

**SIXTH FRAMEWORK PROGRAMME
PRIORITY 8.1.
SPECIFIC SUPPORT TO POLICIES**



SPECIFIC SUPPORT ACTION

SASSPO-SSP4-022698

Agriculture for sustainable development: A dialogue on
societal demand, pressures and options for policy

Summary of the project results

(D19)

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SASSPO – Summary of the project results

I INTRODUCTION

SASSPO is a Sixth Research Framework Programme funded project on scientific support to policies, conducted by MTT Economic Research, Finland, and LEI Agricultural Economics Research Institute, the Netherlands. The overall objective of the project is to move towards a more integrated and sustainable approach to agriculture and rural development in Europe by using the existing research results and democratic deliberation. The approach has been strongly future orientated.

The objectives of the SASSPO project are to

- understand the critical linkages between market reform, the rural development policies and agri-environmental schemes
- bring together policy makers, stakeholders and scientists of these policy areas to reach a common understanding on the policy issues
- establish a co-operation pattern between authorities responsible for agricultural policies, rural development and agri-environmental issues
- exchange experiences between old and new member states
- identify a new research agenda based on options for policy reform.

SASSPO organised two Policy Dialogue seminars. The aim was to bring together scientists, policy makers, politicians, producers, consumers and other relevant stakeholders to discuss the achievements as well as future needs related to scientific support to agricultural policies in Europe. First Policy Dialogue seminar was organised in Helsinki in Finland 7th and 8th September 2006 with participants from the EU countries of Eastern and Northern Europe and the second in the Hague in the Netherlands 12th and 13th October 2006 with participants from the EU countries of Western and Southern Europe. The total number of participants was 51 and they represented Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, Malta, the Netherlands, Poland, Slovenia, Sweden and the UK. In addition to the country representatives from agricultural and environmental administration and research, there were representatives from the European Commission, OECD, Friends of Earth, Farmers association (FNSEA) and European Landowners' Organisation (ELO).

SASSPO produced four policy briefs based on the background notes and the findings of the Policy Dialogue seminars. This summary displays the main results of the whole project: 15 crucial current CAP policy issues, eventual policy recommendations connected to them as well as the respective research needs. The summary concludes with ideas on the use of policy dialogues.

SASSPO identified the following policy issues:

- 1) Changes in rural areas, 2) Changes in agricultural production, 3) Bioenergy, 4) Legitimation and justification of the policy, 5) CAP and cohesion, 6) CAP and competitiveness, 7) CAP and employment, 8) CAP and sustainable development, 9) CAP and subsidiarity, 10) CAP and enlargement, 11) CAP and reforms, 12) Implementation of the CAP, 13) New member states implementing the CAP, 14) Monitoring of policy outcomes at the EU, national and regional levels, 15) Multifunctionality.

II MAIN FUTURE DETERMINANTS OF EUROPEAN AGRICULTURE AND THE CAP

Driving forces, pressures and trends relevant for the future development in agriculture and in agricultural policy were identified during the SASSPO policy dialogue process. The identification was carried out in relation to the physical environment, production and production technology, consumption and demand of biomass and agriculture-related public goods, socio-demographic structure as well as institutional issues concerning both policy processes and market forces.

Greatest concerns in relation to the physical environment were biodiversity loss, unpredictable side-effects of bioenergy production, the climate change and negative environmental impacts of agriculture in general. Main issues regarding production and production technology were the development of farm structure (especially the risk of polarisation), specialisation, intensification and extensification of production in different spatial scales, marginalisation and abandonment of land, environment-friendly cultivation techniques, the adoption of genetically modified organisms (GMO) and immigrant and seasonal farm labour.

Issues raised in connection with the consumption and demand of biomass and agriculture-related public goods dealt with better fulfilment of consumer preferences. Main issues were quality, safety and traceability (i.e. more consumer-driven food production orientation), individualisation of consumers' food choices, production of bioenergy instead of food, multifunctional nature of agricultural production (biodiversity promotion, landscape preservation etc.). Major changes in the socio-demographic structure were seen to be the depopulation of less favoured areas (LFA) and ageing of farmers and other population, as well as immigration.

Institutional issues appeared to be the most significant factors influencing the operational environment of agricultural policy making. The following issues were seen important: international trade negotiations (WTO) as a source of liberalisation and globalisation of agri-food markets (implicating reduced ability of governments to control market changes, which may lead to potential abuse of market power in the agri-food chain), financial framework of the EU, governance structures, enlargements, further market orientation of policies (potentially resulting price and income instability as well as undesirable distributional effects), internalisation of externalities and valuation of public goods, coherence between first and second pillars (e.g. the role of cross-compliance), application of subsidiarity principle, bottom-up implementation, voluntary agreements instead of command-and-control, monitoring of policy effects and enhanced integration of the agri-food chain.

A rather unanimous conclusion was that the CAP has to evolve, although a non-stop reforming process should not be an end itself. Nevertheless, there were somewhat conflicting views on certain fundamentals of the reforming philosophy. Especially conflicting was the question of the desirable level of market orientation concerning future reforms of the CAP. Furthermore, it was pointed out that if the evolution is based on continuous incremental adaptation, transaction costs may exceed potential benefits.

The importance of sustainable development as such was recognised, but simultaneously it was reminded that multi-dimensionality and general vagueness of the concept makes it difficult to operationalise it in a consistent and constructive way for policy making purposes. However, it was recommended, although not unanimously, that sustainability should receive more emphasis in the priority setting of the CAP at the expense of competitiveness.

III KEY POLICY ISSUES

1. Changes in rural areas

Contrary to still common assumptions, agriculture is not synonymous with rural areas. In many rural areas, agriculture is not the principal economic driver, nor even the main land user. The patterns of change of agricultural production and rural economies are becoming increasingly complex. Agriculture has to be viewed in interaction with the activities arising from other economic and social structures in rural areas.

Policy recommendations

- Coherence and complementarity of rural, agricultural and regional policies

Research needs

- The societal demand for public and private services from rural areas; the most efficient ways of producing the demanded services; land managers are not necessarily farmers – options for new rural entrepreneurship, and ways of facilitating this
- Comparison of the impact of different rural policy measures, taking into account the viability of agriculture, management of natural resources and the provision of public and private services over time
- Major changes currently take place in rural areas: intensification of production in certain regions, land abandonment elsewhere, horsification of rural areas close to towns; the impact of the regional concentration of European agriculture to the development of rural areas
- There is lack of comparable statistics on diversified farms, hampers proper policy formation.
- There is not enough data on regional and especially sub-regional level, which makes it difficult to carry out comparative research among the EU countries.

2. Changes in agricultural production

Changes in agricultural production are likely to take place both in terms of specialisation, intensification and extensification as well as in farming management practices.

Policy recommendations

- Technological development is an important driver of structural changes in agriculture. This fact has to be taken better into account in both multifunctionality and the European model of agriculture.

Research needs

- A new wave of technical and organisational innovation causes a qualitative change in agricultural production – its impacts on the economy, on nature, on logistics, on producers and consumers
- What is the mechanism of land markets in relation to the various interests that farmers may have? Research on the impact of policy changes (e.g. the impact of decoupling on land turning into forest or given to rural tourism) for agriculture and patterns of land use.
- Decline of agri-employment and changes in the use of labour: see ‘CAP and employment’.

3. Bioenergy

The EU has set the ambitious 2010-target to double the share of renewable energy sources in gross inland consumption from 5.4% in 1997 up to 12% by 2010. Agriculture can make a key contribution to meeting these targets. The EU has a significant potential for the production of biofuels. It is estimated that between 4 and 13% of total agricultural land would be needed to produce the amount of biofuels to reach the level of liquid fossil fuel replacement required for the transport sector in Directive 2003/30/EC (Biofuels Research Advisory Council, 2006).

Policy recommendations

- Changes in agricultural production and forestry practices, productivity and the CAP measures are needed to meet the ambitions that are agreed at European level.

Research needs

- What are the costs and benefits of different forms of biofuels? This could be based on a life cycle analysis of policy instruments to enhance biofuel production (including its side effects), also including the impacts of biofuels on world commodity prices.
- Identifying different regional potentials for producing biofuels, their social, environmental and economic impact on rural areas.

4. Legitimisation and justification of the policy

The CAP needs further justification, and that more attention should be paid to the internal and external coherence of the CAP. This societal demand can be coped with more balanced incorporation of various interests (citizens, tax-payers, consumers, rural dwellers). In order to mitigate the influence of vested national interests, the role of formal and informal institutions, which are not responsible for the defence and promotion of official national standpoints, should be increased in the decision-making process.

Policy recommendations

- In order to legitimise the CAP, classical instruments of public accountability, including judicial review, could be better utilised. Most important is to increase knowledge and open discussion about the distinctive institutional context in the CAP, where policy outcomes emerge without the underlying choices being democratically debated or without wider public scrutiny beyond the immediate interests involved in the regulatory or management committees.
- The possibility of a diminishing budget for the CAP and the new long term policy agenda based on it.

Research needs

- Options for more democratic decision making in the CAP, covering better all stakeholders, more in line with EU policy decision making in general
- The impact of the CAP and agriculture on EU economy, employment, growth, social and territorial cohesion
- Ways of improving the complementarity of different EU policies
- CAP without direct payments – what type of farming does society want

5. CAP and cohesion

Greater cohesion in the EU implies that incomes, employment, and economic opportunities grow faster for groups in weaker areas with low incomes than for groups in richer areas with high incomes.

Policy recommendations

- As long as the CAP redistributes income significantly, it is relevant for policy-making to be able to assess the cohesion impact. This issue has a clear connection to the legitimisation of the policy. The simplification of the CAP, which makes the policy more transparent, going on in the DG Agri, is a step in this direction.

Research needs

- Assessing in particular the territorial impact. There is not enough data from regional and especially sub-regional level, which makes it also difficult to carry out comparative research among the EU countries. Information of the territorial impact of the CAP is necessary in order to make the CAP and regional and structural policies more coherent.

6. CAP and competitiveness

From the perspective of competitiveness, it is evident that in the context of the EU economy, agriculture is a relatively low productivity sector, which direct contribution to the competitiveness of the Community is modest. However, the contribution of the whole agri-food sector is more significant also in economic terms.

Policy recommendations

- In the context where there is a demand both for a competitive agri-food sector and for good jobs and growing employment in rural areas, more targeted policies are needed.

Research needs

- More information about the processes of change in rural areas and agriculture.
- There is a need for going through all CAP policy measures and assessing them.
- More information about the CAP in relation to the Lisbon strategy.

7. CAP and employment

From the point of view of employment, there is a need to invest in the human factor in agriculture and rural areas. As a result of new technologies and increasing labour mobility inside the Community the way how work is organised within agriculture changes rapidly.

Policy recommendations

- In the southern member states, very small, actually non-enterprise farms are an important political issue that is connected to pluriactivity and general employment in these areas. It should be seriously investigated what kind of (separate) policy these farms would need.
- The differences in labour use are too much neglected in policies designed according to statistical averages.
- In eastern member states, low income level in agriculture has an impact on the whole society and causes problems. In these countries a rapid structural change is needed and it should be attractive to leave agriculture.

Research needs

- Extent and kind of agricultural immigrant labour: social and economic aspects (also impacts on price and quality, and on safety on farms). Also growing importance of contracting.
- The fragility of horticulture in terms of labour during the harvest.
- Policy options for the non-enterprise farms of the southern member states.
- Employment in agriculture should be studied by multidisciplinary approaches, and governed in close cooperation among policy sectors.
- Lisbon Strategy: see CAP and competitiveness

8. CAP and sustainable development

Sustainable development is one of the objectives of the EU that has a constitutional status. The European Union strategy for sustainable development was agreed in 2001 and updated after the mid-term review in 2005. The EU has special complexities in the implementation of sustainable development, like the historical commitment of the Union to economic growth or the different levels of socio-economic development and commitment to environmental protection in different member states.

Policy recommendations

- The deeper integration of agricultural, environmental and rural dimensions of the CAP means that links from the CAP to other EU level sector policies must be reviewed and reassessed. Successful rural development, for instance, requires a closer co-operation between the CAP and structural funds. When the environment is concerned, a better reconciliation of environmental objectives and policy-making principles of the CAP and general environmental policy of the EU would be a step forward, especially in terms of ecological sustainability.

Research needs

- A more holistic approach (not only ecology) is needed.
- There is a both to study alternative landscapes, also those created without agriculture, and to collect a list of precious European landscapes.
- A better understanding of measures that enhance biodiversity is necessary, as well as the biodiversity impacts of agricultural production systems. Which measures contribute to enhancing biodiversity in agriculture in a cost-effective manner? What are the costs and benefits of policy measures to promote biodiversity and ecosystem services? What are the costs and benefits of different forms of biofuels? This could be based on a life cycle analysis of policy instruments to enhance biofuel production (including its side effects), also including the impacts of biofuels on world commodity prices.

9. CAP and subsidiarity

Subsidiarity is not an objective but a principle of the EU. According to the subsidiarity principle, matters should be tackled at the smallest possible level of authority. The subsidiarity principle was introduced by the Maastricht Treaty in 1992 and it is also present in the proposed European constitution.

Policy recommendations

- The need for more flexibility originates from increasing diversity of regional circumstances as well as national and sub-national interests, which result, in turn, from past, on-going and planned EU enlargements. The issue of subsidiarity has to be tackled in connection to improving the justification of the policy. A common market still requires a common policy, where the impact of national vested interests on Community level should be diminished. Following the subsidiarity principle, decisions concerning both policy content and implementation should be taken as close as possible to relevant stakeholders. Policy formation and implementation processes should be transparent and they should be based on open communication, when possible, in engagement with the local people.

Research needs

- The key research task is how to determine the appropriate spatial scale of governance for different policy measures. Economic efficiency, democracy and wider connections to the other EU policy objectives need to be considered.

10. CAP and enlargements

The enlargement of the EU is different from the objectives of cohesion, competitiveness etc., but it can be seen comparable to the objectives of the Union.

Policy recommendations

- In the dialogues, it was emphasised that it is the enlargement that affects the CAP, not vice versa. Institutional aspects are crucial in a case of a detailed and complicated policy as the CAP.
- As to the legitimisation of the policy, equal treatment of new and old member states is important.

Research needs

- In order to improve policy making, special effort to collect data from the new member states is essential.
- The new member states are facing problems because in most cases the before-accession statistics are not compiled according to the EU standards.

11. CAP and reforms

The reforms of the CAP could be seen as a way in which the policy adjusts itself in conformity with new objectives at the EU level. The guiding principles for the contribution of the CAP to the Lisbon Strategy,

‘strong economic performance’ that goes hand in hand with the ‘sustainable use of natural resources’ have shaped the recent CAP reforms.

Policy recommendations:

- The tendency to ‘compensate’ has very much complicated the policy and reforms. Payments are too often seen as a ‘historical right’. Incremental reforms are also a problem.
- A better use of research results used when making policy reforms.
- Environmental and rural dimensions may have to gain more importance in the goal-setting of the CAP, because otherwise the multifunctional nature of agriculture will not become appropriately recognised. Special attention needs to be paid to harmful environmental impacts as well as to the nature of rural impacts of agriculture.
- Policy-making is likely to develop in the future to the direction of greater focus on economy-wide measures and regulations applied to the agri-food sector, as well as more attention to targeted policies to achieve multiple objectives.

Research needs:

- For policy making connected to reforms, interdisciplinary and comparative studies are needed.
- Reforms would be much facilitated by research that flags for the future.
- The impact of current policies should be known well enough in order to formulate new policies.
- There is a need for impact assessments of CAP reform (including budgets reforms) on production and the provision of public services (including landscape values). This also includes research efforts to explore emerging societal justifications of the CAP, and their origins.
- A better idea of government intervention, including areas where innovation practices are needed.

12. Implementation of the CAP

The CAP should phase out policy implementation practices which lead to continuous incremental adaptation processes at the farm level. Processes of this kind create unnecessary transaction costs which lower the cost-effectiveness of policies.

Policy recommendations

- Continuous redesign of policy measures during a programming period should be taken under a critical review.
- Transaction costs should be paid more attention in the implementation and monitoring stages. One of the policy objectives should be their reduction.

Research needs

- The magnitude of transaction costs caused by continuous incremental adaptation processes should be assessed.
- It should be examined what kind of new institutional arrangements are required in order to lower transaction costs due to inefficient policy implementation.

13. New member states implementing the CAP

Agriculture related problems of the new member states differ considerably from the ones of the old member states. This is reflected also to the implementation of policy measures of the CAP. The current problem is that there is a new programme coming even though the previous one is not yet properly implemented.

Policy recommendations

- More flexibility in policy contents and funding arrangements (i.e. country-specific tailoring and targeting) should be allowed in the implementation of the CAP.
- However, the more flexible funding arrangements should not lead to a heavier co-financing burden for the new member states.

- Institutional structures should be improved at the each level of governance. The accession process was top-down and technocratic, thus now should be the time to concentrate on the content of the policy and quality of implementation and administration.
- The new members states should not be forced to adapt new agricultural policy reforms before the former reforms and the most recent new policy measures have been fully implemented.

Research needs

- The statistical base of the new member states has to be developed in order to make the statistics comparable with the ones of the EU-15. There are problems because in most cases the before-accession statistics are not compiled according to the EU standards.
- Especially, there is not enough detailed data from regional and sub-regional levels, which makes it difficult to carry out comparative research among the EU countries.
- The key research task regarding the institutional setting of policy implementation (in the new member states as well as in general) is, how to determine the appropriate level (EU, national, regional, local) of administration for different policy measures. In other words, the question is about the subsidiarity principle and how to apply it in a beneficial way in the redesign of governance structures crucial to the promotion of sustainable agricultural practices in the new member states.

14. Monitoring of policy outcomes at the EU, national and regional levels

Information on the impacts of applied policy measures is lacking. The lack of data and information relates to environmental, economic as well as social impacts. Models seem to be applicable where impacts of policies are assessed and compared, but it is also important to investigate the functioning of the policy process itself. A topic of special interest for both researchers and policy makers is the way in which research results actually contribute to policy decisions.

Policy recommendations

- The starting point of better monitoring of the policy outcomes should be the simplification of the CAP. However, there is not a self-evident way to carry out the simplification. Indicators with a higher level of aggregation should be used in the monitoring of policy outcomes.
- Evaluation procedures of the EU should be developed further.
- The monitoring of policy outcomes should be used to show a link between the implementation of the CAP and well-being of the EU as a whole.

Research needs

- It should be examined how the implementation of the CAP contributes to the general objectives of the EU
- Monitoring and evaluation studies should also cover indirect, non-agricultural and externality type outcomes of the CAP.

15. Multifunctionality

Multifunctionality is an important feature of European agriculture. New institutional arrangements emerge throughout Europe to add new functions to the supply of agricultural commodities, strengthen linkages between farming and rural areas (e.g. improving land management practices) and sustaining the use of natural resources (e.g. land and water). For example, voluntary agreements are observed between farmers and new groups interested in more sustainable farming practices. Water suppliers enter negotiations with farmers to target water quality standards and to provide some financial resources to promote changes in farming practices. In the dialogues the question of how to organise green services was discussed critically. There was some scepticism about the impact of the agri-environmental schemes as to how efficiently the money is used. It was also asked if we have in EU shared values that underpin the public goods provision or is it a policy designed by the agricultural community itself. The public demand for public goods remained unclear after all studies.

Policy recommendations:

- Environmental and rural dimensions may have to gain more importance in the goal-setting of the CAP, because otherwise the multifunctional nature of agriculture may disappear. The multifunctionality of agriculture may also act as a justification for farm support programmes, if it can convince the society. Special attention needs to be paid to harmful environmental impacts as well as to the nature of rural impacts of agriculture. Such efforts may also require a better idea of government intervention, including areas where innovation practices are needed.
- The Millennium Ecosystem Assessment stressed the importance of ecosystem services. A better understanding of measures that enhance biodiversity is necessary, as well as the biodiversity impacts of agricultural production systems, and of other options of safeguarding biodiversity.

Research needs:

- What are societal benefits of such valuable elements in landscapes (e.g. openness and public access for leisure activities). What measures contribute to enhance biodiversity in agriculture in a cost-effective manner? What are the costs and benefits of policy measures to promote biodiversity and ecosystem services in different ways?

IV THE POLICY DIALOGUE AS A METHOD

The Policy Dialogues are examples of deliberative procedures that have been introduced in different policy fields. Deliberative procedures are linked to the rise of the "stakeholder" ideology and to new forms of governance, which include not only the public sector but different actors representing the market and the civil society. The ideal of deliberative democracy is not based on bargaining among different interests, but to the listening of the views of other people, to mutual understanding and to the seeking for consensus. A broad range of stakeholders is seen as a way to tackle difficult and multifaceted issues, as participants from different backgrounds can provide different kinds of information on the subject. In the context of the CAP, the range of stakeholders is relatively broad, covering for instance farmers, environmentalists, rural interests, food industry, pesticides industry, consumers, inhabitants and other 'users' of the countryside, politicians, officials and researchers working with the CAP, different Member States and different levels of administration. Broadly understood, the CAP affects society at large, also in third countries.

The participants in the Helsinki dialogue felt that there is definitely a need for an arena where various stakeholders, experts and decision-makers can exchange views and information. The arena should be established outside the ordinary structure, however, used in connection to formal discussion in the current political debate. The timing of such dialogues is crucial. The participants in the Hague dialogue agreed that there is definitely a need for an arena where various stakeholders, experts and decision-makers can exchange views and information. However, some participants were of the opinion that the discussion should be more focused, while others would have preferred including e.g. more disciplines (biotechnology, agronomy, application and innovation) and less policy focus. In addition, the even involvement of all kinds of stakeholders, in particular that of NGOs was underlined. Future-orientation would be an important feature of the CAP policy dialogue, since there is a need for a long term policy agenda.