

## CASE STUDY

### "AGRICULTURE-BASED DEVELOPMENT STRATEGIES FOR AREAS HIT BY ECONOMIC CRISIS" (SLOVENIA)

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## 1 Introduction: What is the case study about?

Goričko, a part of the Pomurska region (NUTS 3: SI011) in NE Slovenia is a hilly area (altitude ranging from 200 and 450 m), rich in terms of landscape. The study area covers 11 municipalities with 46,200 ha and 26,700 inhabitants, and is predominantly agricultural. The majority of the territory falls under the Landscape park Goričko that extends into Austria and Hungary and is part of a larger conservation area along with the parks Raab (Austria) and Örség (Hungary). It is a protected area with important habitats (Landscape park Goričko, 2014: 14 Natura 2000 Bird species, 24 Habitat Directive species, 7 habitat types), relatively good agricultural land and high aesthetic/cultural value. The habitats are based on a mosaic landscape, with a high significance of HNV natural meadows on dry slopes and in wet gullies.

**Figure 1:** Location of case study within Slovenia



**Figure 1:** Goričko meadows (Source: <http://travniki.park-goricko.info/page/>)



Economically, the area of Goričko relies primarily on agriculture. Agriculture, hunting, forestry and fisheries employ the highest percentage of the population (approx. 17.3%, as compared with 8.3% nationally (Statistical Office of Slovenia, 2016)) in the Pomurska region and contribute a relatively high percentage to the region's GVA (about 6%; nationally it is about 2% (2010-2014 average)). In some municipalities, farmers account for over half the working population (Statistical Office of Slovenia, 2016). The economy is poorly diversified. In the past decades, large manufacturing firms were the main source of employment (in particular the textile industry, food processing, construction materials) in nearby industrial centres (Murska Sobota, Gornja Radgona, Lendava). Following the collapse of a large share of these firms, the area faces massive unemployment, despite the fact that the natural conditions are relatively suitable for farming<sup>2</sup>.

Looking from a national perspective, Goričko is markedly less economically and socially developed area with a characteristic proportion of poor people; according to Pečar and Kavaš (2006), the municipalities in Goričko are among the highest ranking according to the Development Risk Index<sup>3</sup>. Average monthly gross earnings per person in Goričko municipalities in 2013 were 16% lower than the Slovenian average (Park Goričko written communication, 2016).

**Table 1:** Municipality area, number of inhabitants, number of agricultural holdings (AH), percentage of utilisable agricultural area (UAA) and Case study area (Source: Statistical Office of Slovenia, 2016)

Municipality	Area [km <sup>2</sup> ] (2013)	No. inhabitants (2013)	No. AH (2010)	% UAA in municipality (2010)	CS area [ha]
Cankova	31	1,881	228	54.2	46,200
Dobrovnik	31	1,287	107	17.5	
Gornji Petrovci	67	2,122	364	28.9	
Grad	37	2,209	382	36.9	
Hodoš	18	362	43	26.9	
Kobilje	20	584	57	25	
Kuzma	23	1,589	236	36.2	
Moravske Toplice	145	5,894	735	38.6	
Puconci	108	6,099	785	47.6	
Rogašovci	40	3,177	409	44.4	
Šalovci	58	1,519	306	34.8	

The economic weakness and prevailing structural crisis in agriculture have resulted in negative long-term socio-demographic trends: emigration (Statistical office, 2013) and ageing of the

<sup>2</sup> The percentage of arable land is the highest in the country and the region accounts for about 30 % of Slovenian farms above 50 ha in size (Statistical Office of Slovenia, 2016).

<sup>3</sup> An aggregate index, developed by the Institute for Macroeconomic Analysis and Development (IMAD); it is a standardised indicator, based on a number of developmental indicators (e.g. GDP/capita, GVA/employee, employment rate, ageing index, population density etc.) and used for ponderation of national regional development aids.



population. According to the National Census data<sup>4</sup>, the area had 26,700 inhabitants in 2013 (Table 2). Compared to 1991, the total population fell by more than 5,000, most markedly in the eastern and central part of Goričko, near the Hungarian border (by 29% in municipality Šalovci and by 23% in Gornji Petrovci).

The natural increase in 2013 was negative in all the municipalities. The challenge of the ageing population is stepping to the forefront with respect to the demographic trends. Many young people have poor employment opportunities in the region, so they continue to migrate to the cities or abroad for employment. The population has been most strongly affected by the daily or weekly commuting of people from the west of Goričko (near the Austrian border) to Austria, which has mitigated the negative demographic trend, but exacerbated the downfall of traditional farming, and with it the preservation of the cultural landscape and biodiversity. In addition, the education level remains low, especially on farms (PEGASUS Workshop). This population exodus, especially of the rural population, could mean the abandonment of land use, thereby changing the image of the landscape in the Landscape park.

**Table 2:** Number of inhabitants in the municipalities falling under the Landscape park Goričko between 1991 and 2013

Municipality	1991	2002	2013	Difference 1991/2013 (%)	Difference 2002/2013 (%)
Cankova	2283	2067	1881	-17,61	-9,00
Dobrovnik	1561	1307	1287	-17,55	-1,53
Gornji Petrovci	2741	2217	2122	-22,58	-4,29
Grad	2782	2302	2209	-20,60	-4,04
Hodoš	459	356	362	-21,13	+1,69
Kobilje	658	570	584	-11,25	+2,46
Kuzma	1946	1683	1589	-18,35	-5,59
Moravske Toplice	6798	6151	5894	-13,30	-4,18
Puconci	6778	6281	6099	-10,02	-2,90
Rogašovci	3992	3399	3177	-20,42	-6,53
Šalovci	2147	1718	1519	-29,25	-11,58
TOTAL	32145	28051	26723	-16,87	-4,73

Negative socio-demographic trends are also reflected in the small number of children in the primary schools, thus reducing the number of employees in educational institutions. The decreasing population also means reduced revenues of municipalities from the state budget, which decreases the abilities of local communities to co-finance (nationally- or EU-funded) projects and improve the inhabitants' living standard (information: Park Goričko, PEGASUS Workshop).

Goričko is also witnessing temporary and partly permanent settlement by newcomers. The abandoned area, especially in the Eastern and central part of the park, characterised by its attractive landscape, attracts buying of property (second homes) and (limited) immigration of

<sup>4</sup> Statistični urad RS, Popis prebivalcev 2002 in stanje 2013



people from outside the region. Often, this results in restoration of abandoned homes, changing pasture and meadow orchards in lawns, followed by planting of non-native plant species in gardens and meadows. At first, these were mainly individuals and families from the UK (occupying perhaps a few hundred holdings), but the economic crisis (followed by a slump in real-estate market activities) has stemmed this flow, while immigration from urban parts of Slovenia has increased. Some of these in-migrants are using services provided by the local population, but there have been no large-scale organised efforts.

Goričko is known for its typical continental climate with characteristic dry and cold winters and very hot summers (KGZS, 2007). In the structure of utilised agricultural areas of the Landscape park Goričko, arable land prevails (about 50%), followed by grassland and meadows (above 25%) and orchards (10%). Farm size is below the national average (6.6 ha UAA/AH). The last decade saw considerable structural changes, however, with individual farmers enlarging their properties. The largest farm manages about 500 ha, located mainly in the central and eastern part of Goričko.

**Figure 3:** Typical landscape of Goričko



Source: [http://travniki.park-](http://travniki.park-goricko.info/page/)

[goricko.info/page/](http://travniki.park-goricko.info/page/)

In the past, animal husbandry represented the main agricultural activity. Most family farms in the park are still mixed, combining e.g. dairy production and pig fattening (PEGASUS Workshop 1, 2016), but the number of animals has decreased markedly (according to experts from the chamber of agriculture, roughly by half since 1990). The prevalent traditional small subsistence holdings are not economically viable and are being phased out; the abandoned livestock production is resulting in massive abandonment of the traditional use of grassland (KGZS, 2007) and is not being replaced by new, innovative sustainable systems. A significant proportion of land is thus subject to afforestation, threatening the preservation of the HNV natural grasslands and mosaic landscape. Fruit growing is traditionally important, but traditional forms are being abandoned. Some new modern plantations show potential, but, as in other agricultural sectors, their performance is limited by poor market integration, low prices and unstable markets. The isolated cases of more intensive farming replacing the traditional methods may also be controversial in terms of protection of nature (PEGASUS Workshop, opinion of the Landscape park).



**Figure 4:** A comparison of land use in 1954 (left) and 2005 (right)



Source: [http://www.park-goricko.org/download/9/2010/11/3947\\_9840\\_Istvan\\_Landscape\\_in\\_harmony\\_slo.pdf](http://www.park-goricko.org/download/9/2010/11/3947_9840_Istvan_Landscape_in_harmony_slo.pdf))

Organic farming is developing more slowly than in the rest of the country. The same applies to diversification (supplementary income activities) on farms; there are some successful cases of farms-wineries, rural tourism operations, as well as fruit processing, and a couple of small scale dairy-processing plants. Traditional meat processing is mostly unregistered, and therefore outside organised markets. Social innovations, such as farms organised as social enterprises, are emerging. Regionally, there is also a case of good practice, proving that food products from the higher price range can be developed locally, contributing to the recognition of the region as a culinary destination. The collective brand "Scent of Prekmurje<sup>5</sup>" joins a group of quality food manufacturers from the Prekmurska region and its reputation goes beyond regional boundaries.

The ESBOs considered are restoration of **rural vitality**, **habitat conservation** and **food production**, which operate in interdependence. Though the most endangered habitat is the traditional cultivated 'Goričko meadow', we are considering the entire area as a system. The reason for this is that (according to local stakeholders), the meadows are an integral part of the region that cannot be singled out, nor can the issue be considered separately from the people and the troubles that the region faces as a whole. There are strong linkages between the three ESBOs considered. The methods and effectiveness of land management affect food production, employment and habitat conservation. The traditional model that enabled these three ESBOs is no longer functioning. It does not employ people, does not provide any food surpluses food and no longer allows for the preservation of habitats. Economic forces are leading to other forms of farming. Intensification of production and abandonment of livestock is leading to the plowing of hedges, or inversely, to overgrowing of wet and dry meadows. However,

<sup>5</sup> In Slovenian: Diši po Prekmurju, <http://www.disi-po-prekmurju.si/en/>



some isolated cases of innovative farming practices (small local value chains in dairy production, meat processing, wine and fruit) do show potential for ESBO provision, including their social aspects (eg. farms – social enterprises<sup>6</sup>).

Several actors are included in the complex system of ESBOs provision. The first and crucial ones are farmers and small entrepreneurs, along with their methods of farming, food processing, economic performance, valorisation of ESBOs, ability and willingness to cooperate, entrepreneurship and creativity. As a key determinant, we highlight the willingness for integration and collective actions. In addition to the farmers and other local inhabitants, there are several public and local institutions dealing with governance and thus with the development of the region: municipalities, a regional development agency, local actions groups and several public institutes. There are two active LAGs (Goričko and Pri dobrih ljudeh) in the region, and the mayors in some of the municipalities are working towards finding new solutions for their development needs. Other relevant actors include public services, such as the agricultural extension service, the Forestry service, Institute for nature conservation, Institute for public health, Institute for the protection of cultural heritage, the employment office and social services (PEGASUS Workshop 1).

A special role in the provision of ESBOs is attributed to the agricultural extension service (organised within the Chamber of agriculture and forestry) and the Goričko Landscape park. The park is a crucial actor, with an important role as a kind of hub of activity related to natural conservation, but also understanding the role of food production and rural vitality in the conservation of habitats. In addition to its day-to-day conservation tasks, its management strives to improve living conditions for the local populace.

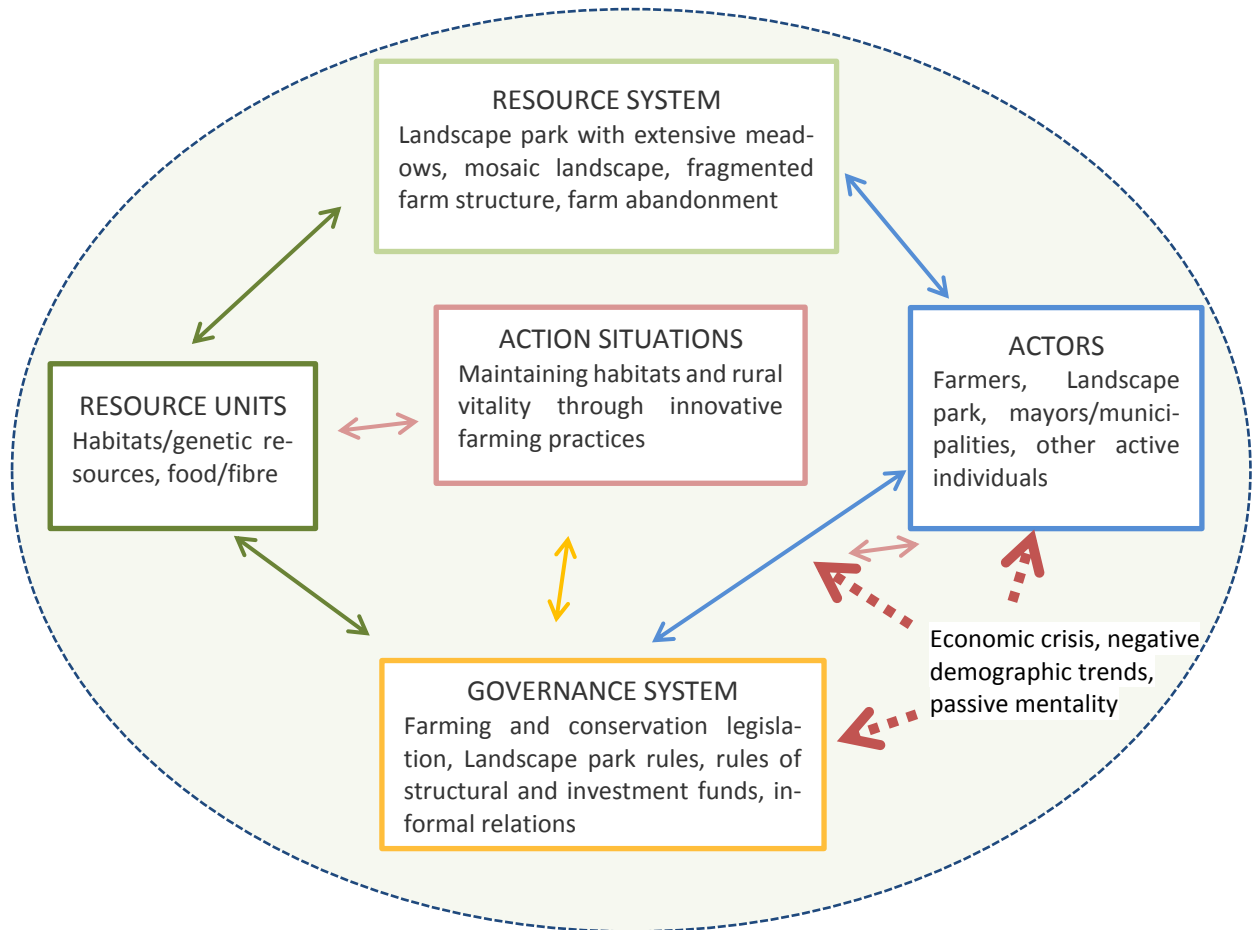
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<sup>6</sup> Two cases can be pointed out: eco-social farms Korenika <http://www.korenika.si/>, and Kocljevina. They are giving work to about 90 people from vulnerable social groups and/or difficult to employ.



## 2 Definition of the social-ecological system (SES) studied

### 2.1 Figure of the SES, using the SES Framework



### 2.2 Short characterisation of key drivers/motivations

#### *Policy drivers*

In Goričko, the fragmented size- and ownership structure has historically maintained the value of the landscape and contributed to the area's vitality. In addition to direct payments and various forms of rural development support under the CAP, regulatory mechanisms, such as cross-compliance standards, forestry regulations and nature conservation legislation, play an important role in sustainable agricultural/forestry land-use and the survival of the small farmer ensuring such use (PEGASUS Workshop 1).

Under the Development Support for the Pomurje Region 2010–2015 Act (UL RS 87/2009), the study area is also eligible for regional policy support. This act grants the region preferential status in national regional policy and ESI funding.

Under the rural development policy, a whole range of RDP measures is potentially supporting the observed ESBOs. From the nature protection perspective, the most important is the AECM-supported activity promoting the conservation of permanent grasslands ("Goričko





meadows”). The Rural development Programme for Slovenia (MoAFF, 2016) uses the terms ‘Special grassland habitats’ and ‘Grassland habitats of butterflies’. Both AECM schemes entail a bundle of activities (restrictions on early grazing/mowing, different cutting practices etc.). These measures have been communicated to the beneficiaries (many farmers opt for them), but the terms of participation (e.g. dates with restrictions regarding mowing/grazing) are unfortunately not adjusted to the climatic and natural conditions. Similarly, there is no connection with the pasture use, which favors simply mowing the grass, resulting in inadequate feed and a surplus of (low-quality) hay.

Other measures, such as RDP Investment support in primary production (M4.1) or investment in processing and marketing of agricultural products (M4.2), or projects carried out through CLLD/LEADER, also contribute to the establishment of new business ideas. The vast majority of projects in winery, wood processing, fruit growing, tourism and food processing is supported with these funds (PEGASUS Workshop 2). A larger problem is that, as a rule, project funds are granted to individual producers, while very few manage to connect a larger number of farmers and processors (Workshop 1).

To the same end, Landscape park Goričko is carrying out the project Goričko meadows within the EEA Grants mechanism, whose general goal is to improve the management of three Natura 2000 types of meadow, the Scops Owl (*Otus scops*) and three butterfly species<sup>7</sup>.

In a cross-border cooperation (SI-HU) project with the National park Órség, called ‘Harmonious landscape’ (Slovenian: Krajina v harmoniji), the park has also helped to establish the first small dairy plant in Goričko; its products are marketed under the trademark *Gorički raj* (Goričko heaven). Milk processing is not traditional in this area, so there was some initial scepticism about the success of this project, but it has proven quite successful (Workshop 2). The dairy has actually gained access to the major national retailers by promoting high quality products and a ‘retro’ look and making use of the fact that retailers have started to aggressively promote ‘patriotic consumption<sup>8</sup>’ of quality food of Slovenian origin. According to our field study interviews with the manager of Gorički raj, they currently face the problem of acquiring sufficient quantities of local milk, which is paradoxical, considering the current situation in international milk markets. However, farmers in the region are sceptical and have no confidence in the sustainability of this enterprise, regardless of the fact that the dairy offers a significantly higher price of milk as compared with other local purchasers (partly exported as raw milk to Italy, partly sold to the regional dairy Pomurske mlekarne in Murska Sobota).

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<sup>7</sup> Efficient management with extensive meadows on Natura 2000 area Goričko: [http://travniki.park-goricko.info/page/page.asp?id\\_informacija=1&id\\_language=3&id\\_meta\\_type=1](http://travniki.park-goricko.info/page/page.asp?id_informacija=1&id_language=3&id_meta_type=1); the project is worth 280,466.31 EUR.

<sup>8</sup> Virtually all food retailers in Slovenia (Slovenian or foreign-owned) are attracting buyers with different schemes offering food products of local origin. Public awareness of the importance of their own food production and the importance of food chains in the provision of jobs has increased as a consequence of various factors: economic crisis, closure/sales of major food processing plants and consequential loss of some locally renowned brands, and also by the rhetoric (self-sufficiency is high on the policy agenda) and actions of generic promotion (e.g. the campaign Quality is close to you’ (Kakovost vam je blizu), <http://lokalna-kakovost.si/o-projektu/opis-projekta/>).



**Figure 5:** Cheeses produced in dairy Gorički raj



Source: <http://www.goricki-sir.si/produkti>)

EU Cohesion funding expenditure and ESIF Financial Instruments could importantly contribute to regional development and rural vitality. As stated above, the region has a status of a lagging region and is thus eligible for a preferential status in acquiring financial assistance from these financial instruments, as well. EU Cohesion expenditure in the region is mainly intended for infrastructure (water supply, public sewage, waste management), and to some extent for corporate investment. Projects are important for improving the general welfare conditions for residents, but not directly related to the observed ESBOs.

Social entrepreneurship is another important activity in the area. One project (Social farm Korenika<sup>9</sup>), its operation partly financed from the ESIF, has been particularly successful and has led to the formation of a farm dedicated to sustainability and social inclusiveness.

**Figure 6:** Products of Korenika and work on the farm



Source: <http://www.korenika.si/index.php?route=gallery/gallery>)

As for all RDP measures, there are no detailed data regarding the number and value of projects related to the region. Focus group discussions (Workshop 2) underlined the importance of

<sup>9</sup> <http://www.korenika.si/index.php?route=common/home>



RDP measures for providing ESBOs in the region. This is especially true of the agro-environmental and climate measures, support for areas with natural constraints, as well as investment grants.

A special role in the management of ESBOs is played by rules regarding nature protection in relation to Natura 2000 sites (most of the park area, Workshop 1). These rules mainly relate to special conditions related to mowing and grazing and are not well received by farmers. However, a significant number of farmers have entered the AECM supporting habitats and environmentally friendly practices.

### **Market drivers**

Market demand, entrepreneurial culture and private initiative in this area are weak. The rural population is composed of elderly, poorly educated and less proactive people, so there is little collective action and organisation (Workshop 1). There are, however, certain individuals, families or small teams who have succeeded in creating jobs with new agro-food chain and land management practices and related projects, contributing indirectly to the conservation and protection of nature (the already mentioned dairy Gorički raj, social farms Korenika and Kocljevina, some wine producers, tourist farms, fruit producers and processors). The popularisation of foods that are traditional, local, or even organic and justly priced, have contributed to the success of these projects and are encouraging the further development and spread of such practices. As was pointed out by a focus group member (Tadej Ružič), local farmers have no trouble producing food, but selling what they produce.

Goričko has a rich natural and peaceful social environment, additionally attracting newcomers with its gastronomy and low prices. The perception of this region as a destination of high tourist potential is growing, but there are deficiencies on both the supply and demand sides. The above examples of individual cases indicate a certain economic potential, but the general effect of innovations is limited compared to the full potential of the area. On the other hand, there is a gradual development of green tourism in the countryside; the cross border region is strewn with thermal springs in Austria, Hungary and Slovenia. The majority of visitors arrive for the health centre at the edge of the park, but its marketing does not adequately include the landscape and traditional food, considering the potential, and the tourist offer is still relatively poor.

Collective actions in marketing are in their initial stages. The park has created the collective trademark Krajinski park Goričko (Landscape park Goričko<sup>10</sup>). However, the trademark has not (yet) developed the accompanying activities such as product certification and supervision. On the other hand, the trademark has raised the profile of the area as such, which also affects the visibility of products from the area. The broader region of Prekmurska also has the nationally recognizable brand '*Diši po Prekmurju*' (Scent of Prekmurje), which emphasizes the culinary quality of the region. Some of the goods (some of them protected by PDO and TSG) also originate from the Park Goričko area, which indirectly improves the market reputation of the area (Workshop 2).

We can conclude that market drivers for ESBOs related to nature conservation are weakly represented. There are some (successful) attempts, which are mainly attributed to individual

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<sup>10</sup> <http://www.park-goricko.org/en/prvastran.asp>



producers (Workshop 2). Considering the area's natural features, we would expect much more organic production.

### ***Private initiative***

This element could be said to be the weakest link in the region. Historically, farmers produced just enough food to survive plus 'a little extra', an individualistic approach which is not viable anymore. Cooperation between individuals is marked by mistrust and a lack of both fidelity and entrepreneurial skills (Workshop 1). This has resulted in unsuccessful attempts at setting and achieving common goals in the past. On the other hand, there are a few propulsive individuals, but they are not trusted by the rest of the community. There are traces of innovation to be found (dairy, social farm, organic farmers, biomass derived from high-value meadows, social entrepreneurship – organic plant-fibre-based clothing, herbs and vegetables), but these are still isolated cases with no, or limited, demonstration effects.

### **2.3 Description of other important variables chosen**

No other relevant variables.

### **2.4 Discussion of the SES**

This case study is dealing with a situation of compromised provision of ESBOs. We are interested in a better understanding of the reasons for abandonment of farming and, even more, in innovative solutions and drivers, which would help to preserve rural vitality, food production and natural conservation. The analysis in this Case study starts from the hypothesis that it is necessary to develop new land management practices and in particular new forms of co-operation and the creation of value chains, building on the idea of nature preservation. We would like to highlight and define the practices and ideas that could represent a new model of land use in the direction of providing ESBOs with a special emphasis on rural vitality.

Certain innovative and entrepreneuring individuals are showing possible ways to others (e.g. small dairy operation Gorički raj<sup>11</sup>, meat processing company Kodila<sup>12</sup>, some wine and apple producers, social farms Korenika and Kocljevina, some organic and new types of farming producers; see below), proving that with some creative push, the area has some potential to develop in a sustainable way. However, the ability (or willingness?) to understand the possibilities and potential is low, and the same holds for the willingness to cooperate. Other local actors seem reluctant to either follow in their footsteps or innovate for themselves. Therefore the focus of this study is in finding innovative, viable farming practices, or rather in encouraging and enabling the inhabitants to do so themselves, as it is abundantly clear that the traditional small-scale model of farming cannot sustain more than a fraction of the population.

The majority of CAP measures, as well as other (conservation etc.) regulatory measures are in essence sustainably oriented, but the extent to which they really generate rural vitality is another issue. EU Cohesion funding expenditure and ESIF Financial Instruments could importantly contribute to rural vitality due to the region's preferential status in acquiring financial assistance from these financial instruments. Based on the conducted interviews we can

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<sup>11</sup> <http://www.goricki-sir.si/>

<sup>12</sup> <http://www.kodila.si/>



confirm that policy impacts are limited; in individual cases, like in the RD investment support for individual investment project, or ESF support to the creation of social farms (in addition to Korenika, a new farm is being created, called Kocljevina), there have been favourable results. Yet regardless of this isolated case of good practice, there are no large-scale effects of such policy. This does not deny the fact that there are quite a few investment projects supported by the RDP (e.g. purchase of machinery, building/renovation of stables), but many of them have too little synergistic effects in the provision of environmental dimensions in the observed ESBO triangle.

Utilisation of the region's potential, which is evident to all, depends not so much on policy as it does on the human element. This was confirmed by several focus group members (Workshop 1). Regardless of the broad array of measures and available funds, public policy is unable to stop the negative demographic and subsequent conservational trends (decreasing biodiversity). The negative environmental trends are accelerated by a growing intensification on some farms in the area, improving the economic situation on a relatively small number of farms. The impact of isolated successful projects on rural vitality and rural jobs provision is insufficient, as rural vitality is greatly influenced by longer-term trends, such as emigration.

We see the lack of any notable collective action as one of the biggest deficits in ESBO provision in this area. There have been several attempts to organise farmers and other stakeholders to for example manage land jointly (e.g. an attempt to organise the goat milk chain), but in all attempts it boils down to whether individuals manage to use a creative idea, acquire funds, contribute to employment and maintain sustainable management (Workshop 1). However, successful attempts have so far not led to broader organised activities. We conclude that the lack of creative leading individuals, prepared to work towards connecting others, is one of the key drawbacks of this area. Landscape park Goričko has an important role as a potential platform for such activities, with its efforts to mitigate the detrimental results of negative demographic trends, i.e., preserve extensively used grasslands and diminish the share of overgrowing grasslands in Goričko. It has to be borne in mind though, that the Park Goričko is a public institution, which lacks the resources for marketing activities (can be achieved with publicly funded projects, but this is not long-term oriented). Therefore, the key lever to create new models of agriculture and thereby stop the negative trends is missing. Some municipalities are making great efforts to change this situation, but also face difficulties finding appropriate resources and even more adequate human resources, while the emerging entrepreneurial activity is relatively limited (Workshop 1). For this reason, it was also one of the main conclusions of the focus group (Workshop 1) that intensive, organized and quality work is required to educate and train young people and promote collaboration.

## 2.5 Common aims, conflicting interests and goals

The often-assumed contradiction between conservation and farming did not apply in this case in the past. Small (semi-)subsistence farms were farming in a manner that was not to the detriment of nature. In fact, the main case for conservation in the area is built on the habitats that were created by human activity, i.e. extensive farming. Unfortunately, this form of farming is losing ground, as it has become uninteresting or non-viable, resulting in forest regrowth or transformation to intensive farming, with negative impacts on nature (Workshop 1). This has also led to an emerging conflict between the defenders of nature and agriculture. This



pressure is increasing and is related to real problems of farming, as well as the lack of technological solutions and communication noises (Workshop 2). A significant proportion of farmers participating in AECM sees this instrument merely as income support, replacing deficient market opportunities. In the opinions of our interlocutors, including environmentalists, the design of some key measures (e.g. habitat support) does not correspond to the actual conditions in local ecosystems (e.g., timing of mowing/grazing) and, besides limiting agricultural production, yields questionable environmental effects (Workshop 2). In our opinion, the situation requires further examination.

Public actors are pointing at each other concerning the responsibility for the situation and failure of the development and environmental initiatives. Therefore, the primary interest of both conservationists and farmers should be to come up with a form of keeping the permanent grasslands while neither abandoning nor intensifying farming practices (Workshop 1).

The absorption of rural development funds intended for such goals is low due to their high administrative burden, lack of financial appeal, risk aversion, lack of entrepreneurial initiative, but also to the lack of information about the possibilities of ensuring all three ESBOs in synergy. The trends of rural depopulation and farm abandonment on the one hand and intensification on the other (in certain parts of the region, farmers are acquiring land in order to collect direct payments) are still on-going.

The authors of this study also point out that in the given economic, social and environmental situation, achieving real change in the provision of all three benefits will be hard to achieve, especially with respect to the current path-dependent post-transition and historical<sup>13</sup> social context.

Examples from other parts of Slovenia and Western Europe show on the potentials, but further analysis should show the reality of these objectives. It is therefore necessary to activate the critical mass of entrepreneurial and environmentally conscious individuals who are able to create collective action.

## **2.6 Other issues arising from SES analysis and context/case study specific aspects/issues**

What is particularly intriguing in this case, it is the sociological and historical social context, which emphasizes the role of the individual and the collective action with respect of the goal of sustainable development of the area. In an environment where there has never been a real entrepreneurial initiative and private initiatives it is difficult to expect more joint actions, smart new technologies and advanced organization of food chains, which would at the same time preserve nature and contribute to rural vitality. Regardless of the negligible scope and potential measures, irrespective of the administrative burdens and the inability to adapt to local conditions, the existing policies bring opportunities. However, both technological and social innovation is necessary, primarily in the motivation of individuals and groups, and their training (Workshop 2).

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<sup>13</sup> This region was under the strong influence of post-feudal relations until the second half of the 20th century and later strongly influenced by the Communist regime.



### 3 Status of the SES and potentials

#### 3.1 Description of the SES

As stated, the region is marked by an ageing population and low level of education, with young people leaving for greener pastures and the rest abandoning agriculture due to advanced age. As a result, the level of awareness of inhabitants regarding the value of their relatively well-conserved ecosystem is low. Their lack of interest for nature preservation is manifesting in decreasing biodiversity, agricultural intensification and reduction in crop diversity, loss of cultural landscapes and uncontrolled introduction of invasive allochthonous species. The area has seen an increase in intensive farming for energy purposes, which is seen as especially problematic by some of our interlocutors (Stojan Habjanič, Workshop 1), as they deem it both ecologically unsound and ethically questionable. Inhabitants generally see the protected area as an obstacle to development, but do not know conservation legislation well. In addition, general economic trends have contributed to the abandonment of traditional land management, destruction of the farmers' cooperative and some larger processing industry (e.g. meat industry), but there are no innovative production/processing practices, nor is the recognisability and promotion of the area's cultural and natural heritage at a satisfactory level (SWOT, 26.2.2016).

There are also deficiencies at the administrative level. Spatial planning is inadequate, resulting in illogical allocation of land-use units and a loss of biotic and cultural diversity; there is also no direct environmental control (ibid.).

Organic farming and experiential eco-tourism have been proposed several times as possible solutions to a great number of the region's environmental and economic problems, but development in this direction is only occurring very slowly (Workshop 1). There are many opportunities for cooperation, but locals are disinclined to use them due to a lack of trust, as well as no positive experience with agricultural cooperatives.

Is the situation really so dismal? No, but radical changes are needed in the actions of individuals, both in the private and public sphere, which will mainly encourage innovative solutions by creating a conducive environment for the provision of the observed ESBOs.

#### 3.2 Relationships between farming and forestry, and the quantity and quality of ESBOs

Maintaining permanent grasslands as the key element of conservation of nature and associated special habitats is entirely dependent on farming. It is therefore essential to preserve the rural inhabitants, farmers who have served as stewards in the past. While the opinion that 'someone needs to eat the grass', i.e. the importance of animal husbandry for maintaining the grasslands, expressed at the focus group meeting by Stanka Dešnik (Workshop 1), is perhaps somewhat outdated, it is clear that to keep these habitats, some form of economically viable land management is necessary.

However, it is certain that the small-scale subsistence model from the past that is being abandoned due to low returns must be replaced. There is no simple answer here. In relation to conservation, it is clear that stronger environmentally friendly land management practices are required. In addition, labour-intensive value chains must be developed, as they employ more people and generate a higher price, enabling market valuation of ESBOs. One option that has been gaining attention lately is social entrepreneurship. Attempts so far have been based on



social services and market activities, but were perhaps too dependent on public project funding.

It is worth mentioning that there has been a wave of young ‘start-up’ farmers immigrating lately, bringing with them fresh ideas and some creative potential that could very well be used to improve or at least preserve the existing level of ESBO provision.

To our knowledge, forestry does not play an important role in this case study. It represents a minor part of the inhabitants’ income, but does play a significant role in nature conservation. However, if the negative trends continue, reforestation will become an object of concern through the loss of high-value grassland and its associated habitats.

### **3.3 Key motivational, institutional and socio-economic factors**

The passivity of the people needs to be overcome, though this does not seem likely. Reliance on others for initiative, waiting for somebody else to take the risk – these will likely result in further natural and cultural decline, unless somebody steps up. This somebody cannot be only the Park management, which has exhibited the most pro-active mentality so far, and has also been the motor behind the most successful projects, but is also the task of other public institutions and especially private enterprises and their activities. And it seems that these are also reluctant to undertake large-scale collective actions, as they have no desire to deal with passive individuals. It is a widespread opinion in the region, and this conclusion is one of the main findings of Workshop 2, that this vicious circle can be broken by younger, better educated people and entrepreneuring individuals, perhaps even ‘imported’ from other parts of the country.

The unfavourable legislative setting for providing of all three ESBOs was repeatedly singled out as a big obstacle by farmers, public representatives, and especially those who wish to engage in business (Workshop 2). Farmers are faced with unreasonable, at times contradictory, rules/demands regarding farming and related practices that are conditions for funding (e.g. AECM, investment support), making it even less interesting to continue farming (Workshop 1).

On the other hand, if such obstacles could be overcome, market conditions are favourable: demand for the exact kind of products that this region produces is increasing and this opportunity ought to be seized. This would demand a slight relaxation of the rules that apply to large-scale farmers, especially regarding sanitary restriction for processing, and an environment that encourages entrepreneurial initiatives and cooperation between producers/processors (Workshop 1).





**Figure 7:** Castle Grad, the largest castle in Slovenia and seat of the Landscape park



Source: <http://www.seviqc-brezice.si/obcina-grad-grad-grad.html>

### 3.4 Levels of provision, trends and determinants

The preservation of permanent grassland habitats can be assessed<sup>14</sup> using the usual methods of habitat assessment: species and specimen counts done by environmental public institutions (Institute for nature conservation). Somewhat more simply, we could just compare grassland/overgrown areas in aerial photos taken in intervals. Since this is closely related to the negative social trends and rural vitality is also an analysed ESBO, the migration ratio can serve as a relevant indicator, as can the number of young farmers.

Social appreciation and demand are increasing, markets are opening up for value-added products stemming from sustainable practices. However, producers are slow to adapt to the market and cannot sell their value-added products, as they are unable to target their customers. Tourism should connect to farming more closely, linking quality local products with the rest of the tourist offer. The community would have to step together to acknowledge the value of the preserved nature/habitats/mosaic landscape; the wider society is increasingly valuing such land and ought to be suitably informed. The castle Grad is a good location for such informing, as well as a sales spot (Stanka Dešnik, manager of the Landscape park).

There is potential for increasing awareness, appreciation and valuation, especially through good marketing (society-informing) practices, working on quality and streamlining production processes to decrease costs, making survival easier/living in the region more interesting; the key limiting factor is definitely the mentality and the lack of readiness to try something new, take a risk, take the lead.

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<sup>14</sup> Unfortunately, there are no new data available yet. Additional analyses are needed, but they exceed the current scope of the project.



### 3.5 Relevant governance arrangements and institutional frameworks

Most issues have been touched upon in previous chapters. The regulatory environment is certainly favourable for individual ESBOs (rural vitality – RDP and regional policy, food production – CAP Pillar 1; natural conservation – environmental legislation and RDP), but there is a lack of a holistic environment that would work together, taking all three elements into account. Different institutions are simultaneously working on different issues and in the process they are (knowingly or unknowingly) putting the simultaneous provision of all three ESBOs at risk. This is also not the task of the Landscape park, nor does the park have the means to operate in the market (Workshop 1). The regulatory environment is also influencing the limited expression of market drivers.

The main actor working towards the preservation of habitats is the Landscape park, working through various cross-border cooperation or other European projects in cooperation with farmers and other actors (e.g. Gorički travniki). There are some formalised forms of cooperation between farmers (e.g. Association of cattle breeders, Association of Farm women), but they do not seem to have a very important role.

The most relevant rules are farming legislation, rules for Natura 2000 areas and rules that apply to the Landscape park area. As mentioned before, some of these rules can be contradictory or insensibly set, e.g. the limit regarding mowing due to nesting birds is set to a certain date without any manoeuvring space to adapt to actual needs in the field.

Unfortunately, time constraints did not allow for in-depth study of all the regulatory aspects of improving, so we can only give a rough list of the most relevant fields:

- Legislation regarding spatial planning
- Definition and execution of AECM measures
- Land Register and Land Cadastre act (enabling the exchange and consolidation of land)
- Conservation legislation
- Support to innovative and sustainable food chains
- Support to cooperation and organisation
- Education and knowledge transfer projects
- Entrepreneurship.

### 3.6 Other context/case study specific aspects/issues

We have tried to include all relevant aspects into the text above. We wish to stress that the complexity of the topic demands further work in the search of solutions to pressing issues.

## 4 Conclusions derived from analysis in Steps 1 and 2

### 4.1 Key findings on the particular SES and its potentials

Policy initiatives that support the provision of the considered ESBOs have not reversed the negative trends. There is of course an interest to maintain a vital rural setting, supported by



policy, as well (preferential funding), but this is mostly unsuccessful. This can in part be ascribed to the inadequacy of instruments, but mainly to the lack of a collective vision and concerted action of individuals. This is also why the successful publicly funded projects have not taken root. In addition, there is a great heterogeneity of opinions and an increasing conflict between the environmental and conventional-farming view. In part, this is related to post-transitional effects and past conditions in the region.

The market driver in this case is actually quite strong, but locals are slow to respond. Appreciation and demand for nature preservation and products coming from such preserved areas are increasing. Awareness and provision could be increased through appropriate collective actions, organisation, financial start-up support and marketing, but this requires a certain measure of entrepreneurship. Farmers in the area could make more use of representation through the Landscape park and its existing collective trademark, and capitalise on their comparative advantages.

The key motor of change is the individual: the younger, educated, unencumbered new generation. Given the right public support and market drivers, these individuals could write new stories and establish new land management practices.

#### **4.2 Governance arrangements and institutional frameworks**

None of the existing policies is yielding the right results in this case. Therefore, a complex evaluation of EU, national and local policies is required – the problem lies not in the main goals and measures, but in the (lack of) fine-tuning (e.g. adapting AECM to local conditions) and common action; not in the amount of funds, but in their application, and of course in the human factor. It seems that public institutions are incapable of devising solutions that are not partial. It cannot be said that policies are failing entirely, but their effect is certainly insufficient. However, public funding can only mitigate local economic conditions to some extent, while the effect of public policies in a social setting with weak private initiative and resistance to change is questionable.

The opinion that the optimisation of CAP payments is an important issue of land management surfaced in several focus groups and interviews. A hectare of land entitles its holder to 200-800 € of different 1<sup>st</sup> and 2<sup>nd</sup> Pillar payments, yet this is insufficient to stop negative trends – there is simply not enough market orientation and value chain integration. This leads to the question regarding the adequacy of the current CAP implementation. More detailed analysis is required, but future reform should tackle the issue of concrete realisation of the three fundamental goals of the CAP.

#### **4.3 Other enabling or limiting factors**

A mix of policy and market drivers must be established – this is a precondition for further development. It is territorially specific investment into people that can change conditions.

The economic setting of neighbouring Austria is also a limiting factor; it attracts the workforce, especially the young generation, which might otherwise bring about change.

In addition, the area has historically disposed with people who are passive and un-entrepreneurial.



#### **4.4 Reflections on the case study methodology used and potential improvements**

Initially reliance on the SES diagram was too strong, yielding superficial answers; detailed questions based on reporting template from the outset would have facilitated work and improved quality.

There were different responses from stakeholders. There was strong interest of representatives of local institutions and proactive individuals, but not farmers, so a special workshop was organised for young farmers; attendants of the latter were very informative.

If this case moves to the next stage, the focus should be on this group, with adequately increased membership and especially good leadership and coordination.

### **5 Research and action mandate for Steps 3 and 4**

#### **5.1 Agreed objectives of activities to be undertaken with initiative/stakeholders**

There is no specific plan of future steps. Students from the BF were included in the CS work; whether or not the case moves forward, they will devise an action plan to encourage young farmers willing and able to work on the provision of the three ESBOs. A meeting is planned in the autumn to present results to the wider public and decision-makers.

The crucial issue is the same as at the outset. We are at the beginning of the search for answers regarding rural vitality, food production and natural conservation. But we believe that we have been successful in describing the system and pinpointing key questions.

#### **5.2 Innovations, impact, transferability, potential risks and research bias**

Attendants of all workshops and interviews (over 25 individuals, representatives of the public and private sphere) are willing to participate in further work. The workshop approach, new to this social setting, was well accepted, but may lead to unrealistic expectations; there is a risk that the complexity of issues and incompleteness of information will hamper the creation of usable suggestions and result in fruitless analysis.

We believe these experiences are transferable to parts of the EU suffering depopulation and dissolution of the relationship environment-land management-food production (characteristic in particular for some areas in S and SE Europe).

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## 7 ANNEX

### 7.1 Documentation of research and action progress

List of stakeholder involved and events with summarised outcomes

**Workshop 1** (Grad, 6.5.2016): Focus group meeting with local stakeholders on institutional drivers of ESBO provision. Participants:

- Emil Erjavec (BF)
- Luka Juvančič (BF)
- Ilona Rac (BF)
- Stanislava Dešnik (Landscape park Goričko)
- Damjan Jerič (KGZRS)
- Iztok Fartek (Mayor, municipality Šalovci)
- Stojan Habjanič (entrepreneur)
- Boštjan Horvat (Municipality Kobilje)
- Jasmin Kukec (RA Sinergija)
- Slavko Petovar (KGZRS)
- Valentina Šeruga Lazarovski (Gorički raj)
- Tadej Ružič (Komunala MS)
- Tatjana Buzeti (CZR)
- Simona Potočnik (Biotechnical school Rakičan)
- Tjaša Gerbic (BF, student)
- Renata Bregar (BF, student)

#### **Workshop 2:**

- Emil Erjavec (BF)
- Luka Juvančič (BF)
- Stanislava Dešnik (Landscape park Goričko)
- Damjan Jerič (KGZRS)
- Leon Borovnjak with spouse (young farmer)
- Robi Gjergjek (young farmer)
- Anja Ivanuš (young farmer)



- Ml. Ludvik Jonaš (young farmer)
- Patrik Letina (young farmer)
- Doris Letina (young farmer)
- Kristjan Malačič (young farmer)
- Tjaša Gerbic (BF, student)
- Renata Bregar (BF, student)

## 7.2 Supporting data and statistics

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