. It is expected that 75% of payments under Axis 4 shall be carried out according to provisions in Axis 3 and may be considered as contributing to Axis 3. Therefore a total of 15% of EAFRD payments contribute to Axis 3, which is above the minimum contribution of 10%. As obligations from the previous programme period expire there will be more emphasis on Axis 4.

3. The strategy per Axis

Chapter 3 presents the implementation of the overall strategy for each of the axes of the Council Regulation

The four overall objectives described in Chapter 2 are to be pursued by measures under each Axis of the rural development regulation but also to some degree through an integrated approach combining measures from one or more of the axes. The key actions proposed in the Community strategic guidelines shall form the basis for the design of the measures in the Rural Development Programme, cf. Annex IV.

According to the mid-term evaluation in 2003 of the Danish Rural Development Programme 2000-2006 the correlation, complementarities and synergy between the schemes in that programme were low in the case of most schemes. The schemes acted as isolated support schemes but did not exploit potential opportunities for synergies between the individual schemes particularly well.

The design of the national application schemes in the Danish Rural Development Programme 2007-2013 shall aim to create a larger degree of cohesiveness in order to increase added value. Where suitable, an integrated approach shall be used, combining possibilities for support from more than one measure (legal provision) from Council Regulation (EC) No 1698/2005 in one national application scheme.

3.1. Integrated approach in the national application schemes

National application schemes combining support opportunities from more than one measure (i.e. more than one legal provision in Regulation (EC) No 1698/2005) shall ensure maximum synergy between the activities in each measure and shall minimise potential dead weight losses in the schemes.

Integrated approach in national application schemes in Axis 1

The synergies shall be sought horizontally for fulfilment of such themes as innovation, food quality, food safety, animal welfare, skills acquisition and development of competences, settlement in rural areas, employment, environmental protection and nature conservation.

The possibilities for making use of more than one legal provision in the same project may at the time of application encourage and inspire the applicant to pursue new professional networking and sharing of knowledge and to pursue multiple tasks with the same finances.

The programme shall contain integrated activities for innovation in the primary sector and the processing sector, making use of the provisions in Regulation (EC) No 1698/2005 for modernisation of agricultural holdings, adding value to agricultural and forestry products, cooperation for development of new products and vocational training and information activities. Promotion of innovative integrated projects may lead to a reduced economic risk for the project holder but also to improved skills acquisition, dissemination of knowledge, environmental sustainability or improvement of animal welfare in the same project.

Integrated approach in national application schemes in Axis 2

Integrated approaches shall be pursued, e.g. for projects in the Axis 2 measures Nature and environment projects and Establishment and management of wetlands, sustainable forestry and extensification of agriculture in river valleys. Applicants may, for instance within the same project, apply for area-based agri-environment support but also support for non-productive investments or support for drawing-up of plans for protection and development of high nature value areas.

Integrated approach in national application schemes in Axis 3

It will also be a key task for local action groups to secure cohesiveness and seek multiple purposes in the Leader actions of the programme. The programme shall contain measures for realisation of locally integrated rural development operations with multiple purposes such as tourism, basic services for the economy and rural population, improved recreational values, nature and environment considerations, improved competitiveness, etc. The local action groups shall be encouraged to apply the integrated approach and to recommend integrated projects with use of more than one legal provision from the Regulation.

Separate legal provisions at the level of measure code

The FIA shall make support commitments with beneficiaries separately for each activity in integrated projects pursuant to each Article in use.

Beneficiaries under the integrated schemes will be obliged to meet the provisions of each Article of Regulation (EC) No 1698/2006 in use. Each scheme will contain a full list of the legal provisions in use and applicants and beneficiaries will provide information separately per Article in use. For integrated projects, applicants shall fill-in separate chapters in the application form for each Article in use. The same applies for the later procedures for requesting payment of support and reporting. This approach shall ensure satisfactory monitoring of commitments made, payments, results and effects pursuant to each Article of the Regulation.

Axis 1: Improvement of the competitiveness of the agriculture and forestry

This paragraph describes the balance between investments in physical capital and human capital under Axis 1. Prioritised sectors for investments are pointed out, and quantified targets are drawn up on the basis of the common effect indicators from the Commission and chosen national indicators.

To fulfil the overall priority of promoting competitiveness in the food and forestry sector and the objectives set out in Chapter 1.6, the following type of actions may form part of the Danish programme:

- Innovation with a view to developing new technologies, processes and products
- Innovation, testing, collaboration on, demonstration of and investments in environmental technology, non-food production including bio energy and information and communication technologies

- Diversification of the food stuff production to include products of high quality, for example through labelling schemes and influencing patterns of consumption in the direction of quality products
- Promotion of management methods for livestock production which increase animal welfare.
- Enhancing competences and counselling aiming at promoting competitiveness mainly through investment in environmental technology, information and communication technologies, quality products and non -food production including bio energy
- Restoring agricultural production potential damaged by natural disasters
- Vocational training and information actions

Under Axis 1, the main priority of the Danish strategy is to improve the competitiveness in the food and forestry sector through development of and investment in innovative solutions, including cooperation projects, which turn new thinking into value. This means the application of knowledge is combined with investments in physical capital.

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

Accordingly, in 2010-2013 a significant proportion of the support will be used for investment projects in the primary industry in order to achieve greater progress in technological development, especially within environmental technology and the creation of competitive farms and companies.

- *In financial terms, emphasis under the Axis will be on the physical investments and implementation of new knowledge.*

Innovative activities should focus on creating new and better high quality food products, including organic products. Focus shall be given to the development and use of new environmentally and climate friendly technologies. This also includes non-food production, which is primarily aimed at increasing the supply of renewable energy sources.

In order to focus on key actions, support for projects concerning investments in new processes and new technologies will only be provided for the following kinds of investments:

- New environmentally efficient technologies, e.g. aimed at reducing ammonia evaporation from stables and storage of manure, odour nuisances etc.
- Establishment of biogas plants, bio energy production and related investments in technologies
- Improving quality food products and food safety products
- Tracing of products
- Improving animal welfare and health
- Organic production
- Improving environmental conditions for the working force
- Other investments in new processes and technologies

Projects may be prioritised on the basis of the following parameters, in no prioritised order

- Creating new jobs

- Retaining jobs
- Strengthening competitiveness
- Reducing the environmental effect on surroundings
- Reducing energy consumption as well as reducing the emission of other greenhouse gases and increasing the proportion of green energy
- Reducing consumption of other resources including water as well as having cleaner wastewater with less discharge
- Contributing to development of the geographical area

For projects concerning new environmental technologies the Danish environmental authorities shall approve the use at farm level after appropriate procedures.

In order to receive support for physical investments, investment projects may be subject to conditions stipulating that they are carried out in combination with other activities involving either dissemination or demonstration of knowledge or cooperation on development projects. The purpose of the demonstration shall be to make the technology and its proper use known to other farmers. The demonstration or cooperation elements of such projects can also be supported.

No specific agricultural production sector shall be given priority for support under Axis 1. Instead, the targeting parameters described above shall be applied with a view to ensure added value and sustainability in the agricultural, forestry and food production. Furthermore, emphasis shall be placed on enhancing competences, not least for people involved in agricultural and food production.

The funds under the Axis shall be used for development projects, i.e. investments which should at least be based on the most recently developed/tested technology.

Indicative budgetary balance for the total public costs between measures in Axis 1:

| 2007-2013 % | RDP originally | RDP after Health Check |
|---|----------------|------------------------|
| Measures aimed at promoting knowledge and improving human potential | 2 | 28 |
| Measures aimed at promoting innovation, restructuring and developing physical potential | 78 | 64 |
| Measures aimed at promoting food quality and the creation of networks etc. | 20 | 8 |

After the Health Check more funds are allocated under Axis 1 to measures targeted environmental and climate challenges. These activities will supplement the area-based measures under axis 2 with the aim to decouple growth in agriculture and the environmental impact - such as investments in environmental technology and biogas production on farms proportionate to on-farm consumption.

More weight will be given to the national submeasure Innovation and development in primary agriculture and forestry in order to promote demonstration projects and food product quality (training teams, ERFA-groups, organic farming conversion advice). A new submeasure for networking activities for food quality is introduced. Investments in new "green" processes and technologies are included, a.o. for manure and slurry treatment facilities.

Quantified objectives Axis 1

| Common impact indicators | Baseline | Programme effect in 2013 |
|---|---|--|
| Economic growth Net additional value added | EUR 172.3 billion (2004) | EUR 388 million |
| Labour productivity Change in Gross Value Added per full-time equivalent (Euro/FTE) | 39,000 (agriculture, 2005) 61,000 (food industry, 2005) | 4,266 (agriculture) 6,251 (food industry) |

Axis 2: Improvement of the environment and landscape

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

Improvement of the environment and landscape will primarily be pursued through a significant effort to establish wetlands, extensive river valleys, and border strips along lakes and streams and promotion of organic agriculture. Secondly, objectives will be pursued in respect of environmentally friendly agriculture and forestry. Both efforts will, together with the effort to implement agreements already concluded for environmentally friendly farming in previous programmes, contribute to meeting the obligations in the Natura 2000 and Water Framework directives.

The planning process for the implementation of all three directives in Denmark is still in progress. Changes to the strategy have been made partly in order to include the specific measures for Natura 2000 in both the agricultural and forestry sector. The special provisions for support for the implementation of the Water Framework Directive have also been included. The municipal water plans for implementation of the Water Framework directive have not been prepared yet. It is a prerequisite that the supported/compensated initiatives comply with the State water plans and the municipal action plans.

Until the plans have been prepared and the specific provision for support for the implementation of the directives can be established the other measures under Axis 2 will contribute to the achievement of the same objectives, and farmers and forest holders situated in designated areas will be able to apply for support on a voluntary basis.

An effort will be made to maintain agricultural production activities on certain islands in Denmark that have special disadvantages for agricultural production. These small and medium-sized islands have been classified and approved by the Commission as less-favoured areas.

The designation of areas under the island support scheme will be maintained unchanged until 2010. This means that until 2010, aid will be granted to owners and tenants operating and living on an agricultural holding on the following islands: Agersø, Anholt, Askø, Avernakø, Barsø, Birkholm, Bjørnø, Bågø, Drejø, Egholm, Endelave, Fanø, Fejø, Femø, Fur, Hjarnø, Hjortø, Lyø, Læsø, Mandø, Nekselø, Omø, Orø, Samsø, Sejerø, Skarø, Strynø, Tunø, Venø, Ærø and Aarø.

It is a support scheme under the Rural Development Programme for 31 small and medium-sized islands. The islands eligible for support at the moment have been approved by the Council according to EU Directive 98/9/EC of 20 January 1998. This approval shall remain in force until 2010 according to the new Rural Development Regulation (EC) No 1698/05 of 20 September 2005. The islands were included on the basis of agricultural income lower than the average. Ærø was included in the scheme on preparation of the Danish programme in 2000.

As new element, an effort is expected to start with development operations to promote nature and environment purposes. The possibilities for development operations and operations concerning nature and environment planning can become an important tool to reach a

continued reduced environmental strain and improvement of the state of nature. Nature and environment planning can be promoted through actions under Axis 2 as well as under Axis 3.

Moreover, emphasis will be put on the implementation of Green Growth, including establishing border strips, extensive river valleys and wetlands.

Two schemes to promote afforestation of agricultural land and sustainable forestry shall be continued from the previous Rural Development Programme.

In the light of the challenges concerning nature and environment which are the consequences of a.o. the implementation of the water framework directive and Natura 2000 directives, emphasis will be put on a more targeted and project oriented approach.

The effort to reduce air pollution and avert climatic changes will mainly be implemented through Axis 1 actions for development of environmental technology, new technologies and processes and counselling and education in this regard.

To promote the overall priority for varied landscapes, rich nature, and clean environment, and the objectives set out in Chapter 1.6 the following actions may form part of the Danish Rural Development Programme, either directly or indirectly via other actions:

- Continued promotion of organic and environmentally friendly farming
- Improved conservation by grazing or cutting on pasture areas and natural lands
- Establishment and management of wetlands and other kinds of nature projects
- Establishment of border strips along streams and lakes
- Establishment of extensive farming in river valleys as a result of periodical flooding
- Establishment of natural hydrological conditions on agricultural land in Natura 2000 areas
- Continued agricultural production on smaller islands with a view to maintaining farm land, environment and landscapes
- Afforestation of agricultural land in designated afforestation areas and in designated neutral areas, where afforestation is possible
- Sustainable forestry and non-productive investments in forestry
- Re-establishment of forests after losses due to storms
- Nature and environment projects for high nature value areas, including planning of nature projects and non-productive investments in connection with protection of environment, nature and animal welfare
- Improvement of amenity values and outdoor life in public and private forests

In order to ensure clear demarcation, area support for establishment of energy crops in agriculture is only expected to be offered under the Article 68 programme pursuant to Regulation (EC) 73/2009, and not under Axis 2 of the Rural Development Programme. Investments in technologies for energy crop production may be supported under Axis 1. Indicative budgetary balance between measures in Axis 2:

| 2007-2013 % | RDP 2007- 2013 originally | RDP after health check |
|--|---------------------------------|---------------------------|
| Agri-environment payments | 73 | 58 |
| Support for non-productive investments in connection with protection of the | 6 | 23 |

| | | |
|--|----|----|
| environment, nature and animal welfare | | |
| First afforestation of agricultural land | 13 | 11 |
| Natura 2000 payments in connection with Directive 2000/60/EC | 0 | 0 |
| Forest-environment payments | 1 | 2 |
| Restoring forestry potential | 1 | 1 |
| Non-productive investments in forestry | 4 | 3 |
| Payments to farmers on islands that are less-favoured areas | 2 | 2 |

During 2007-2009, estimated agri-environment payments from existing commitments have decreased. There have been fewer uptakes for areabased measures and estimation of payments under new commitments are postponed, even to some extent until after the end of the programming period. The financial allocation is corrected accordingly. The reduction in the relative weight of axis 2 in the total budget stems also from the fact that Denmark plans to allocate unspent funds in CAP Pillar 1 for environmental challenges pursuant to Article 68 of Regulation (EC) 73/2009. Some of these activities would otherwise have to be financed under Axis 2 in the RDP. During 2010-13, many agri-environmental activities will be promoted through support for non-productive investments and some by means of state purchase of land with the intention to resell. Therefore this activity will be increased significantly

Quantified impact objectives Axis 2

| Common impact indicators | Baseline | Target in 2013 |
|--|--|---|
| Improvement in water quality Reduction in nitrogen surplus in agriculture (Change in gross nutrient balance) | 116 kg N/ha (2006/2007, national source) | Reduction of nitrogen leaching to water environment with 3,500 tonnes N |
| Maintenance of high nature value farming and forestry areas Hectare of agricultural land of high natural value | 78,000 in 2000 | 25 % of area protected through multiannual area support |
| Reversing Biodiversity decline Change in trend in biodiversity decline as measured by population index for 18 farmland bird species | Index 106.1 in 2001 | Maintain index |
| Contribution to combating climate change Increase in production of renewable energy from forestry or farming | Annual production of 1,125 ktons in 2003 | Increase of 1% |
| Reduction in phosphorus surplus in agriculture (gross phosphorus balance per ha UAA) | 11 kg P/ha (2005, national source) | Retention of phosphorus from water environment with 175 tonnes |
| Reduction in the use of pesticides (Farmland converted to organic farming or to farming with only pesticides allowed in organic) | 153,000 ha in 2006 | 255,000 ha |

| | | |
|--|--|-------------------------------|
| farming) | | |
| Environmentally and ecosystem-friendly management of grassland (Maintain grass area and ensure conservation) | 177,000 ha grass area in 2005, national source | 100,000 ha under AE agreement |

Axis 3: Quality of life in the rural areas and diversification of the economy

This section describes the balance between the effort concerning creation of possibilities of employment and the effort for improvement of quality of life in the rural areas. The effort will focus on the situation in the remote areas, where the need is greatest, cf. the analysis in Chapter 1. Moreover, quantified targets are drawn up on the basis of the common effect indicators from the Commission and chosen national indicators.

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

The targets for the activities under Axis 3 are primarily related to maintaining or creating more employment for the population in the rural areas and attractive living conditions. The effort is split equally between the targeted effort to create jobs and more general measures improving the living conditions in the rural areas. These activities are to be seen in the light of the challenges which the Ministry of the Interior and Social Affairs and the Ministry of Food, Agriculture and Fisheries, through their cooperation on the clarification of the Government's 2004 Statement on Rural Areas, identified as essential in order to develop the basic conditions in the rural areas. It is especially in relation to the occupational structure – including employment – and the situation of settling that an improvement of the situation is estimated to be necessary, and especially on the islands and the other remote areas.

The effort regarding more jobs focuses on supporting entrepreneurs in the rural areas. It could be farmers diversifying their activities and partly readjusting to non agricultural activities, including production of biogas. It could be new entrepreneurs established on the background of new ideas, micro-entreprises under development or tourism activities using the special qualities of the area. Action groups can take part in supporting investments in small and medium-sized food enterprises, which can prove beneficial for the competitiveness of these local processing companies.

The effort for quality of life focuses, for example, on creating more cultural facilities, making access to information and communication technologies easier and providing better opportunities for using nature in the rural areas and the establishment of common facilities for biogas production. The effort should make the areas more attractive for settling. The implementation will take place partly through local action groups, and is expected to help improve the quality of life in rural areas as it will launch a joint effort for improving framework conditions.

The effort under Axis 3 is expected to be implemented through the Leader method in 63 rural area municipalities including a number of smaller and medium-sized islands. However, a part of the funds can be reserved for a centrally administered pool for children and young people,

cultural activities in rural areas, for preparation of protection plans relating to Natura 2000 sites and for the establishment of common facilities for the production of biogas.

Concerning the indicator for creation of jobs, there is a connection to Axis 1 with respect to improved competitiveness in the food and forestry sector. Despite this, the employment effort is described here under Axis 3, where it mainly belongs in the Community's strategic guidelines.

To fulfil the overall priority to promote entrepreneurship and new jobs, and the objectives set out in Chapter 1.6 of this strategy, the following type of actions may form part of the Danish programme:

- Establishment of micro-enterprises
- New jobs in manufacturing enterprises and the service sector in the rural areas
- Enhancing competences in the rural areas
- Alternative possibilities for employment at the agricultural holdings
- Development of the tourism trade in the rural areas
- Establishment of biogas plants

To fulfil the overall priority to create attractive living conditions in the rural areas and the objectives set out in Chapter 1.6, the following actions may form part of the Danish programme:

- Access to information and communication technology – especially in the remote areas
- Raising competences
- Establishment of services and cultural offers
- Planning of and investment in special cultural and natural heritage areas
- Renewals and redeveloping of the buildings in the villages
- Nature and environment projects.

Indicative budgetary balance between measures Axis 3:

| % | RDP 2007-2013 originally | RDP 2007-2013 after health check |
|--|--------------------------|----------------------------------|
| Measures to diversify the rural economy* | 20 | 15 |
| Measures to improve the quality of life in the rural areas** | 78 | 80 |
| Training and information measure for economic actors operating in the fields covered by Axis 3 | 2 | 5 |

Note:

* Include measure 311, 312 and 313

** Include measure 321, 322 and 323

Under Axis 3 more funds are allocated to promote the construction of biogas plants and common facilities for biogas production, and more EU-funds are allocated to activities co-financed by the regions, municipalities etc.

Quantified objectives Axis 3

| Common impact indicators | Baseline | Programme effect in 2013 |
|--|--|---|
| Economic growth Net additional value added | DKK 39.000 (agricultural holdings 2005) DKK 61.000 (food industry 2005) | DKK 1.201 (LEADER) |
| Employment creation Employment | 2.7 million people (2006) | 360 in new employment |
| Establishment of common facilities for biogas production | <ul style="list-style-type: none"> • Agricultural emissions (2008 level) • Usage in 2008 was 5% | <ul style="list-style-type: none"> • Reduction of agricultural CO2 emissions by 180,000 tonnes per year • 50% of livestock manure in Denmark utilised |
| Networking activities | <ul style="list-style-type: none"> • Number of participants • Number of new marketing opportunities achieved through supported network | <ul style="list-style-type: none"> • 900 • 22 |

Axis 4: The Leader method

Under the method axis (Axis 4), first of all the objectives concerning increased employment and attractive living conditions are pursued and to a lesser extent, nature and environmental projects. The effort under Axis 4 will focus on implementation of local development strategies in respect of the above-mentioned overall priorities.

The Leader method in the programme implementation

The overall principle with the Leader method is to ensure a high degree of local influence. The Leader method is an important part of implementation of the rural development programme. The principles are outlined below.

Local action groups (LAGs) shall be established to carry out the Leader approach in the programme. The Leader method shall be used to carry out activities under Axis 3 of the programme. Only areas with an approved local action group are supported under the

Rural Development Programme's LEADER axis. The local action groups that are nominated to the programme shall draw up development strategies. They must contribute to activate and realise the local development potential in close coordination with other regional and local strategies and plans for the area. The close coordination of policies and strategies is ensured by including municipal councils, regional councils and regional Growth forums in the preparation of the development strategies of the local action groups as well as the authorities' representatives in the councils. There is a need for establishing close cooperation relations between the local action groups and the relevant municipalities for the implementation of development projects concerning nature and environment.

- Each action group gets the possibility of attaching a rural development coordinator, who is to be the link between the local action group and other development initiatives in the local areas including occupational development council, regional council, municipal council(s), Forum for Growth etc. The coordinator must moreover handle the contact to project applicants and assure the daily access of the citizens to the local action groups. The coordinator will be eligible for support under the Rural Development Programme.
- As a principal rule, the action groups are geographically attached to the municipalities so that a local action group typically covers one or more municipalities depending on their size. This ensures a sufficient critical mass and also makes it possible to involve the public and let them have a say.
 - The Ministry of Food, Agriculture and Fisheries, which is the managing authority, sets out the framework for establishment of the groups, for the work of the groups, elaboration of the strategies, the tasks of the coordinator as well as sanctions and access to file complaints. Representativeness and sound management of the public funds invested in the programme is ensured.

In Denmark, the councils of the five Danish regions and their advisory boards concerning regional and business development, called Regional Growth forums (Vækstfora), will also have new responsibilities in the field of rural development. The Fora shall set up strategies for regional business development in rural and remote areas and strategies for co-funding from the EU Structural Funds.

- The LAGs are to be established with the aim of an equal number of men and women and with consideration given to the representation of young people. The Regional Growth forums and the municipal council(s) are ensured the possibility of representation in the group. At the same time, there shall be an aimed representation of:
 - local authorities
 - citizens, associations and organisations
 - local industry and trade organisations

Acquiring new skills

Acquiring new skills and development of the human potential in the rural areas is a highly prioritised area of effort in the Danish programme for rural development. This effort is a targeted under all four axes. Courses of development of qualifications will be available for people employed in the agriculture and forestry both concerning development of competitive force and concerning sustainable environment and landscape administration. Acquiring new skills will also be available for people in the rural areas working with creation of jobs, developing attractive living conditions and realisation of the local development potential.

Indicative budgetary balance between measures in Axis 4:

| % | RDP 2007-2013 originally | RDP 2007-2013 after Health Check |
|---|-----------------------------|-------------------------------------|
| 411 Competitiveness | 8 | 9 |
| 413 Quality of life/ diversification | 74 | 71 |
| 431 Operating expenses for local action groups | 18 | 20 |

In accordance with the national Green Growth plan funding for axis 4 is increased in order to provide EU-funding for activities to be co-financed by regions, municipalities and other public or semi-public entities. In addition, new payment estimates for the Leader initiative have been established based on experiences for 2007-2009. Increased national cofinancing will be achieved for this activity from municipalities.

Quantified objectives Axis 4

| Common impact indicators | Baseline | Programme effect in 2013 |
|---|--|-----------------------------|
| Labour productivity Change in Gross Value Added per full time equivalent (EUR/FTE) | 39,000 (agriculture, 2005) 61,000 (food industry, 2005) | 1,201 (Leader) |
| Employment creation Employment | 2.7 million people (2006) | 360 in new employment |

3.2. All axes: Initiative as a result of the Health Check and Recovery Package

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

With the EU's Common Agricultural Policy Health Check, it is possible to use an additional EUR 900 million for the Danish Rural Development programme in the period 2010-2013. At the same time, with the EU's Recovery Package it is possible to use an additional DKK 22 million in 2009 and 2010. In total this amounts to EUR 123.76 million.

With the additional funds made available as a result of the Health Check and the Recovery Package, Denmark intends to increase the effort in the areas which the Community prioritises highly, i.e. climate change, renewable energy, water management and biodiversity.

With the changed strategy, Denmark intends to make agriculture play an important role as a biomass supplier for bio energy production. As consumers of water and water reserves, agriculture and forestry also play an important role in the efforts to achieve sustainable water management. In this area Denmark sets clear goals for the protection of the aquatic environment and the implementation of the Water Framework Directive. The initiative for protecting biodiversity should also be set high on the agenda in order to comply with the Natura 2000 directives. And also on the basis of the expected damage caused by climate change and the growing demand for water.

In order to achieve the required objectives, Denmark is targeting the investment support under Axis 1 towards the production of renewable energy (biogas) and investments in environmental technology. Under Axis 2, agri-environment measures, among others, will be used to enhance biodiversity by conserving species-rich vegetation and protecting and maintaining grassland and extensive forms of agricultural production. Specific actions under Axis 2 can also help to improve the ability to better manage and protect the water resources in terms of quantity and quality.

Under Axes 3 and 4, support is given for projects and cooperation which focuses on renewable energy. The measure for conserving natural heritage can help in protecting high nature-value habitats and valuable wetland areas.

Denmark will implement and continue the actions in the Rural Development Programme described below in order to meet the new challenges regarding climate change, renewable energy, water management and biodiversity. The actions will be implemented in the period 2010 to 2012.

Table 5. Summary of the schemes and measures in the current and revised Rural Development Programme.

| Axis/scheme | Current programme | Revised programme |
|---|---|--|
| 1. Innovation and development in primary agriculture. | More support for demonstration and dissemination of new knowledge, investments and cooperation within development projects. | Will be continued, although with an increased focus on investments rather than development projects. |
| 1. Biogas | | New scheme (see also biogas under axis 3) |
| 1. Innovation and development in the | Dissemination of knowledge, new | More focus on investment rather than development and |

| | | |
|--|---|---|
| processing sector. | technology, etc., as well as cooperation projects. | innovation will be continued. |
| 1. Quality food products | Quality labelling schemes, inspection charges, marketing, cooperation projects, training teams. | Will be continued, now also includes conventional products. New sub-schemes for ERFA groups and conversion (organic produce). |
| 1. Networking activities | | New to the programme |
| 1. Skills acquisition | Training in connection with supported projects under innovation. | Withdrawn |
| 2. Island support scheme | Small islands defined as areas with natural handicaps in the current programme. Agricultural support. | The scheme will remain unchanged. |
| 2. Eco-conditional grants and organic farming. | Grants for conversion to organic farming or reduced use of pesticides and fertilisers. | Remains unchanged. |
| 2. Agri-environment schemes (Conservation through grazing or cutting of pasture and natural areas). | | Will be continued, although with a focus on Natura 2000. |
| 2. Conservation through grazing or cutting of pasture and natural areas. | Grazing, conservation and cutting. | Conservation of areas from section 3 will be transferred from the above scheme to a separate scheme. |
| 2. Establishment and management of wetlands. | Establishment, area payments and state acquisition. | Will be continued with extra support opportunities. |
| 2. Restoration of natural hydrology and conversion of rotation areas to natural areas in Natura 2000 sites. | - | New (Nature Management) |
| 2. Reduced watercourse maintenance in designated river valleys leading to periodical flooding. | - | New. The scheme includes the possibility of support for the extensification of lowland soils in river valleys. |
| 2. P-river valley projects – grants for extensification/flooding of lowland soils in river valleys and surrounding areas of lakes. | - | New scheme |
| 2. Establishment of set-aside border strips. | Set-aside border strips along lakes and streams. | Increased financial allocation. In 2010 decision may be taken |

| | | |
|---|--|---|
| | | to discontinue voluntary support in 2011, if support for mandatory cultivation-free border strips is accepted by the Commission pursuant to Art. 38 in REG 1698/2005. |
| 2. Environmental and nature projects. | Planning, conservation, establishment of grazing cooperatives, investments in environmental and nature protection. | Conservation will be transferred to an agri-environment. Will be expanded to also include open air facilities and ancient monuments. |
| 2. Landscape and biotope-improving vegetation. | Establishment and first maintenance of vegetation. | Unchanged |
| 2. Plant genetic resources | Demonstration and dissemination of knowledge. | Unchanged |
| 2. Afforestation of agricultural land. | Private afforestation. | Unchanged |
| 2. Environmentally friendly and sustainable forestry. | Various schemes for diverse forestry. | The scheme will be discontinued. |
| 2. Restoration of forests after storm damage | Storm damage support | Unchanged |
| 2. Protection of forests | | New scheme. Environmentally friendly management, etc. |
| 3. Children and young people | Projects for young people | Unchanged |
| 3. New jobs | Diversification, establishment and development of companies, tourism, analyses and development projects. | Unchanged |
| 3. Biogas | | New scheme (se also biogas under axis 1) |
| 3. Attractive living conditions | Establishment of micro-enterprises, tourism, service facilities, preservation of nature and cultural heritage. | Unchanged |
| 4. Local action groups etc. | Management of local action groups, analyses, dissemination of information and skills acquisition. | Unchanged |

The following initiatives are provisionally expected to be financed under the Rural Development Programme with EU funds from the Health Check and Recovery Package totalling EUR 123.8 million (DKK 922 million) for 2010-2013, and are thus especially aimed at the new challenges.

- Environmental technology – investment grants for the primary sector
- 10 m set-aside border strips
- Establishment and management of wetlands
- P-river valley projects – extensification/periodical flooding of farmland in river valleys adjacent to streams and lakes.
- Re-establishment of natural hydrologic conditions and conversion of farmland in rotation to permanent pasture in Natura 2000 areas
- Support for conversion to organic farming

3.2.1 Application of Article 68

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period. To complement these new activities the Danish Government has introduced a so-called article 68 programme under under Pillar 1 of the Common Agricultural Policy in July 2009.

Under Article 68 the unused funds from the Single Farm Payment scheme, currently approximately DKK 120 million per year (provisionally from now until 2013), will be used to finance Green Growth initiatives under Pillar 1 of the Common Agricultural Policy. Grants under Pillar 1 will be wholly financed by EU funds. The grant schemes which are expected to be financed by these funds are;

- Support for eco-conditional farming,
- Support for conservation through grazing or cutting on grassland on so called section 3-protected areas
- Support for the establishment of perennial energy crops
- On-farm nature conservation plans
- Flora- and fauna strips
- Establishment of uncultivated areas on farmland

When an approval of the Article 68 programme has taken place those schemes that are similar to schemes under the Rural Development Programme (eco-conditional grants and conservation through grazing or cutting) will be phased out under the Rural Development Programme as the existing commitments expire .

Area related support for establishment of energy crops is only expected to be offered under the Art. 68 programme and not under the Rural Development Programme.

Specific provisions for implementation have been set out in a separate Article 68 programme which has been forwarded to the European Commission in July 2009.

Demarcation to the RDP

The Article 68 programme includes two measures that are closely related to the following submeasures in the RDP: 214c Extensive production on agricultural land and 214a Conservation by grazing or cutting on pasture land.

Supplementing these measures are 4 other initiatives designed to target the challenges of biodiversity and environment, including a new measure for establishment of energy crops on farm land.

It is important when implementing these initiatives that there is a clear and unambiguous demarcation between the initiatives in the RDP and the Art. 68 programme. It is expected that demarcation will be ensured through geographical demarcation and through demarcation based on the agricultural use of the land under support. To ensure consistency and no double support the two kinds of support under the two pillars will be managed by the same Unit in the Danish Managing Authority, the Danish Food Industry agency. The demarcation will be implemented in such a way that it is not possible for the individual farmer to obtain funds from both programmes for the same commitments.

The expected line of demarcation for the relevant measures is inserted in the fact sheets for the measures in concern. The final line of demarcation awaits the Commission's approval of the article 68 programme. The final demarcation between the two programmes will be laid down at that moment.

3.2.2 New allocations for 2010-13 following the Health Check and Recovery Package

Within the total Health Check and Recovery Package appropriations to the programme for 2010-13 budget has been allocated to meet 4 of the 6 new challenges. For many of these 4 challenges more than one measure is expected to contribute.

The following initiatives are expected to be financed under with EU funds from the Health Check and Recovery Package totalling EUR 123.8 million (DKK 922 million) for 2010-2013, and are thus especially aimed at the new challenges.

- Environmental technology – investment grants for the primary sector
- 10 m set-aside border strips
- Establishment and management of wetlands
- P-river valley projects – extensification/periodical flooding of farmland in river valleys adjacent to streams and lakes.
- Re-establishment of natural hydrologic conditions and conversion of farmland in rotation to permanent pasture in Natura 2000 areas
- Support for conversion to organic farming

Indicative financial distribution of new modulated means for 2010-13 to new Health Check challenges

| Health Challenge priority | Percentage | Million € |
|---------------------------|------------|-----------|
|---------------------------|------------|-----------|

| theme | | |
|--------------------------|------------|--------------|
| Climate change | 18 | 21.9 |
| Renewable energies | 6 | 7.3 |
| Water management | 49 | 60.7 |
| Biodiversity | 27 | 33.8 |
| Dairy restructuring | 0 | 0 |
| Broadband infrastructure | 0 | 0 |
| Total | 100 | 123.7 |

The challenge of climate change will be addressed through programme activities under measures

- 121 concerning investments in new environmental technologies that will help reduce emission of green house gases on farm level, improve energy- and water-consumption efficiency, reduce methane emissions and improve manure and slurry storage and treatment,
- 214e, 216b and 216c concerning establishment and management of wetlands that will help reduce emissions of CO₂ due to the conversion of farmland

The challenge of renewable energies will be addressed through programme activities under measure 121 to promote investments in agriculture in order to produce renewable energies. Establishment of energy crops will only be supported in areas where energy crop production is acceptable as established by the authorities. Designation of eligible areas will not be in conflict with area designations according to the Water Framework Directive and the Natura 2000 directives.

The challenge of efficient water management will be addressed through programme activities under measures

- 121 that will help improve water-consumption efficiency in agriculture, improve manure and slurry storage and treatment, and reduce the leakage of fertilizers and pesticides to the water environment
- 214e, 216b and 216c concerning establishment and management of wetlands, periodical flooding of farmland adjacent to streams, restoration of natural hydrological conditions on farmland and conversion of farmland into permanent pasture in Natura 2000 areas. These activities will all lead to reduced leaching of nitrate from farmland to the water environment, retention of phosphorus from the water environment and reduced use of pesticides
- 214d, establishment of set-aside border strips along all streams and ponds more than 100 m² in order to reduce leakage of phosphorus from farmland to the water environment
- 214b, conversion to organic agricultural production, that will help reduce the use of plant protection products in agriculture and protect biotope conditions

The challenge of biodiversity will be addressed through programme activities under measures

- 214e, 216b and 216c concerning establishment and management of wetlands, periodical flooding of farmland adjacent to streams, restoration of natural hydrological conditions on farmland and conversion of farmland into permanent pasture in Natura 2000 areas.
- 214d, establishment of set-aside border strips on farmland along all streams and ponds more than 100 m²
- 214b, conversion to organic agricultural production, that will help reduce the use of plant protection products in agriculture and protect biotope conditions

These activities will all lead to improved habitat conditions for wild flora and fauna.

4. Overview of programmes

Chapter 4 includes a list of the programmes in decentralised Member States. Denmark only has a national programme

| Rural development programmes | Allocation from EAFRD | |
|--|-----------------------|---|
| | Convergence regions | Other regions |
| National rural development programme Denmark | - | DKK 4,305 million (EURO 577.9 million) |

5 Internal and external coherence

Chapter 5 describes the internal and external coherence of Denmark's national rural development strategy

The Danish experience with the rural development programme 2000-2006, as described in the midterm evaluation in 2003, showed a need for better coherence across the programme. This experience will be taken into account for the programme 2007-2013, where the idea is to introduce targets and measures which can support each other.

Apart from ensuring a good coherence in the rural development programme 2007-2013, it is the intention to provide synergy effects in relation to the Government policies, so more of the Government priorities can be addressed at the same time. For example the establishment of entrepreneurship as small service enterprises in the rural areas can both contribute to strengthening the local economy through employment and the local supply of services – a special point of focus is the development of the small and middle-sized islands, including Samsø, Læsø and Ærø. Another example is the development of new and environmentally friendly technology, which strengthens the competitive force in the food trade and greenhouse sector, improves the environment and increases the quality of life in the rural areas. A third example is extensive grazing nurturance in Natura 2000 areas, where local jobs can be maintained at the same time as nature and environment effects are achieved and recreational values are developed. A fourth example is development of the organic food production. An integrated sector strategy has been developed for promotion of organic food production in Denmark.

The strategy combines efforts for product innovation, sales campaigns, demonstration and skills acquisition for organic production. Such efforts may find support under all four Axes of the programme and may at the same time promote aims for sustainable agriculture, conservation of natural and cultural heritage and promotion of quality products. The sector strategy for organic food production is described in more detail in Annex III.

Coherence and synergy will also be a significant guideline for the administrative systems which are to be established for the programme. The reform of the Danish municipality structure, which is effective as of 1 January 2007, gives a new and better framework for cooperation between enterprises, municipalities and regions.

According to Regulation (EC) No 1698/2005, part of the rural development programme should be implemented through local action groups (LAGs). The LAGs should secure coordination with the local and regional authorities. The coordination must take place at both the strategic level for the planning as well as with regards to recommendation of operations.

The activities in the programme shall support the priorities in the municipality strategy plans on business development, creation of jobs and protection of the environment, and the regional development strategies which shall be developed by the Regional Growth forums.

Firstly the basis for ensuring public values and synergy effects through the rural development programme is that the strategy and the programme are seen in connection with other EU

policies, the relevant EU directives and national action plans – the so called external coherence. Secondly, it presupposes, if possible, coherence between the four axes of the strategy and programme and 4 overall priorities – the internal coherence.

Coherence and synergy will also be a significant guideline for the administrative systems which are to be established for the programme. The Leader effort in the programme will be closely coordinated with the activities and strategies of the municipality councils, regional councils and the regional forum for growth. These institutions will be asked to actively take part in implementation of the Leader effort.

5.1. External coherence

The programme can support effort to meet the objectives of the national globalisation strategy from 2005 to promote knowledge, innovation, education and entrepreneurship.

The programme should also contribute to realise the objectives of the national multi-annual plan for sustainable and environmentally friendly livestock farming (2006), so that Danish livestock production can develop under socio-economic, environmental and social sustainable conditions, and thereby contribute to the creation of jobs and growth, that to a very high degree is linked to the rural areas.

Moreover, the programme should contribute to the implementation of a number of national action plans and strategies, including Green Growth, the action plan for biological multiplicity and environmental protection, the national forestry programme from 2002 and the energy agreement from 2008. Furthermore, the programme is to contribute to meeting the targets of the Danish policy on the climate.

The Rural Development Programme should also be related to the most important EU priorities as expressed in the conclusions of the European Council from Lisbon and Gothenburg. It was emphasised that a special effort should be taken with respect to growth, employment and sustainable development, where sustainability is to be interpreted as a balanced weighing of economic, ecologic and social considerations. The key message from Lisbon and Gothenburg is that strong economic results must be accompanied by sustainable use of the natural resources. Programme activities should also relate to the objectives of the Renewable Energy Directive (2009/28/CE).

With the 2003 EU reform of the CAP it was decided to strengthen the Community effort for rural development and to strengthen the role of the farmer in the rural areas. The CAP and especially the rural development programme must contribute to meeting the growing public demands for food safety, quality and variety, animal welfare, quality of environment and preservation of nature and landscapes. The rural development programme shall complement the common agricultural policy single payment scheme and the cross compliance requirements in this regard. This development was reinforced by the 2008 CAP Health Check.

The Rural Development Programme shall contribute to meeting EU environment policy objectives and where possible co-finance public efforts to meet obligations in relation to the Natura 2000 directives. In the Danish programme for 2000-2006, a number of support obligations were made concerning environmentally sustainable agriculture in Natura 2000

areas, obligations which continue in the new programme period. In addition, the EU rural development policy will contribute to implementation of the EU Water Framework Directive.

It is the responsibility of the Ministries involved that the Rural Development Programme is in compliance with the national programmes under the other EU structural funds. It must be ensured that the objectives and actions of the programmes complement each other, are not double-financed, and do not counteract each other in any way.

This shall be a primary administrative task in the process of evaluating applications for grants under the programme. Administrative guidelines shall be designed to ensure that operations are not double financed by two or more EU Funds. In addition, the relevant partners of the programme, the local action groups and the rural development network shall be consulted on how best to meet this obligation.

Demarcation lines regarding other EU funds

As a general rule, activities under this programme are not limited by activities under the programmes for the ERDF, ESF and the EFF respectively. Activities under the funds must be complementary in order to optimise the interaction between the funds. Operations with activities qualifying for a grant under several regulations will thus in some cases be able to obtain grants from several funds. In such cases the operations should be split into part-projects which are financed under one fund only. Administrative procedures must be put in place to prevent double financing.

The rural development programme operates in three fields:

- Improved competitive force in the food and forestry sector
- Better environment and nature
- Better conditions of life and job in the rural areas

Operations under the Danish structural funds effort (ERDF and ESF) can be implemented in the same or adjacent areas. The structural funds should in parallel with the Rural Development Programme support the aim of the Government to ensure a strong competitive force in Danish society and a strong cohesive force between rural areas and the cities. It is necessary to delimit the activity of the funds so double financing is avoided. Principles of demarcation are outlined below.

Improved competitive force in the food and forestry sector

Aid can be granted to improvement of the competitive force in the food and forestry sector. Under the regional funds programme, aid can be granted to improve the framework conditions for the enterprises, also including the framework conditions for the food and forestry sector. Under the Rural Development Programme the aid is granted more targeted to operations involving the individual enterprises. Aid can also be granted to cooperation operations, but it will be a demand that a food production enterprise or an agricultural holding always must be involved in the operation. The delimitation principle for deciding whether a cooperation operation can be supported under the Rural Development Programme or the structural funds programmes will thus be whether the purpose is aimed at the food sector or if it has a more general business orientation.

Better environment and nature

Under the Rural Development Programme the approach shall mainly be based on area payments to farmers taking on obligations in relation to protection and upgrading of environment and nature, including continued extensive operation.

EU's LIFE programme as well as the Rural Development Programme are targeted towards the protection of the nature and environment. The means in the Rural Development Programme will often be usable in combination with LIFE activities in order to maintain nature and ensure valuable nature and support pilot and demonstration operations which contribute to development of innovative and integrated environment techniques methods.

Better living conditions and jobs in the rural areas

Under the Leader approach of the programme (Axis 3 and 4), aid shall be granted to operations for creation of attractive conditions of life and local jobs. Applications should be sent to the relevant local action group, which evaluate applications on the basis of local, regional, national and international action plans and then decides on promotion or rejection of the operation. The local action groups will be responsible for assuring that there is no double financing of operations that they recommend for aid under the Rural Development Programme. The main principles of demarcation are suggested below.

A key element for creating more jobs in the rural areas is support for establishment of micro-enterprises. Micro-enterprises are defined as enterprises with less than 10 employees and an annual turnover or balance of less than EUR 2 million. The Regional and Social Funds Programme does not support individual enterprises.

Operations concerning dissemination of information and communication technologies and development of the tourism trade can be supported both under the Rural Development Programme and under the social and regional fund programme. The activities under the Rural Development Programme will mainly have a local character as they are implemented in the framework of the strategies of local action groups. An actual delimitation based on the size of the operations seems inconvenient as there can be different local priorities, and the individual local action groups can choose – and should have the possibility of – prioritising for example larger tourism operations. The risk of double-financing should be eliminated through administrative procedures, which for each application for a grant ensures that the operation is not co-financed by other EU funds. The local action group ensures that the operation is not co-financed by more than one fund, or that the operations are distinctly divided into part-projects, if several funds co-finance. Each part-project can thus only be financed by one fund.

Operations concerning settlement can be financed under the Rural Development Programme, while the regional development fund programme does not grant aid to such activities.

Concerning competence development, the principle applies that the Social and Regional Funds support the framework conditions for competence development. Under the Rural Development Programme, the individual user of competence development operations can be supported.

In relation to the European Fisheries Fund (EFF), the main principle is that operations concerning the fisheries sector are financed under EFF while operations concerning the food sector other than fisheries are financed by the Rural Development Programme.

Concerning sustainable development of fishery areas, Denmark will organise it so that the places where there is an overlap between a fishery area and an area selected as a Leader area under the Rural Development Programme, one common local action group is established. It is the responsibility of the local action group to ensure separation between operations financed under the EFF and operations financed under the Rural Development Programme. This means that the local action group, when it selects operations for co-financing from the funds, must ensure that only one fund co-finances or that the operation is divided into distinctly separate part-projects which are each only co-financed by one fund.

5.2 Internal coherence

The Rural Development Programme 2007-13 will be split into 4 axes according to the rural development regulation as it can be seen in Chapter 3 of this strategy. The splitting into 4 axes can in principle be seen as an appropriate way of settling the budgetary adjustment of the rural development programmes of the Member States, so it is possible under the programme to ensure a reasonable balance between Community interests and respect of the subsidiary principle so to ensure the individual needs of the Member States.

The budgetary adjustment through splitting into 4 axes will be respected, though in a way so that it is possible to implement actions which at the same time can contribute to meeting several of the priorities across the axes. It is the intention to create a rural development programme which is coherent across the axes.

The intention of coherence between axes and actions in the programme must support sector integration and achieving of public utility and contribute to supporting of the European agricultural model.

A Monitoring Committee for the Rural Development Programme to which members are to be appointed according to the rural development regulation must carry out its monitoring activities so it contributes to ensure the internal and external coherence of the programme.

A coordinator forum is also set in place with the participation of the coordinators from the local action groups, as well as a regional forum with representatives from the five Danish regions. Both forums are created in order for experiences to be exchanged.

And finally a network secretariat is to be organised in order to coordinate the efforts under the RDP.

6. The national rural development network

Chapter 6 contains a description of the national rural development network

According to the rural development regulation (Council Regulation No 1698/2005) each Member State is obliged to establish a national rural development network consisting of organisations and administrations that work with rural development. Participants in the network shall be:

- Ministry for Food, Agriculture and Fisheries
- Ministry of the Interior and Health
- Ministry of Economic and Business Affairs
- Ministry of the Environment
- Ministry of Culture
- The 5 regional growth partnerships
- Association of the Danish Regions
- Local Government in Denmark
- Relevant organisations e.g. Danish Agriculture or Council of Rural Districts
- Trade unions and employers' associations
- Scientists
- The European Commission

In addition, other participants may be appointed. An action plan must be elaborated with a view to:

- Identify and analyse good transferable practice
- Administration of the network
- Arrange exchange of experience and know how
- Elaborate education programmes for local action groups under establishment
- Give technical assistance to cooperation between several areas and trans-national cooperation

The national rural network structures has been established during the first programming years and the activities will continue being developed throughout the period. Introducing new measures after the CAP Health Check gives financial room for further activities regarding network activities linked to these measures.

The means to run the network and the network activities can be taken from the technical assistance under the programme. The technical assistance appropriations will also be used for financing the activities concerning preparation and administration of, supervision of, evaluation of, control with as well as information about the programme.

New needs in the programme period 2007-13

The Leader method is integrated in the rural development programme itself in the new programming period. A future network will need a greater volume and a broader approach to rural development than the past network centre for the preceding Leader+ programme.

The network will be a platform for dialogue, information and policy formulation within the area of rural development and for coordination between interested parties in the area. The rural development network will bring people together who at the moment are not used to work together. Therefore there is a need for a flexible approach to the extension of the network and on-going adjustment of the objectives, tools and actors. It is preferable to start slowly, to have smaller groups meet around tangible issues on which people are familiar and agree (for instance on thematic issues which concern them directly). This could progressively create a habit of working together and the desire to address more sensitive issues.)

Objectives and duties for national rural network

The Action Programme includes the planning of the network management and the following activities:

- Create dialogue between central authorities, municipalities and regions concerning rural development planning in municipal and regional plans.
- Create dialogue between and consultation with central authorities, municipalities, regions, local action groups, economic, environmental and social partners and NGO's, partnership etc.
- Establishing and/or participating in thematic networks including holding of meetings, seminars and conferences in order to transfer of knowledge.
- Establishing and/or participating in coordination committees; e.g. regional committee, ad hoc committees, thematic committees for each axis, committee for Local Action Groups and policy advisory committee.
- Facilitate at Member State level an exchange of expertise and support implementation and evaluation of the rural development policy.
- Secure and coordinate the information flow between the local, national and European level.
- Promote training programmes for key people in local action groups.
- Providing assistance for local action groups, which want to cooperate with other groups nationally and internationally (for example, holding seminars for LAG-coordinators).
- European networking.

Tools to run the national rural network

To assist and facilitate the rural networking structures the following tools are in use or will be developed by a national network unit:

- web site in more languages: link between the networks active in Denmark, other actors involved, European network and in the different member states
- project database
- publications
- thematic events/working groups
- assistance on trans-national cooperation
- starter kits (basic information, methodology, and list of experts on the theme)
- thematic meetings dedicated to cooperation
- training tools for new LAG's
- support for LAG on the theme of evaluation

Actors involved in the national rural network

The network will include the relevant organisations and administrations involved in rural development amongst others

- Ministries (e.g.: Interior and Health, Environment and Economic and Business Affairs)
- representative(s) from the regions
- representative(s) from the municipalities
- organisations of employees and employers
- nature- and environmental organisations
- organisation of farmers and forest holders
- organisation of children and young people
- representatives for organic farming
- organisation of the protections of animals
- consumers organisations
- the nature- and wildlife organisation
- agricultural organisations
- organisations of rural development
- organisation of small islands

Structures needed to run the network (National Network Unit)

A national network unit is established at the FIA , as an integrated part of the office for coordination in rural district matters and business development. This unit will be the secretariat for the National Rural Network to be established.

Division of labour between the FIA and local action groups

The division of labour will then roughly be that the local action groups formulate development strategies for their areas. On this basis they receive, evaluate, prioritise and recommend operations for support under the rural development programme. The FIA runs the national network, ensures national political priorities, assists and coordinates the work of the groups and handles the ordinary tasks of the managing authority in connection with the implementation of the programme.

Annex I - Objective related context indicators

As background material for the national strategy, the mandatory effect related baseline indicators shown in the table below are used (cf. separate spreadsheet).

If necessary, these indicators might be further developed with nationally drawn up indicators later, when the work with the rural development programme is further on. All indicators are summed up for the whole country and with out geographical divisions as only a national programme is put up for the Danish rural development policy.

With individual exceptions, the information in the table has been summed up according to the Commission instructions about preparation of indicator statistics, and the primary source is EUROSTAT. It must be noted that the vast majority of information from Denmark in EUROSTAT has been reported by Statistics Denmark. The table reflects the time coverage from EUROSTAT.

The series concerning bird population in agricultural areas has been quoted directly from IRENA as there is some indistinctness about this series in EUROSTAT. The series for nitrogen balance has been informed from the Danish Institute of Agricultural Sciences, as this series is considered the truest. The information in the table about internet access from the Commission statistics is hardly representative, but there has not yet been identified a national source. It must be noted that the work with the indicators has not yet been completed in the special working party under the Commission, and more meetings have been announced, including a special meeting about the Axis 2 indicators.

Objective related context indicators. NUTS 1 level

| Indicator/ year | Indi cat or no. | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| HORIZONTAL | | | | | | | | | | | | |
| Econ. development | 1 | | | | | | | | | | | |
| GDP/capita, EURO/capita EU25=100 | | 125,8 | 124,9 | 123,7 | 126 | 126 | 124,9 | 121,4 | 119,3 | 119,4 | 121,9 | 122,9* |
| Employment rate | 2 | | | | | | | | | | | |
| Employed/ population age 15/64 years, % | | 73,8 | 74,9 | 75,1 | 76 | 76,3 | 76,2 | 75,9 | 75,1 | 75,7 | 75,9 | 77,4 |
| Unemploy ment | 3 | | | | | | | | | | | |
| Unemployed / active population, % | | 6,3 | 5,2 | 4,9 | 5,2 | 4,3 | 4,5 | 4,6 | 5,4 | 5,5 | 4,8 | 3,9 |
| AXIS 1 | | | | | | | | | | | | |
| Training and education in agriculture | 4 | | | | | | | | | | | |
| Farmers with basic and full education, % | | | | | | 29,3 | | | | | | 44 |
| Labour productivity in agric. | 6 | | | | | | | | | | | |
| Gross value added per annual work unit, Euro | | | | 35.733 | 36.579 | 44.299 | 50.703 | 41.652 | 42.573 | 48.564 | 38.583 | 39.089 |
| Labour productivity in food industry | 10 | | | | | | | | | | | |
| Gross value added per annual work unit, Euro | | 41.700 | 45.800 | 44.600 | 48.200 | 49.300 | 51.900 | 54.900 | 56.200 | 60.800 | 61.100 | 61.400 |
| Labour productivity in forestry | 14 | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|----|--------|--------|--------|--------|--------|--------|--------|--------|-------|------|--------|
| Gross value added per annual work unit, Euro | | 40.006 | 41.622 | 39.054 | 38.378 | 36.351 | 49.324 | 53.243 | 55.718 | | | 43.000 |
| AXIS 2 | | | | | | | | | | | | |
| Biodiversity: Population of farmland birds | 17 | | | | | | | | | | | |
| Trends of index population (IRENA) Farmland birds, index 2000= 100 | | 103,7 | 102,9 | 96,6 | 106,2 | 104,5 | 106,1 | | | | | 62,7** |
| Biodiversity: HNV farmland areas, 1000 ha | 18 | 193 | 168 | 156 | 159 | 166 | 174 | 177 | 178 | 173 | 177 | n/a |
| Water quality: Gross Nutrient Balances | 20 | | | | | | | | | | | |
| Surplus in Nitrogen, kg/ha (National source) | | 148 | 144 | 154 | 145 | 138 | 129 | 121 | 116 | 120 | 114 | 116 |
| Climate change: Production of renewable energy from agriculture | 24 | | | | | | | | | | | |
| Bio diesel and bio ethanol, Ktons | | | | | | | 25 | 40 | 45 | 65 | | n/a |
| Crops and wood for energy, Ktons | | 872 | 878 | 861 | 873 | 873 | 926 | 950 | 1.080 | 1.128 | | n/a |
| AXIS 3 | | | | | | | | | | | | |
| Farmers with other gainful activity | 27 | | | | | | | | | | | |
| Sole farm holders with other gainful activity, % | | | 35,1 | | | 40,5 | | | 41,5 | | 48,4 | n/a |
| Employment development of non-agricultural sector | 28 | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|----|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------|----------|
| Employment in secondary and tertiary sectors, 1.000 employed | | 2.545 | 2.580 | 2.625 | 2.655 | 2.668 | 2.692 | 2.691 | 2.661 | 2.664 | 2.682 | 2.715,50 |
| Economic development of non-agricultural sector | 29 | | | | | | | | | | | |
| GVA in secondary and tertiary sectors, Mio Euro | | 120.567 | 124.706 | 128.353 | 135.565 | 145.147 | 149.485 | 154.782 | 159.646 | 165.478 | | 183.348 |
| Self-employment development | 30 | | | | | | | | | | | |
| Self-employed persons, 1000 persons | | | | | 219 | 210 | 226 | 229 | 225 | 223 | 223 | 234.7 |
| Internet take-up in rural areas | 32 | | | | | | | | | | | |
| Population having subscribed to DSL internet, % | | | | | | | | | | 10,6 | 15,5 | n/a |
| Development of services sector | 33 | | | | | | | | | | | |
| GVA in services as percentage of total GVA, % | | 72,1 | 72,2 | 72,5 | 72,8 | 72,8 | 73,3 | 74,2 | 75,1 | 76,3 | | 72,5 |
| Life-long learning in rural areas | | | | | | | | | | | | |
| Population of adults age 25-64 participating in education and training, % | 35 | | | | 19,7 | 19,4 | 18,3 | 18 | 22,8 | 25,5 | 27,3 | n/a |
| AXIS 4 | | | | | | | | | | | | |
| Share of population covered by LAGs, % | 36 | | | | | | | | | 11,0 | | 50,65 |

* Baseline indicator for year 2006 is based on EU-27=100, which means it is not comparable with previous years.

**Index number is from Eurostat and includes more bird species than the IRENA index. Therefore, the number from 2006 can not be compared with index numbers from previous years.

Annex II - list of organisations/associations invited to dialogue meetings

List of organisations/associations invited to dialogue meetings in 2005:

- Faculty of Agricultural Sciences – University of Århus
- Local Government Denmark
- National Agency for Enterprise and Construction (Ministry of Economic and Business Affairs)
- Danish Institute of Rural Research and Development
- The Danish Forest Association
- Danish Agriculture
- Confederation of Danish Industries (Food Industry)
- Agricultural Council
- OrganicDenmark
- Danish Institute of Governmental Research
- Danish Horticulture
- The Association of Danish Small Islands
- Faculty of Life Sciences – University of Copenhagen
- Danish Forest and Nature Agency (Ministry of the Environment)
- United Federation of Danish Workers
- Danish Society for Nature Conservation
- Danish Agricultural Advisory Service
- Danish Animal Welfare Society
- LEADER+ Denmark
- The Danish Association of Environment and Nature Protection Officers
- National Environmental Research Institute
- The Danish Outdoor Council
- Danish Water and Waste Water Association
- Council of Rural areas
- Ministry of Science, Technology and Innovation
- The Centre for Regional and Tourism Research
- Centre for Small Business Studies
- Ministry of the Interior and Health
- The Danish Youth Council
- Copenhagen Institute for Futures Studies
- Danish Regions (previously The Association of Danish Counties)
- The National Board for Shelterbeltplanting
- Various regional farmer associations.

Annex III - Integrated sector strategy organic food production

The Danish organic food sector is dynamic, competitive and sustainable and has deep roots in the rural areas. As well as organic farming is a good example of the multifunctional agriculture, the organic food sector is a “multifunctional” and thus strategic sector for the rural development.

Organic food production contributes to fulfilling of purposes across the 4 axes in the rural development programme and across the 4 prioritised priorities in the Danish rural development strategy: employment, competitiveness in the agricultural and food sector, sustainable landscapes, varied nature and healthy environment; and attractive conditions of life and development of competences.

For those reasons, a strategy for the organic food sector has been developed, and many elements from this strategy can be implemented with support from the rural development programme 2007-2013. Quantified targets for organic farming and sales are integrated in the national indicators.

Altogether, these activities will promote

- **Product innovation** in organic enterprises through strengthened counselling for especially small and medium-sized enterprises in the rural areas and market orientated primary produce innovation and development of non food production from organic farms
- **Sales of organic goods** through sales campaigns, long-term market innovation and construction of new sales outlets, included sales directly from the organic holdings
- **Competitiveness in animal friendly organic productions** through support to demonstration projects, improvements in stables and other welfare investments
- **Improved competences with actors in the organic sector** at the organic holdings, manufacturing, distribution, catering and the retail trade

In combination with initiatives in the sector, the Danish programme will create a connection to the Commission’s European Action Plan for Ecology (2004), where the Commission in Action 6 among other things encourages the Member States to

- promote sale of organic food through quality schemes
- support the vertical and horizontal integration of the organic chain of production, distribution and sale
- support development of competences in the organic sector ”from soil to table”

The sector strategy for organic farming also strengthens the connection between the Danish rural development programme and several national action plans for environmental policies, including the Aquatic Environment Plan III and the Pesticide Action Plan.

Annex IV – Community Strategic guidelines suggested key actions

According to the Community strategic guidelines for rural development (Council Decision 2006/144/EC of 20 February 2006 amended by Council Decision 2009/61/EC of 19 January 2009). Member States are encouraged to focus support on key actions. Such key actions could for the four specific guidelines include

1. For improving the competitiveness of the agricultural and forestry sector

- (i) restructuring and modernisation of the agriculture sector;
- (ii) improving integration in the agrifood chain;
- (iii) facilitating innovation and access to research and development;
- (iv) encouraging the take-up and diffusion of information and communications technologies (ICT);
- (v) fostering dynamic entrepreneurship;
- (vi) developing new outlets for agricultural and forestry products;
- (vii) improving the environmental performance of farms and forestry

2. For improving the environment and the countryside

- (i) promoting environmental services and animal-friendly farming practices;
- (ii) preserving the farmed landscape and forests;
- (iii) combating climate change;
- (iv) consolidating the contribution of organic farming;
- (v) encouraging environmental/economic win-win initiatives;
- (vi) promoting territorial balance between urban and rural areas

3. For improving the quality of life in rural areas and encouraging diversification of the rural economy

- (i) raising economic activity and employment rates in the wider rural economy;
- (ii) encouraging the entry of women into the labour market;
- (iii) putting the heart back into villages;
- (iv) developing micro-business and crafts;
- (v) training young people in skills needed for the diversification of the local economy;
- (vi) encouraging the take-up and diffusion of ICT;
- (vii) developing the provision and innovative use of renewable energy sources;
- (viii) encouraging the development of tourism;
- (ix) upgrading local infrastructure.

4. For building local capacity for employment and diversification

- (i) building local partnership capacity, animation and promoting skills acquisition, which can help mobilise local potential;
- (ii) promoting private-public partnership;
- (iii) promoting cooperation and innovation;
- (iv) improving local governance.