

Institute of Farm Economics



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# **Use and efficiency of public support measures addressing organic farming**

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**Study Report**

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# Executive Summary

## Objectives and scope of the study

For more than two decades, organic farming has been supported through policy measures which contribute to the growth of the organic sector in the European Union. However, the degree and type of support for organic farming differs substantially between Member States. Against this background, this study aims to document and assess the public support by describing, reviewing and categorising the instruments and measures used and levels of support offered. It identifies and analyses important issues surrounding the implementation of public support with a view to putting forward conclusions relevant for the future development of the policy.

The study consists of two parts:

Part A provides a comprehensive description and review of the public support measures in place for organic farming, including a categorisation of the mix of the measures used. It covers the following elements in 27 Member States referring to the current RDP programming period 2007 - 2013:

- Measures in rural development programmes;
- Measures in CAP Pillar 1 (Article 68 of Regulation 73/2009, top-ups in the Common Market Organisation for fruit and vegetables);
- National support schemes, including, where relevant, schemes at regional level.

Part B explores in depth the relationship between policy measures, policy strategies and the development of organic farming. More specifically, four study questions are addressed:

- Study Question 1: To what extent has the use of public support measures addressing organic farming contributed to the development of the number of farms, area of land under organic management and growth of the organic market for organic products?
- Study Question 2: What are the factors influencing the effectiveness and efficiency of the measures?
- Study Question 3: What links exist between national/regional support package and the European Action Plan for Organic Food and Farming (EOAP)?
- Study Question 4: To what extent have Member States developed an overall strategy to develop organic farming?

The analysis in Part B has been carried out in six Member States corresponding with nine programming regions: Austria, Czech Republic, Denmark, Germany (Bavaria, Lower Saxony), Italy (Marche, Apulia) and the United Kingdom (England, Wales). These countries vary with respect to types of public support for organic farming, strategies for organic food and farming, sizes of the organic sectors as well as data availability and level of institutional development.

## **Overview of public policies addressing organic farming in EU Member States**

### **Rationale and development of public support of organic farming**

For more than 20 years, European policies for organic farming have been developed on a number of levels. The first scheme specifically targeted at organic farming was introduced in Denmark in 1987, shortly followed by other countries. As part of the MacSharry reform of the Common Agricultural Policy (CAP) in 1992, the introduction of agri-environment programmes provided a unified framework for supporting conversion to and maintenance of organic production across the EU. The rationale of this support was mainly based on the contribution of organic farming to two Community policy objectives: protection of the environment and reduction of production surpluses and therewith saving of public expenditures. Thus supporting organic farming was a means to an end and not a policy goal itself. Towards the end of the 1990s, however, the importance of organic farming in the context of the CAP shifted. Due to changing policy, economic and societal framework conditions, organic farming goals and CAP goals increasingly concurred. As a result, the expansion of organic farming has itself become a policy goal in several EU countries.

This changing role of organic farming within agricultural policy did not however take place in all EU Member States reflecting the fact that an expansion of organic farming is often only one of a number of options or strategies for policy makers. In view of the large room for manoeuvre of individual Member States, the degree and the type of support for organic farming differs today substantially between countries. It is therefore not surprising that organic farming has followed very different trajectories across the EU indicating that organic policies have a substantial impact on the development of the organic sector.

### **Support measures addressing organic farming under current rural development programmes**

According to the Community Strategic Guidelines for Rural Development, support for organic farming is seen as one option to achieve sustainable development. More specifically, Member States are encouraged to reinforce the contribution of organic farming to the environmental and animal welfare objectives of the CAP.

Most EU countries have followed this recommendation and provide specific area payments for organic farming under Axis 2 (Improving the environment and the countryside) of their rural development programmes (or under Article 68 of Regulation 73/2009). In addition, some Member States have to a varying degree also implemented policy measures addressing organic farming under Axis 1 (Improving the competitiveness of the agricultural and forestry sector) and Axis 3 (Improving the quality of life in rural areas and encouraging diversification of the rural economy).

#### *Support under Axis 1: Improving the competitiveness of the agricultural and forestry sector*

In 22 countries or in some of their regions, organic farming is addressed in one or several of the following 6 RDP measures under Axis 1 in the period 2007-2011.

- *Setting up of young farmers* (Measure 112): In the Czech Republic, applications are selected on the basis of a point system, where organic farmers receive extra points. In three Spanish and two Italian regions, organic farmers receive higher payment rates than conventional farmers. Furthermore, in some regions in Italy and Spain organic farming is mentioned as a reason for intervention or as one of several target groups.

- *Modernisation of agricultural holdings* (Measure 121): In Flanders (Belgium), Madeira (Portugal) and North Rhine-Westphalia (Germany) higher grants are given to organic farmers investing in agricultural holdings to improve the overall performance of the farm; in Austria this is limited to organic livestock farmers investing in farm buildings. Organic livestock farmers but also other groups of farmers receive higher investment grants in Mecklenburg-Western Pomerania and Bavaria (Germany). In Bulgaria, organic farmers receive the same level of support as non-organic farmers; however a minimum of 5 % of the Measure 214 funds is reserved for investments required for conversion to organic farming. Higher evaluation scores are given for applications related to organic farming in Cyprus, Czech Republic, Latvia and Slovakia. Furthermore, various countries have mentioned organic farming as one of several target groups, but it is not clear what direct advantage for organic farmers this implies.
- *Adding value to agricultural and forestry products* (Measure 123): In Bavaria (Germany) and Slovenia, projects related to organic food production, processing or marketing receive higher support rates. In Estonia, a sub-scheme specifically targets organic farming as well as conventional dairy farmers referring to specific circumstances of the organic and the dairy sector. Rather than higher grants, a higher priority is given to projects related to organic farming under the selection scheme in Cyprus, the Czech Republic, Latvia and Slovakia. A tiered support scheme is used in Austria and two regions in Spain to determine the level of support where organic farming is one criterion among others to be eligible to receive a top-up grant. In Bulgaria, Denmark, Hungary, Malta, Romania and some regions in Spain organic farming has been defined as a (particular) target group or reason for intervention, but no special provisions are made for organic farming.
- *Participation of farmers in food quality schemes* (Measure 132): Member States have adopted different approaches to refund certification and inspection costs of organic farmers. Several countries/regions use Measure 132 to cover parts of the certification and inspection cost incurred by farmers (Austria, Belgium, Cyprus, Estonia, Greece, Malta, the Netherlands, Poland, Portugal, Slovenia, most regions of Italy and Spain as well as in parts of the UK). Flanders and Wallonia (Belgium) as well as Greece introduced the support scheme for organic farmers in 2011. These schemes are usually also open to farmers participating in other approved quality schemes.
- *Information and promotion activities* (Measure 133): In some Member States, Measure 132 is combined with Measure 133, which supports information and promotional activities for products or foodstuffs covered by approved quality schemes. In Malta and Estonia, only organic producers may receive support through Measure 133, while other countries offer no special provisions for organic producers.
- *Setting up of producer groups* (Measure 142): In Slovenia, financial support is given to organic farmers who set up producer groups and therewith strengthen the institutional structure of the primary sector. This measure is however not exclusively targeted at organic. Farmers producing other special agricultural products (e.g. PGO/PGI) are also eligible for aid.

In addition, many Member States have implemented specific training courses or advice for organic farming under Measure 111 (Vocational training and information actions) and/or Measure 114 (Use of advisory services). Since both activities are also relevant for conventional farmers, organic farming is in most cases neither addressed nor mentioned under these measures. Similarly, Wales uses Measure 124 (Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector) to improve supply-chain links. Whilst the measure itself does not address organic farming, it is used to finance a project which is highly relevant for organic sector development in Wales.

## *Support under Axis 2: Improving the environment and the countryside*

In 25 Member States or in some of their regions, organic farming is addressed in one or both of the following two RDP measures under Axis 2 in the period 2007-2011.

- *Agri-environment payments* (Measure 214): Agri-environment payments are undoubtedly the most important support measure of the rural development programmes. With the exception of the Netherlands and France, all Member States have implemented specific area payments for organic farming in the framework of national/regional agri-environmental schemes (Measure 214) to compensate additional costs or income foregone resulting from organic management.

There are large variations in the payment rates for the same land type using a differentiation of seven land types including arable land, grassland, vegetables and herbs, greenhouse crops, perennials and orchards, vineyards, and olive trees. For example, maintenance payment rates per hectare for grassland vary between EUR 39 and EUR 450 across the EU. Even greater variations were observed for conversion payments. Differences in payment rates are the result of a number of factors including different payment differentiations within the broader land types (e.g. a specific cereal payment is likely to lead to a higher payment rate than an average arable payment), different economic assumptions and different cost and income foregone components in payment calculations. Policy priorities, budget allocations and constraints, consideration of different bio-physical land characteristics and the inclusion of (area-based) livestock payment components are also factors.

However, high payment rates do not necessarily guarantee a high level of support for organic farms. Scheme access problems, as reported from several Member States, can reduce the positive impacts of high support payments. Average public expenditure for organic support payments under the agri-environmental measure per certified organic hectare varied between EUR 7 and EUR 314 for the period 2008 to 2009. On average, public expenditure amounted to EUR 163 per hectare for EU27 (excluding Ireland, Romania and England). Substantial differences between the Member States also exist in the design and application of eligibility criteria and requirements such as payment limits, stocking rates and additional scheme requirements beyond organic standards which are not necessarily reflected in the payment rates.

A wide range of options for combining organic with agri-environmental payments exists across most Member States covering nearly all the key agri-environmental themes. “Topping up” organic support payments through other agri-environmental payments utilises the comparative advantages of organic farms in providing environmental benefits and public goods, and grants additional financial support to organic farms.

- *Animal welfare* (Measure 215): Cataluña (Spain) provides additional support for organic livestock farmers under Measure 215 aiming to cover additional costs or income foregone due to commitments in the area of feeding facilities or free outdoor access. In other countries, specific organic livestock payments are either not implemented or are integrated in Measure 214.

### *Support under Axis 3: Improving the quality of life in rural areas and encouraging diversification of the rural economy*

In the Czech Republic, organic farming is addressed in two RDP measures under Axis 3 in the period 2007-2011:

- *Diversification into non-agricultural activities* (Measure 311)
- *Encouragement of tourism activities* (Measure 313).

Both measures aim to diversify the rural economy through grants for the introduction or expansion of activities related to local services, products, trade and tourism. Similar to provisions made for Axis 1 measures, projects related to organic farming are awarded higher points in the Czech Republic which may increase the likelihood to receive support. References to organic farming are also made in Hungary under RDP measure 313.

### *Support measures addressing organic farming under CAP Pillar 1*

Besides rural development programmes, some EU Member States provide financial support for organic farmers in the framework of Article 68 of Regulation 73/2009 as well as top-ups in the Common Market Organisation for fruit and vegetables.

France has implemented conversion and maintenance payments for organic farming on the basis of Article 68, instead of using RDP Measure 214 (agri-environment schemes). Romania is following a dual approach. While maintenance payments are paid under RDP Measure 214, Article 68 is used to finance conversion payments. In Denmark, the current RDP extensification scheme under Measure 214, which provides area payments for organic farmers, is stepwise replaced by a similar Article 68 measure. In addition to Romania, Greece, Italy, Spain and Sweden have also implemented specific support to farmers for improving the quality of agricultural products. These schemes are targeted not only at organic farmers, but also at farmers participating in other food quality schemes.

Under the Fruit and Vegetables Regime of CAP Pillar 1 organic farming counts as an environmental action if at least 80 % of the members of a producer organisation are organic farmers and subject to agri-environment commitments under RDP measure 214. The Community co-financing rate for organic production in the operational programmes is 60 % of the eligible costs (usually 50 %) with a maximum financial contribution of 4.1 % of the total value of marketed produce.

### *Other national or regional organic support measures*

Member States and regions have also introduced a wide range of other national and/or regional policy instruments not (co-)financed by the EAFRD or EAGF. Examples include financial support for producing, processing and marketing organic products, a range of communicative policies as well as support for research projects related to organic farming. In many cases, the identified measures have some similarities to those implemented under rural development programmes. This is particularly the case for investment aids, marketing aids and support for training programmes and advisory services. Some of them could probably also be financed under the RDP Measures 111, 114, 121 and 123. Clearly, some Member States forgo the opportunity of co-financing these measures through the EU in order to retain greater flexibility in programme planning and implementation or to avoid reporting duties.

### *Organic action plans*

National or regional organic action plans provide a strategic instrument to coordinate different supply-push and demand-pull instruments tailored to local conditions. In total, 17 national and 10 regional action plans or similar support schemes were identified in EU Member States that have been implemented since 2007. In many cases, action plans bundle CAP measures and complementary national/regional measures not (co-) funded by the EAFRD or EAGF. The action plans differ substantially with respect to the policy targets, running period, types of actions specified, financial resources, number of previous action plans, and initial year of implementation reflecting different support strategies and developmental stages of the EU's organic sectors.

### *Typology of support measures addressing organic farming*

Member States vary in the number and type of measures they choose to adopt to support organic farming. Furthermore there are substantial differences with respect to the way organic farming is addressed within individual measures. Three different types can be distinguished:

- **Measures addressing organic farming with special provisions:** Support measures that are exclusively targeted at organic farming or measures that are also open to non-organic farmers but with special provisions for organic farmers (e.g. higher payment rates).
- **Measures addressing organic farming with partly special provisions:** Support measures under which organic farmers, as well as other specified types of farming, receive higher payment rates or where access to a scheme is based on a point system whereby organic farmers (and other specified types of farming) receive extra points.
- **Measures addressing or mentioning organic farming without special provisions:** Support measures in which organic farming is one of a number of target groups. No special provisions are made for organic farming, so the additional benefit organic farmers may derive from such measures is unclear.

In addition, there are measures which do not address or mention organic farming but which are used to finance projects or schemes that are highly relevant for organic farming. An example of this type of support is vocational training schemes (implemented either under RDP Measure 111 or similar national / regional programmes). Another example is programmes that address specific needs of organic farmers without addressing or mentioning explicitly organic farming (such as schemes for mountain farmers and animal welfare).

It is difficult to draw a clear line between i) measures which intend to support explicitly organic farmers (aiming to foster the development of the organic sector), ii) measures which support organic farmers but also a range of other types of farming so that organic farmers may not have a real advantage over others and iii) measures which support organic farmers but not specifically because they manage their farm organically (e.g. it can be questioned whether a specific aid to mountain farmers is an organic support measure or not if organic farmers are predominantly located in mountain areas). Public expenditure data are also of limited help in identifying more precisely specific organic support policies, since they usually contain no information on how much money is spent on organic farms. Despite these limitations, it is possible to identify patterns of support used in the Member States. Broadly, the following patterns can be distinguished:

- Apart from area based organic schemes, organic farming is not or only in a limited way supported through specific policy measures.
- Apart from area based organic schemes, organic farming is supported through various specific policy measures from national/regional sources.



- Organic farming is targeted by a range of CAP measures as well as national/regional measures.
- Organic farming is specifically targeted by and a preferred option in a range of CAP measures.

There might also be a fifth support strategy when organic farming is not addressed with special or partly special provisions but mentioned as one of several reasons for intervention. This typology is – by its very nature – simplistic and describes rather patterns than real support systems. It is however useful to highlight differences between individual support strategies.

## Answers to the study questions

### Study Question 1

**To what extent has the use of public support measures addressing organic farming contributed to the development of the number of farms, area of land under organic management and growth of the organic market for organic products?**

Policy matters – a lot. The quantitative and qualitative analysis showed that public support for the organic sector is the major driver for organic sector development and the sector has developed within the framework of state intervention.

However, the analysis has shown that public support measures do not act alone and may have little impact if other non-public support factors are absent. Environments supportive to organic farming are those in which organic businesses are economically viable and represent a well-functioning competitive industry, where the public is positive towards organic, and where there is a positive market environment so that organic operators see market prospects, and where all actors investing in organic business have confidence in policies. These factors considerably influence the development of the organic sector.

Area support payments and organic action plans are the most relevant support measures which strongly contributed to organic sector development with respect to both the development of organic production and the development of organic markets. Area support payments are an incentive for new organic farmers to convert the farm and thus are able to boost organic farming while continuous area support can be considered as the basis upon which other support measures for organic farming (production, marketing, and demand) rest and become effective. Thus, even though the role of organic area payments seems to change during the development of organic sectors, they remain important.

Organic action plans do not directly involve financial incentives, but are an instrument for governments to make the strategic role of organic farming within the general organic farming policy transparent and to design the best possible policy mixes and policy links to further develop organic farming. They stabilise the system but also work as a supportive factor that helps farmers to take the “right decision” towards organic. The issue of collaboration acts in the same way as reliable policies. The entire organic sector development benefits from stable and reliable framework conditions and from good collaboration between the organic sector and government.

## Study Question 2

### **What are the factors influencing the effectiveness and efficiency of the measures?**

Even though it is essential to highlight the important role of area payments and organic action plans, it needs to be stressed that it is impossible to distinguish the effects of individual factors, and the way they act and affect each other. Thus, organic sector development is not the result of a single policy support measure or of a single context factor. It is the combination of public support and external factors that plays a significant role in shaping the organic sector. When designing public support for organic agriculture it is necessary to recognise that a high interdependency exists between the single public support measures. This interaction of measures seems to be decisive for the development of the organic sector. From the analysis it was possible to identify elements of a policy mix which may contribute to organic sector development, but it was not possible to deduce distinct ideal policy mixes. The regional situation of organic farming development varies and this should be considered for designing the most effective policy mix for a specific country or region.

Also general agricultural policies affect organic farming development. One example was found in Germany where public support for the provision of renewable energy through farm based biogas plants negatively affects organic farming. The example underlines that not only does organic farming policy matter for organic sector development, but also policies from other areas may influence the effectiveness of organic farming support measures.

To make public support measures for organic farming more effective and efficient, the following issues should be considered:

- Area payments for organic farming are one of the most important support measures, but their roles change with the sector development.
- A policy mix of supportive measures in addition to the “big two measures” area payments and organic action plan allows a better targeting of public support to the regional framework conditions of organic farming.
- To be effective, policy mix for organic farming support requires a strategic framework which integrates single measures to a consistent policy package. Action plans or similar strategic plans are required to govern a policy toolbox for organic farming.
- Communication and collaboration between decision makers and actors of the organic farming community is a means to better target support policies. This however requires capacities of both the government and e.g. organic farming associations.
- Effectiveness and efficiency are highly influenced by a suitable framework which in turn is a result of the context factors. Context factors can often be influenced through policy; not necessarily in terms of financial support but policy can take the role of moderation, initiation and information. The effectiveness of policy support measures is also influenced by the way they are presented to the public.
- Policies may be less effective when addressees (farmers, processors, retailers) do not trust in the long-term persistence, i.e. the reliability and continuity of governmental support. Governments should express what role organic farming plays in their agricultural policy concept and that they are a reliable partner for the farmers, processors and retailers.

- Public policies are ineffective and inefficient when the concept supported is not economically viable. Thus, organic farming policies should be guided by a business minded approach focussing on developing the organic sector as a well-functioning competitive industry.
- When organic farming schemes are closed either for a review or due to financial constraints, a backlog of interest can build up which may result in very large numbers of producers converting at the same time when the scheme reopens. Such administrative disruptions of organic farming schemes may lead to a rapidly rising increase in organic supply resulting in a supply and demand imbalance.

### Study Question 3

#### **What links exist between national/regional support package and the European Action Plan for Organic Food and Farming?**

The European Action Plan for Organic Food and Farming (EOAP) wanted to lay down the basis for policy development in support of the organic sector and provide an overall strategic vision for organic farming's contribution to the Common Agricultural Policy, recognising the dual societal role of organic farming of (1) marketing organic food in response to consumers demand and (2) the delivery of primarily, but not only, environmental public goods. The action plan strongly recommends that Member States make full use within their rural development plans of instruments available to support organic farming. Action 6 of the EOAP specifically addresses this and lists a range of instruments that Member States can use in their RPDs or national action to make public support for organic farming more effective<sup>1</sup>. This section considers the extent to which the programming regions studied have made use of these instruments listed in Action 6 of the EUOAP by analysing support activities in the six case study countries in relation to the instruments.

In the rural development programmes agri-environmental payments (Axis 2, Measure 214) are by far most important measure used to support organic farming in all six countries and nine case study regions. In contrast, only six of the nine case study regions (Austria, Czech Republic, Bavaria, Marche, Wales) specifically address organic farming in Axis 1 (Denmark mentions it as a target group) and only one country (Czech Republic) in Axis 3. This indicates a lower emphasis on supporting organic farming as a means of increasing the competitiveness of agriculture, and even less recognition of the potential contribution of organic farming to diversification of the rural economy.

Four of the nine case study regions (Austria, Denmark, Bavaria and Lower Saxony) have directly referred to the EOAP in their RDPs, two of which (Austria, Denmark) use the EOAP to justify support. The Czech Republic and Italy refer to the EOAP in their national action plans. At this formal level of direct referencing, the links between the EOAP and national policies are not particularly strong. However, most regions have used some of the support instruments that are listed in Action 6 of the

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<sup>1</sup> Instruments stated are: stimulating the demand side by using the new quality schemes; actions to preserve the benefits for the environment and nature protection in the long term; developing incentives for whole farm conversion; investment support, incentives to facilitate the distribution and marketing by integrating the production chain; support to extension services, training and education for all operators in the organic sector; and targeting organic farming as the preferred management option in environmentally sensitive areas.

EOAP and have therefore responded to the recommendations of the action plan, regardless of whether direct reference to the EOAP has been made:

- All regions offer measures to preserve the *benefits for the environment and nature protection* although in several cases the emphasis is on maintaining existing organic land area rather than significantly growing the sector.
- A majority (Austria, Czech Republic, both regions in Germany and Italy and Wales) has used these land management schemes to encourage whole farm conversion. However, it is important to consider the issue of larger farms wishing to stage the conversion in order to minimise the risk as was done in Wales.
- None of the case study regions has targeted organic farming as the preferred management option in environmentally sensitive or high nature value areas, but it is foreseen to evaluate the possibility in Denmark in the future.
- In all the regions except Wales, specific targets for organic land area supported by Axis 2 are stated in the RDP or have been set at departmental level. Mid Term Evaluation reports show that in seven out of the nine regions the targets had already been met to at least 75 % in 2009. This confirms that either organic land area targets had been conservatively set or the sector has grown considerably faster than expected at the time when the target was set. This may be a reflection of a low prioritisation of organic farming in some of the rural development plans.
- In all regions analysed, organic farmers have the same possibilities for receiving *investment support* as non-organic farmers in so far as none of the regions excludes organic applications.
- Most regions except England have made some use of RDP *instruments to stimulate organic demand*, facilitate distribution and marketing including promoting organic participation in food quality schemes with some regions using national instruments.
- None of the regions has used the RDP for specialist organic provisions to support *knowledge, extension and information*, but support for organic training and advisory services can be provided on the same basis as to other applicants and some specialist provisions have been made in national programmes.
- Only Wales made specific reference to *cross axis synergies*.

In addition to land management targets, a number of themes relating to the organic sector were covered in Mid Term Evaluations including aspects of environmental impact, uptake among particular farm types, and synergies between axes. However, the extent to which MTEs and other evaluations have captured adequately the effects of organic farming policies was felt to be limited. This is in part due to the complex nature of organic farm systems which makes it difficult to quantify precisely distinct outputs, results and impacts. In addition, there was a lack of statistical data available because specific organic activities or elements are seldom recorded separately.

Overall, a picture has emerged of only moderate links between the EOAP, and the national/regional support package (consisting of the Rural Development Plan and national organic support programmes), despite the recommendation in the Community Strategic Guidelines for Member

States to consider the EU organic action plan. Only two of the instruments listed in Action 6 have been taken up by all nine programming regions. Whilst the RDPs recognise the potential for organic farming to provide environmental public goods, the majority place much less emphasis on supporting organic farming in recognition of contribution to other rural development goals and in facilitating the development of the organic market.

It can be concluded that the EOAP's strategic vision for organic farming's contribution to rural development policy goals has had impact only in some regions in making support for organic farming more effective and in encouraging Member States to make a greater and more coherent use of rural development measures.

#### **Study Question 4**

**To what extent have Member States developed an overall strategy to develop organic farming?**

In all case study countries and regions, the support package for the organic sector consists of a combination of RDP instruments and national or regional measures or national organic action plans, but not in all cases are these different instruments fully integrated. This section investigates to what extent the case study countries/regions have developed an overall strategy to develop organic farming, how coherent these strategies are.

A coherent support strategy for the organic sector is considered to be one that states its aims including the reasons why organic farming is supported with reference to wider agricultural, rural development and societal policy goals and sets out how different policy measures complement each other to achieve the specified objectives.

The case study countries vary in the extent to which they have developed an overall strategy to develop organic farming. The strongest and most coherent support strategy exists in Denmark, where links between organic farming and wider policy goals have been successfully established and the whole framework of the RDP has been used for a balanced support strategy of the sector, considering both demand-side and supply-side measures. Policy strategies also exist in Austria and the Czech Republic, but in several other cases policy makers appear to struggle in balancing the environmental and market aspects of organic farming. Several regions (e.g. England and Lower Saxony) have no on-going strategic vision, and some are struggling to sustain current levels of RDP support for the organic sector. Case study countries also vary in the extent to which organic stakeholders have been consulted in policy development.

It appears that a range of factors influence the propensity of countries to develop support strategies for the organic sector, including geographical and structural conditions, dominant farm type, national commitment to increasing value added and promoting food quality schemes.

In most RDPs organic farming is mainly recognised and supported for its environmental goods whereas recognition of its potential contribution to competitiveness and other rural development goals only occurs in some countries. National action plans or similar organic farming policies demonstrate strategic thinking by setting targets for the development of the organic sector and defining action points to achieve those targets. Formal evaluations of such documents are rare, but

in some cases they are regularly reviewed with ongoing mechanisms to consult stakeholders. National action plans do not always carry a specific budget, and some rely entirely on other funding streams (in particular the RDP) to reach the targets. There is some evidence of a lack of integration between these two policy domains in so far as rural development programmes do not fully take account of targets set in national organic action plans and national action plans do not refer to the range of measures that RDP support covers.

There also appears to be in cases a disconnect between policies for agriculture and the environment in general, and policies for the organic sector specifically, as if organic farming remains an isolated topic for some policy makers (examples of such isolation are the lack of coverage of organic issues in the Welsh strategy documents for the future of agriculture or the environment and the strong competition between alternative energy and organic support in Germany).

In conclusion, in developing coherent strategies there is a need for better integration of national/regional organic action plans with rural development objectives and plans, including strategic objectives, target setting and allocation of resources, and ensuring that the range of rural development measures (in particular the less widely targeted skills, market development and competitiveness measures as well as diversification measures) address the needs and are open to applicants from the organic sector. One way in which this might be encouraged is by the inclusion of specific chapters or sections about organic farming support in national/regional rural development plans that reflect the goals and framework of national/regional action plans and draw on the different RDP measures in a coherent and integrated way. This would help to achieve a better balance between the environmental, public good and market elements of organic farming support and would also ensure that all parts of the organic support package are considered in rural development evaluation.

## **Conclusions**

This study of the use and efficiency of public support measures addressing organic farming consists of two parts: Part A provides a comprehensive description and review of all the public support measures for organic farming in all 27 Member States. The review shows considerable variation of payments rates and eligibility conditions as well as the mix of policy measures used. Part B provides the results of a more detailed analysis of support programmes in six case study countries in relation to the contribution of public support measures and other factors to the development of the organic sector, links between national policies and the EU Organic Action Plan and the presence and coherence of policy strategies.

One key conclusion of this study is that the role of organic support policies in fostering organic farming is very complex. To understand the contribution of public organic support policies to the development of the organic sector, it is not enough to consider only the degree and the type of support for organic farming. Special attention needs to be given to the following three aspects:

- The contribution of single policy measures addressing organic farming (such as area based support schemes) depends not only on the aid intensity but also on the size of the sector and/or the stage of the sector development.
- There is a high interdependency between single policy measures addressing organic farming. Policy packages are more relevant than the sum of individual policy measures and appear more effective if they are embedded in the general policy environment, contain strategic goals and consider directly the needs of the sector.

- The effectiveness and efficiency of organic support measures or policy mixes is influenced by various framework conditions.

For this reason, the development of organic support strategies should be based on an in-depth analysis of

- the relevant bottlenecks for further development in a region or country (both on the side of production and on the side of demand),
- the specific economic, environmental and societal potentials of organic farming,
- the interplay of different organic support policies,
- a balance of different instruments in recognition of the dual societal role (public goods from organic land management and specialist markets for organic food) of organic farming,
- the potential impact of other policy measures or policy strategies (agricultural policy and other policy areas).

Some Member States have carried out such strategic analyses in the course of planning their organic action plans or programmes. Where they exist, action plans often address some of the development needs of the organic sector although, but the implementation is not clear in all cases. The main suggestions for improvement of these strategies arising from the analysis are:

- including clear statements about the potential of organic farming to contribute to food quality and rural development policies goals in addition to environmental objectives,
- strongly embedding the support for organic farming in the rural development or general agricultural and environmental policies, and
- reconciling trade-offs between different policy goals.

The question arises what more the Commission could do to encourage strategic thinking at Member State level about the potential of organic farming to deliver policy goals and to encourage greater consistency of scheme availability and scheme requirements. Based on the results of this study, two suggestions are made as to how the policy framework could be improved or amended. These are developing common organic sector development principles, and an improved monitoring of organic support measures (for further details of these proposed principles see Chapter 5 Part B).

The first possibility would be to discuss and agree on clear common organic sector development principles that guide the development of policy at Member State and EU level. Possible principles could include:

1. Specifying a strategic vision for the development of organic farming
2. Recognising the dual role of organic farming in delivering environmental benefits and products for the market place
3. Contributing to fair competition between organic producers in different Member States, recognising that organic farming is the only agri-environment scheme in which producers also rely significantly on returns from the market, and that wide variations in support rates have the potential to influence competition
4. Acknowledging that premium prices and the market benefits of certification reflect the entrepreneurial activities of farmers in response to consumer demand and should therefore not be attributed entirely to conversion to/maintenance of organic land management
5. Ensuring continuity of organic land management schemes, so that the market can develop against a stable policy background

6. Acknowledging the role of innovation, knowledge exchange and advisory programmes in improving the technical, financial and public good performance of organic farmers and other supply chain actors
7. Exploiting synergies between policy measures, particularly in rural development programmes
8. Engaging stakeholders, including both businesses and the general public

The second suggestion is to improve the monitoring of the effectiveness and efficiency of organic farming support policies. Currently monitoring data of expenditure for the various schemes is limited, in particular if they are not addressing organic farming specifically. Organic farm systems are multi-functional and deliver to several public policy goals, and they do this on a wide range of farm types and in different geographical locations. This complexity makes it very difficult to quantify precisely distinct outputs, results and impacts within the framework of mid-term or ex-post evaluations. However, specific support or special provisions for organic farming need to be justified by clear evidence of their benefits. This is particularly true if competing claims on the funding resources are becoming louder.

In addition to existing legislative provisions, these suggestions could be considered for the Rural Development Framework for 2014 to 2020, in particular for the strategic guidelines and implementation rules that still have to be developed relating to the proposed specific organic farming measure. They could also guide Member States to develop a more coherent support strategy. A revision of the European Organic Action Plan, potentially linked to the CAP reform 2014-2020 framework, could provide another avenue to raise awareness for defined organic sector development principles and to discuss with Member States and organic farming stakeholders how EU framework conditions can be improved to enable a further development of organic farming in the EU.



## **Information on the methodologies**

### **Description and review of public support measures**

The review of public policies addressing organic farming is mainly based on the results of a written survey of experts in EU Member States, who are either responsible for organic farming and/or RDP policies at the national/regional Ministries for Agriculture or have a longstanding involvement in economic and policy research or advice in organic farming. The questionnaire sent to these experts requested the following information on policy measures addressing organic farming: scope and action of the measure, way in which organic farming is addressed within each measure, level of grants or payment rates and public expenditures related to organic farming. Survey results were checked for plausibility and statistical correctness. Furthermore, responses were cross-checked against available on-line sources including Eurostat, DG Agri data and data from previous studies in this field. Data problems were discussed with key-informants directly by means of phone interviews. Based on the information collected a national inventory of organic support policies was drafted for each country, which was subsequently validated by the national experts and used to compile the information for Part A of this study.

### **Quantitative impact indicators**

The quantitative analysis was based on data on the six case study countries from the EU Farm Accountancy Data Network which were analysed using descriptive statistics. For this descriptive analysis, the relation of the support level for organic farming to that of competing policies (e.g. other agri-environmental measures non-combinable with organic farming, e.g., integrated farming) was used as an indicator. The impact of this 'effective' support to organic farming on income is assessed by subtracting the support from actual income of organic farms. The profitability of organic farms without specific support measures compared with the profitability of comparable conventional farms provides an indication of the importance of organic farming policies as a financial incentive to (re-) convert. Due to the fact that only few observations were available (maximum 9 years per country) to account for i) the multitude of factors influencing the development of organic farming, ii) the lag which can be expected between policy implementation and a change in the share of organic land, it was not possible to conduct a multivariate statistical analysis.

### **Qualitative impact analysis**

The qualitative analysis was organised as an online stakeholder consultation process with two consultation rounds and six national stakeholder workshops. The underlying research question for this step of analysis was 'What is the relative contribution of public support measures and of context factors to the development of i) the number of organic farms and the organic area and ii) to the organic market growth between 2000 and 2011'. For each case study country, the information from the web surveys was computed in a set of impact matrices picturing separately i) the factors which contributed to the development of the number of organic farms and the organic area, and ii) the factors which contribute to organic market growth. Data analysis was conducted using the Software SYSTAIM Q. The six national stakeholder workshops aimed at putting the web survey results into the national context, examining which factors influence the effectiveness and efficiency of public support measures for organic farming, and discussing the outcome of the document analysis.

## **Documentary analysis**

The policy document analysis aimed to identify references to organic food and farming, priorities and agreement/contradictions between different policies based on structured analysis of policy documents as the basis to address study questions 3 and 4. A detailed set of guidelines and a reporting template for all parts of the analysis were developed to ensure that similar information was provided from all nine programming regions in the six case study countries thus facilitating a cross-national /regional comparison. Three different categories of documents were analysed (1) RDP related documents (2) specific organic farming policy documents such as organic action plans and (3) other documents related to policy development in agriculture and rural development in general.

The template included questions about the main focus of the RDP and its intervention logic; the representation of the organic sector in the RDP including any specific targets; linkages to the activities to support organic sector development mentioned in Action 6 of European Organic Action Plan; mention of organic farming measures and the organic sector in mid-term and other evaluation reports; the intervention logic of organic action plans and other measures to support organic farming as well as expert judgement on policy strategy and coherence.

The analysis of policy strategy and coherence included a comparison of the intervention logic of organic farming policies with the RPD and a network analysis approach whereby references that are made in one document to another and references to framework documents (such as the EU Action Plan for Organic Food and Farming and the EU Rural Development Regulation) were scrutinized. A further element was a cross impact matrix covering all policy instruments supporting organic farming in each country irrespective of the funding sources they draw from. The contractors as national experts for their country were asked to identify synergistic and/or conflicting effects between the various measures/activities. The results refer to coherence within organic policy frameworks, as the analysis did not consider the interactions between non-organic and organic farming policies, e.g. support for integrated farming systems, where conflicts might be expected. The various elements were brought together with expert judgement at the national workshops for the evaluation of the extent and coherence of policies strategies in support of the organic sector in the case study countries.

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# List of Abbreviations

## Country codes

AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
ES	Spain
FI	Finland
FR	France
GR	Greece
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK	United Kingdom

## **Regional codes**

APU	Apulia
BAV	Bavaria
ENG	England
LowSax	Lower Saxony
MAR	Marche
WAL	Wales

## **Currencies**

CZK	Czech Krona
DKK	Danish Krona
EUR	Euro
GBP	British Pound
PLZ	Polish Zloty
SEK	Swedish Krona

## **Other abbreviations**

### **PART A**

AEM	Agri-environmental measures
BF	Bee families
BH	Beehives
BOBL	Better Organic Business Links
CAP	Common Agriculture Policy
CMEF	Common Monitoring and Evaluation Framework
CMO	Common Market Organization
CORE Organic	Coordination of European Transnational Research in Organic Food and Farming
EAFRD	European Agricultural Fund for Rural Development

*List of Abbreviations*

EAGF	European Agricultural Guarantee Fund
EC	European Community
EL	Eligible Land
ELS	Entry Level Stewardship
EU	European Union
IS SAIF	Information system of the State Agricultural and Intervention Fund
LEADER	Liaison entre actions de développement de l'économie rurale
LU	Livestock unit
OSP	Organic support payments
PGI	Protected geographical indication
PGO	Protected geographical origin
PO	Producer organizations
RDP	Rural Development Programme
SFP	Single Farm Payment
TSG	Traditional Speciality Guaranteed
UAA	Utilised agricultural area
Yr.	Year

**PART B**

ADA	Austrian Development Agency
AP	Action plan
BOBL	Better Organic Business Links
BÖLN	Bundesprogramm Ökologischer Landbau und andere Formen nachhaltiger Landwirtschaft
CAP	Common Agricultural Policy
CEE	Central and Eastern Europe
CMO	Common Market Organisation
CSG	Community Strategic Guidelines

*List of Abbreviations*

DEFRA	Department for Environment, Food and Rural Affairs
EAFRD	European Agricultural Fund for Rural Development
EC	European Community
EEC	European Economic Community
EOAP	European Action Plan for Organic Food and Farming
EU	European Union
FADN	Farm Accountancy Data Network
GAK	Gemeinschaftsaufgabe Verbesserung der Agrarstruktur und des Küstenschutzes
GMO	Genetically Modified Organisms
LEADER	Liaison entre actions de développement de l'économie rurale
LFA	Less Favoured Area
MTE	Mid-term Evaluation
NGO	Non-Governmental Organisations
OELS	Organic Entry Level Stewardship
OCW	Organic Centre Wales
ÖPUL	Österreichisches Programm zur Förderung einer umweltgerechten, extensiven und den natürlichen Lebensraum schützenden Landwirtschaft
RDP	Rural Development Programme
RDR	Rural Development Regulation
SME	Small Medium Enterprise
UAA	Utilised agricultural area

## **Rural development measures**

*Code*            *Measure*

### **Axis 1 - Improving the competitiveness of the agricultural and forestry sector**

111	Vocational training and information actions
112	Setting up of young farmers
113	Early retirement
114	Use of advisory services
115	Setting up of management, relief and advisory services
121	Modernisation of agricultural holdings
122	Improvement of the economic value of forests
123	Adding value to agricultural and forestry products
124	Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector
125	Infrastructure related to the development and adaptation of agriculture and forestry
126	Restoring agricultural production potential
131	Meeting standards based on Community legislation
132	Participation of farmers in food quality schemes
133	Information and promotion activities
141	Semi-subsistence farming
142	Producer groups
143	Providing farm advisory and extension services
144	Holdings undergoing restructuring due to a reform of a common market organization

### **Axis 2 - Improving the environment and the countryside**

211	Natural handicap payments to farmers in mountain areas
212	Payments to farmers in areas with handicaps, other than mountain areas
213	Natura 2000 payments and payments linked to Directive 2000/60/EC
214	Agri-environment payments

## *List of Abbreviations*

215	Animal welfare payments
216	Non-productive investments
221	First afforestation of agricultural land
222	First establishment of agro-forestry systems on agricultural land
223	First afforestation of non-agricultural land
224	Natura 2000 payments
225	Forest-environment payments
226	Restoring forestry potential and introducing prevention actions
227	Non-productive investments

### **Axis 3 - The quality of life in rural areas and diversification of the rural economy**

311	Diversification into non-agricultural activities
312	Support for business creation and development
313	Encouragement of tourism activities
321	Basic services for the economy and rural population
322	Village renewal and development
323	Conservation and upgrading of the rural heritage
331	Training and information
341	Skills-acquisition and animation measure with a view to preparing and implementing a local development strategy

### **LEADER**

411	Competitiveness
412	Environment/land management
413	Quality of life/diversification
421	Implementing cooperation projects
431	Running the local action group, skills acquisition, animation

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## PART A

# **Overview of public policies addressing organic farming in EU Member States**



## Chapter 1

# Rationale and development of public support of organic farming in EU Member States

Jörn Sanders

For more than 20 years, European policies for organic farming have been developed on a number of levels. The first scheme to specifically address organic farming was introduced in Denmark in 1987, shortly followed by other countries. Germany introduced conversion aid under the EU extensification programme EC Reg. 4115/88 in 1989. Similar schemes were also implemented in France and Luxembourg. As part of the MacSharry reform of the Common Agricultural Policy (CAP) in 1992, the introduction of agri-environment programmes provided a unified framework for supporting conversion to and maintenance of organic production across the EU. The rationale of this support was based mainly on the contribution of organic farming to two Community policy objectives: protection of the environment and reduction of production surpluses and therewith saving of public expenditure. Thus supporting organic farming was a means to an end and not a policy goal itself.

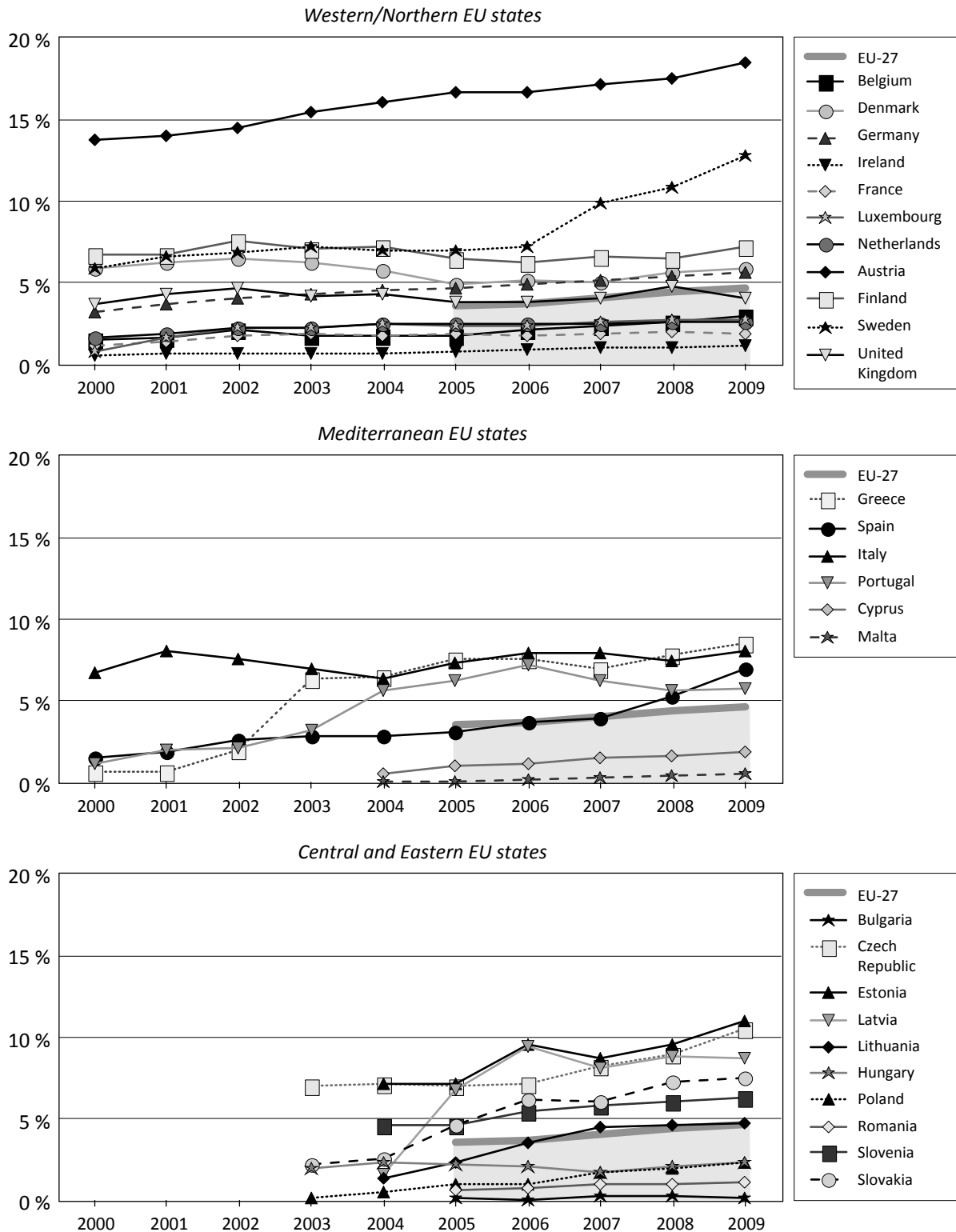
The importance of organic farming in the context of the CAP changed however towards the end of the 1990s mainly as a result of a changing CAP. While the “old CAP” was mainly focused on encouraging better agricultural productivity, maintaining incomes of farmers and - to a certain extent – reducing negative environmental impacts of agriculture, the CAP of the EU has become substantially broader in the last fifteen years. This is first of all due to an increased complexity of the enlarged EU compared to the EU12. More importantly in this context is however the fact that the CAP had to respond to various new challenges such as increasing loss of biodiversity, water pollution, climate change, income disparity, rural development, food safety and quality, changing consumption patterns, budgetary restrictions as well as opportunities and policy implications of a more liberal agricultural world trade. Through this shift of emphasis, which was effected in 1999 by the “Agenda 2000” reform, organic farming goals and CAP goals were increasingly coincident, in particular with respect to the environment, resource use sustainability, animal welfare, food safety, nutrition and human health, financial viability of agricultural holdings and social justice. As a result, the expansion of organic farming has itself become a policy goal in several EU countries.

In order to achieve a substantial expansion of organic farming – as targeted in several countries - additional policy instruments were required. Since processing and marketing of organic products are of crucial importance to a sustainable development of the organic sector, various demand oriented and communicative support measures have been implemented. In a number of countries and regions, the development of organic farming has been facilitated by organic action plans that comprise clear targets and identify specific development needs of the sector and bundle a mix of supply-push and demand-pull measures in a coordinated way (Häring et al., 2004, Lampkin and Stolze, 2005, Stolze et al., 2007). Thus, the organic policy framework has developed from a one-dimensional focus on area support to a more integrated approach since the late 1990s, which addresses the dual market and public good role of the organic sector (Stolze and Lampkin, 2009).

However, this changing role of organic farming within agricultural policy has not taken place in all EU Member States to the same extent and is subject to ongoing changes. This reflects the fact that an expansion of organic farming is for policy-makers often one option or strategy among others. As a result – irrespective of the fact the EU-Commission implemented an organic action plan for the whole EU in 2004 – the degree and the type of support for organic farming differs today substantially

between Member States. It is therefore not surprising that organic farming has developed very differently across the EU as shown in the Figure 1.1 – although this is not only due to different policy environments but also, for example, a result of different geographic conditions and market potentials (see e.g. Bichler et al., 2005 or Bichler, 2006).

Figure 1.1 Share of organic area in total utilised agricultural area (UAA) in EU Member States between 2000 and 2009



Source: Eurostat.

In view of the importance of agricultural policies for the development of organic farming and the large room for manoeuvre of individual Member States in this policy area, Part A of this report aims to give a comprehensive overview of the implementation of public support measures addressing organic farming in all EU Member States since 2007, i.e. since the beginning of the current rural development programme period. Schemes from three different funding sources are taken into account:

- First, support schemes of the rural development programmes (RDPs) funded under the European Agricultural Fund for Rural Development (EAFRD), i.e. CAP Pillar 2
- Second, support schemes funded under the European Agricultural Guarantee Fund (EAGF), i.e. CAP Pillar 1
- and third, national or regional state aid measures, i.e. measures that are not funded by the EAGF or EAFRD.

Information and data presented here are mainly based on the results of a written survey of experts in EU Member States, who are either responsible for organic farming and/or RDP policies at the national/regional Ministries for Agriculture or who have had a longstanding involvement in economic and policy research in the field of organic farming and have detailed knowledge of national or regional organic policies, contact to relevant organic stakeholders and access to country specific data. The questionnaire sent to these experts requested the following information on policy measures addressing organic farming: scope and action of the measures, the form which the focus on organic farming takes, level of grants or payment rates and public expenditure related to organic farming. Subsequently, survey results were checked for plausibility and statistical accuracy. Furthermore, responses were cross-checked against available on-line sources including Eurostat, DG Agri data as well as data from previous studies in this field. Data problems were discussed with key-informants directly by means of phone interviews. Based on the information collected, a national inventory of organic support policies was drafted for each country, which was finally validated by the national experts and used to compile the information of Part A of this study.

Part A is structured as follows. In Chapter 2, public policy measures addressing organic farming under the current rural development programmes are described and reviewed. Since agri-environmental programmes under Axis 2 of the RDPs are the most important instrument to support organic farming, this measure has been given particular emphasis. In addition to this, detailed information is given on relevant Axis 1 and 3 measures. This is followed by a review of CAP Pillar 1 measures (Chapter 3); i.e. specific support to organic farmers under Article 68 of Council Regulation 73/2009 and contributions to producer organisations under the Common Market Organisation (CMO) for fruit and vegetables. National/regional measures which are not (co-) funded by the EAGF or EAFRD are reviewed in Chapter 4. In some countries, these national/regional measures are combined with RDP measures to national or regional organic action plans. For this reason, a brief overview of implemented action plans is given Chapter 5. Based on the information on public support measures addressing organic farming, a typology of support systems is presented in Chapter 6.





## Chapter 2

# Public policy measures addressing organic farming under the current rural development programmes

Jürn Sanders, Stefanie Metze and Gerald Schwarz

The future of the agricultural sector is closely linked to the sustainable development of rural areas, which cover 91 % of the territory and 56 % of the population in the EU27 (EC, 2008). The rural development policy of the European Union aims to provide a common framework for meeting the economic, environmental, social and cultural opportunities and challenges faced by rural areas taking into account the diversity of situations, ranging from remote rural areas suffering from depopulation and decline to peri-urban rural areas under increasing pressure from urban areas (EC, 2005).

The Community's rural development policy for the period 2007 to 2013 - as set out in Council Regulation (EC) No. 1698/2005 - focuses on three themes or thematic axes: i) improving the competitiveness of the agricultural and forestry sector, ii) improving the environment and the countryside and iii) improving the quality of life in rural areas and encouraging diversification of the rural economy. In addition to that, horizontal measures related to LEADER Community Initiatives are bundled in a fourth axis, so-called "Leader Axis". Member States developed rural development programmes (RDPs) around these four axes, tailored to national or regional circumstances. Most Member States have opted for a national RDP. Belgium (2), Germany (14), Spain (17), Italy (21) and the United Kingdom (4) developed regional RDPs. Three Member States (France, Finland and Portugal) opted for sub-national programmes to be implemented in regions with territorial specificities – mostly islands – to complement national programmes (EC, 2008). In total, 88 rural development programmes were approved by the European Commission.

The RDPs of EU Member States or their regions were developed on the basis of the Community Strategic Guidelines for Rural Development<sup>2</sup>. These guidelines set policy priorities for the planning of individual rural development programmes based on the Lisbon and Goteborg strategies for economic growth and sustainable development. According to the strategic guidelines, support for organic farming is seen as one option to achieve sustainable development. More specifically, Member States are encouraged – among others – to reinforce the contribution of organic farming to environmental and animal welfare objectives of the CAP.

Most EU countries have followed this recommendation and provide specific area payments for organic farming under Axis 2 of their RDP. Some Member States have also implemented policy measures addressing organic farming under Axis 1 and Axis 3, however the extent to which they have done this varies considerably as indicated in Figure 2.1 and described in the following sections.

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<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:055:0020:0029:EN:PDF>

Figure 2.1 Overview of RDP measures related to organic farming in 2007–2011

Measure codes related to agriculture	Axis 1 Improving the competitiveness of the agricultural and forestry sector														Axis 2 Improving the environment and the countryside						Axis 3 Quality of life in rural areas and diversification of the rural economy																			
	111	112	113	114	115	121	122	123	124	125	126	131	132	133	141	142	143	144	211	212	213	214	215	216	311	312	313	321	322	323	331	341								
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- Addressing organic farming with special provisions
- Addressing organic farming with special provisions (only in some regions)
- Addressing organic farming with partly special provisions
- Addressing organic farming with partly special provisions (only in some regions)
- Mentioning organic farming without special provisions
- Mentioning organic farming without special provisions (only in some regions)

See page X-XII (List of Abbreviations) for explanation of measure codes

Source: Own presentation based on data supplied by national experts.

## **2.1 *Improving the competitiveness of the agricultural and forestry sector (Axis 1)***

A wide range of measures were combined in Axis 1 that aim to improve the competitiveness of agriculture by i) promoting knowledge and improving human potential, ii) restructuring and developing physical potential and promoting innovations and iii) improving the quality of agricultural production and products. Furthermore, Axis 1 comprises some transitional measures for CEE countries. Measures that address explicitly or implicitly organic farming in at least one Member State are:

- Vocational training and information actions (111)
- Setting up of young farmers (112)
- Use of advisory services (114)
- Modernisation of agricultural holdings (121)
- Adding value to agricultural and forestry products (123)
- Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector (124)
- Participation of farmers in food quality schemes (132)
- Information and promotion activities (133)
- Setting up of producer groups (142)

### **Measure 111/114: Vocational training and information actions / Use of advisory services**

A successful conversion to and maintenance of organic farming requires specific skills. Organic farmers must learn to govern or optimise a land use system instead of relying on external inputs. Specific training courses or advice play an important role here. Several Member States are using Measure 111 and/or Measure 114 to finance corresponding activities (Austria, Belgium (Flanders), Denmark, Hungary, Italy (Trento), Lithuania, Malta, Poland, Portugal (Madeira), Romania, Slovakia, Slovenia, several regions in Spain, Sweden and the UK (Wales)). In all these countries, Measure 111 and/or 114 are also used to support non-organic farming. For this reason, most rural development programmes do not address (or mention) explicitly organic farming. Only in Denmark, Hungary and Trento (Italy) organic farming is mentioned as an example for support or as a reason for intervention, albeit without special provisions. In Malta as well as in Andalucía and Cataluña (Spain) attendance of training courses are mandatory for organic farmers participating in Measure 214 (agri-environment).

Even if organic farming is not addressed specifically, both measures are in practice an important element of the national support strategy for organic farming. A good example in this context is Austria, which explicitly refers to Measure 111 in the 3rd Austrian Organic Action Plan, but does not mention organic farming under this measure in its rural development programme.

Usually a grant is given to eligible expenses for the organisation of seminars, field days, training courses and other information actions (up to 100 % of the eligible costs). For the most part, the level of the grant to organic farmers does not differ from that for other farmers. An exception is Malta, where participation in the organic farming scheme (Measure 214) is conditional on the attendance of training courses. For these applicants courses are free of charge.

### **Measure 112: Setting up of young farmers**

Support for setting up of young farmers (aged below 40 years) is given under Measure 112, which includes grants to facilitate the initial establishment and/or structural adjustment of their holdings. In the Czech Republic, applications are selected on the basis of a point system, where organic farmers receive extra points. Besides this no other special provisions are made. In Valle d'Aosta and Trento (Italy) as well as Baleares, Cataluña and Extremadura (Spain) a tiered support scheme is applied to determine the level of grant, whereby organic farming is one criterion among others to receive a top-up grant. The "organic bonus" varies between 6 % (Baleares) and 16 % (Trento) related to the basic grant. Furthermore, organic farming is mentioned in the RDP of Lombardi and Piedmont (Italy) as well as Canarias and Cantabria (Spain) as one of several target groups, albeit without any special provisions.

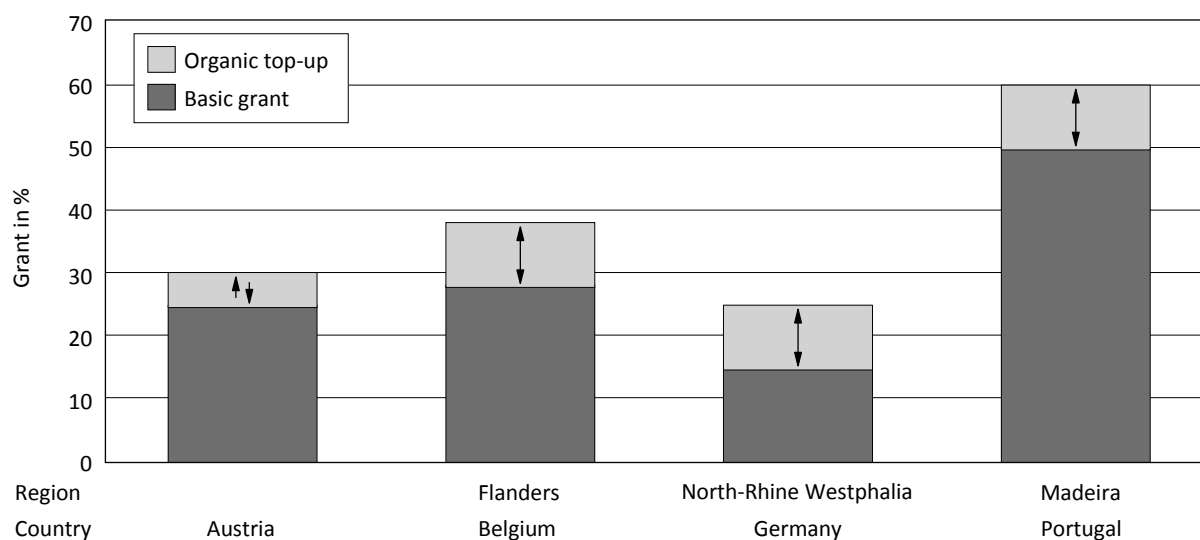
### **Measure 121: Modernisation of agricultural holdings**

Another measure implemented in several Member States that addresses organic farming is support for the modernisation of agricultural holdings (Measure 121). Contributions are given for investments in agricultural holdings (construction, acquisition or improvement of immovable properties, purchase or lease-purchase of new machinery and equipment as well as general costs linked to expenditure such as patent rights and licences) which improve the overall performance and competitiveness of a farm. Support is given in the form of an investment grant or interest rate subsidy.

This measure is an important support for farms in-conversion to organic status needing to invest in new housing systems or marketing facilities. In Flanders (Belgium), Madeira (Portugal) and since 2011 also in North Rhine-Westphalia (Germany) higher grants are given to organic farmers; in Austria this is restricted to organic livestock farmers investing in farm buildings (see also Figure 2.2). In the case of Austria, this "organic-bonus" is justified by the fact that organic farmers need to adapt to higher requirements/standards in livestock systems (e.g. in view of the expiration of the derogation on tethering of cattle in buildings in 2013). Investments related to animal welfare are supported through higher grants in Mecklenburg-Western Pomerania (Germany). Conventional dairy farmers are eligible for this aid as well as organic livestock farmers. Thus, organic farmers are supported with 'partly special' provisions, as conventional dairy farmers may also receive higher support. Up to 2010, similar provisions also existed in Bavaria (Germany), where a higher grant was given to organic farmers as well as all livestock farmers improving animal welfare.

In Bulgaria, organic farmers receive the same level of support as non-organic farmers; however a minimum of 5 % of the funds of Measure 214 is reserved for investments required for conversion to organic farming, such as investments in specialised machinery, buildings and other immovable property (including perennial plants) and corresponding equipment required for a conversion. In Czech Republic, Cyprus, Latvia and Slovakia, applications for Measure 121 are selected on the basis of a point system. Under this approach, farmers receive extra points if they manage their farm organically. The extent to which organic farmers take advantage from these "organic points" is however unclear. Although, information on the number of approved organic applications indicate that the applied point system has lead to easier access to the support scheme in the Czech Republic, Latvia and Slovakia (see Table 2.1).

Figure 2.2 Level of grants (basic and organic top-up) for RDP measure 121 in EU Member States which support organic farming with special provisions in 2007–2011



Austria: Investments related to housing systems  
 Flanders: Organic top-up of 10 % (since 2010) and 12% (until 2009), respectively  
 North-Rhine Westphalia : Since 2011

Source: Own presentation based on information supplied by national experts

In the RDPs of Azores (Portugal), Denmark, Liguria (Italy), Romania and some regions in Spain organic farming is mentioned or defined as one of a number of prioritised target groups. Without applying a formal point system, applications are selected on the basis of various criteria, for example the contribution of the investment to the environment, climate, biodiversity, animal welfare and quality food products. The extent of the advantage gained by organic farmers over other farmers is unclear. In all other countries, organic farmers may apply for investment support but are not addressed or mentioned specifically in the RDPs.

As indicated in Table 2.1, the number of organic farms that are supported and their share in the total number of supported farms differs substantially between Member States<sup>3</sup>. A relatively high share (>10 %) can be observed in Austria, Czech Republic, Estonia, Finland, Italy Latvia, Romania and Slovakia. Apart from Austria, the share of approved applications of organic farms is substantially higher than the share of organic farms in the total number of holdings of a country. However, it is important to note that a higher share does not mean that organic farmers receive more funds or that the high share is always due to special provisions for organic farming. The case of Denmark indicates that mentioning organic farming as a special target group in the RDP does not mean necessarily that organic farmers have easier access to the scheme.

<sup>3</sup> Data were collected from DG agri in the framework of the RDP monitoring system and rely on information from individual Member States. It cannot be excluded that Member States notified to total number of approved applications without differentiating between different farming systems.

Table 2.1 Approved applications for RDP measure 121 in EU Member States in 2007–2009

	Number of applications approved		Share
	Organic production	Total	%
Austria	3,212	15,900	20.2
Belgium	90	5,701	1.6
Bulgaria	0	576	0.0
Cyprus	0	0	0.0
Czech Republic	444	2,112	21.0
Denmark	2	60	3.3
Estonia	262	1,634	16.0
Finland	57	547	10.4
France	0	17,737	0.0
Germany	373	8,475	4.4
Greece	0	0	0.0
Hungary	228	14,526	1.6
Ireland	11	4,526	0.2
Italy	547	4,679	11.7
Latvia	435	2,545	17.1
Lithuania	12	3,841	0.3
Luxembourg	0	1,850	0.0
Malta	2	181	1.1
Netherlands	19	1,865	1.0
Poland	190	11,504	1.7
Portugal	37	508	7.3
Romania	157	1,522	10.3
Slovakia	135	921	14.7
Slovenia	92	1,338	6.9
Spain	213	13,052	1.6
Sweden	255	3,006	8.5
United Kingdom	27	1,405	1.9

Source: European Commission (2011)

### Measure 123: Adding value to agricultural and forestry products

Measure 123 provides support for investments which improve the overall performance of an enterprise concerning the processing and/or marketing of agricultural products as well as the development of new products, processes and technologies. Support is given in the form of a grant for eligible investment costs. Target groups are micro, small and medium sized enterprises or enterprises with less than 750 employees or with a turnover of less than EUR 200 million engaged in the processing and marketing of food products. Particularly in those countries with an underdeveloped organic supply chain, this measure may play an important role in bundling organically produced raw products as well as improving or professionalising organic processing.

In Bavaria (Germany), projects related to organic food production, processing or marketing receive higher support rates. Grants for investments related exclusively to organic farming were 25 % (usually 20 %) with a minimum investment volume of EUR 100,000 (usually EUR 200,000). The scheme was closed however in 2010. A similar provision is also made in Slovenia where a top-up grant of 5 % of the eligible costs is also granted for projects related to organic farming. In Estonia, a sub-scheme specifically targets organic farming as well as conventional dairy farmers referring to specific circumstances of the organic and the dairy sector. A tiered support scheme is used in Austria, Madrid and Murcia (both Spain) to determine the level of support. According to the Austrian implementing regulations, a top-up of about 2.5 % to 5.0 % is given to projects related to organic farming depending on the size of the enterprise. Organic farming is however just one criterion among

others eligible to receive a top-up grant. In Madrid, a top-up grant of up to 20 % is given for priority projects. Besides organic processing companies, priority is given to projects aimed at developing local raw material, establishing group projects and market transformation. The maximum contribution is 40 % of the eligible costs. Projects related to organic farming in Murcia receive a grant bonus of 2 %. Again also other projects may receive a top-up grant. Rather than higher grants, a higher priority is given to projects related to organic farming under the selection scheme in the Cyprus, Czech Republic, Latvia and Slovakia. The rationale for this special provision has not been specified – apart from the general intention to support organic farming. In Bulgaria, Denmark, Hungary, Malta, Romania and some regions in Spain organic farming has been defined as a (particular) target group or reason for intervention. However, no special provisions are made for organic farming.

As described for Measure 121, it is not always possible to link special provisions to the number of approved applications since this number may - for obvious reasons - be a result of several factors. Regardless of this, it is still interesting to note that a particularly high share of approved projects is related to organic farming in the Czech Republic, Denmark (in absolute terms, however, just seven organic projects were approved), Italy and Slovakia (see Table 2.2).

*Table 2.2 Approved applications for RDP measure 123 in EU Member States in 2007–2009*

	Number of applications approved		Share
	Organic farming	Total	%
Austria	14	223	6.3
Belgium	1	197	0.5
Bulgaria	0	0	0.0
Cyprus	0	4	0.0
Czech Republic	161	553	29.1
Denmark	7	41	17.1
Estonia	3	96	3.1
Finland	0	226	0.0
France	1	499	0.2
Germany	38	465	8.2
Greece	0	0	0.0
Hungary	12	404	3.0
Ireland	0	0	0.0
Italy	86	422	20.4
Latvia	1	48	2.1
Lithuania	0	41	0.0
Luxemburg	0	5	0.0
Malta	0	0	0.0
Netherlands	0	0	0.0
Poland	0	104	0.0
Portugal	0	166	0.0
Romania	11	701	1.6
Slovakia	26	159	16.4
Slovenia	5	169	3.0
Spain	104	2,759	3.8
Sweden	19	396	4.8
United Kingdom	0	189	0.0

Source: European Commission (2011)

### **Measure 124: Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector**

In order to exploit market opportunities through widespread innovative approaches in developing new products, processes and technologies, Measure 124 provides support to encourage cooperation. In Wales (UK) this measure has been implemented to assist farmers, growers and foresters in developing a collaborative, supply chain-focussed initiative by providing the capacity building support that is not available through any other mechanism. Producer groups may receive support at up to 100 % of costs incurred for a maximum of three years. Similar to Measure 111 (Vocational training and information actions), organic farming is neither addressed nor mentioned under RDP measure 124, but the measure is used to finance an important project for the development of the organic sector. The BOBL project (Better Organic Business Links) is used to support organic primary producers in Wales and to grow the market for Welsh organic produce in a sustainable way. The project develops existing, emerging and new markets for organic produce whilst driving innovation at all levels of the supply chain. It strives to increase consumer demand and markets for organic produce, especially in Wales, and ensures that primary producers have access to information on market demands.

### **Measure 132: Participation of farmers in food quality schemes**

Regulation (EC) No. 834/2007 provides the legal basis for the certification of organic products. Only products certified according to this regulation can be labelled as "organic". Member States generally require farms to be certified as organic by accredited certification bodies to qualify for organic support payments. Various Member States use Measure 132 to cover up to 100 % of the certification and inspection cost incurred by farmers. The maximum contribution is EUR 3,000 per year and holding up to a maximum duration of five years.

According to the EC database of the Common Monitoring and Evaluation Framework (CMEF), this is the case in Austria, France, most regions of Italy and Spain, the Netherlands, Slovenia and in parts of the UK in the period 2007-2009 (see Table 2.3). Flanders and Wallonia (Belgium) and Greece introduced the support scheme for organic farmers in 2011. According to the rural development programmes, Measure 132 is also used or will be used in Cyprus, Estonia, Malta, Poland and Portugal (Mainland and Madeira). Apart from Austria, Cyprus, Estonia, Malta, the Netherlands, Madeira (Portugal) and Wales (UK), no special provisions are made for organic farming; i.e. similar support is given also to non-organic farmers participating in other food quality schemes (such as PGO/PGI). In Austria, 60-80 % of the organic inspection and certification costs (max. contribution EUR 700 per year) are reimbursed, while farmers participating in other food quality schemes receive compensation of 30-50 % (max. contribution however EUR 1,500 per year). In Cyprus, Estonia, Malta, the Netherlands and Wales (since 2009), only organic farmers may apply for grants under this scheme. In the case of Cyprus, Estonia, Malta and Madeira, this does not correspond to the RDP monitoring information of the European Commission (see Table 2.3).



Table 2.3 Approved applications for RDP measure 132 in 2007–2009

	Number of applications approved					Total	Share of applications related to org. farming %
	Community scheme				National scheme		
	509/2006	510/2006	2092/91	1493/99			
Agricultural products and foodstuffs guaranteed as traditional specialities	Agricultural products and foodstuffs with geographical indications and designations of origin	Organic agricultural products	Wine products				
Austria	0	1,372	24,792	56	630	26,850	92.3
Belgium	0	0	0	3	73	76	0.0
Bulgaria	0	0	0	0	0	0	0.0
Cyprus	0	0	0	0	0	0	0.0
Czech Republic	0	0	0	0	0	0	0.0
Denmark	0	0	0	0	0	0	0.0
Estonia	0	0	0	0	0	0	0.0
Finland	0	0	0	0	0	0	0.0
France	0	1	3,831	0	4	3,836	99.9
Germany	0	0	0	32	0	32	0.0
Greece	0	0	0	0	0	0	0.0
Hungary	0	0	0	0	0	0	0.0
Ireland	0	0	0	0	0	0	0.0
Italy	20	197	3,579	368	9	4,173	85.8
Latvia	0	0	0	0	0	0	0.0
Lithuania	0	0	0	0	0	0	0.0
Luxemburg	0	0	0	0	0	0	0.0
Malta	0	0	0	0	0	0	0.0
Netherlands	0	0	305	0	0	305	100.0
Poland	0	0	0	0	0	0	0.0
Portugal	0	0	0	0	0	0	0.0
Romania	0	0	0	0	0	0	0.0
Slovakia	0	0	0	0	0	0	0.0
Slovenia	3	51	14	0	0	68	20.6
Spain	0	16,596	8,604	6,737	14,013	45,950	18.7
Sweden	0	0	0	0	0	0	0.0
United Kingdom	0	0	14	0	9	23	60.9
<b>TOTAL</b>	<b>23</b>	<b>18,217</b>	<b>41,139</b>	<b>7,196</b>	<b>14,738</b>	<b>81,313</b>	<b>50.6</b>

Source: European Commission (2011)

### Measure 133: Information and promotion activities

In some Member States, Measure 132 is combined with Measure 133, which supports information and promotion activities (such as advertising via various communication channels, tasting events or participation in fairs and exhibitions) for products or foodstuffs covered by approved quality schemes. Producer groups may receive a grant of up to 70 % of the eligible costs. In Cyprus, Denmark, Saxony (Germany), Campania (Italy), Poland, Portugal (Mainland and Madeira), Slovenia and some regions of Spain corresponding support schemes have been implemented which address not only organic farming but also other EC and national food schemes. In contrast to these countries, only organic farmers may (currently) qualify for support in Malta and Estonia.

## **Measure 142: Supporting setting up of producer groups**

Under Axis 1, CEE countries have the option of giving support for setting up producer groups to strengthen the institutional structure of the primary sector (Measure 142). In Slovenia, this measure is aimed at enhancing the establishment and operation of producer groups in organic production and production of special agricultural products (e.g. PGO, PGI, TSG) leading to increased supply concentration, easier adaptation of production to the market requirements and contributing to increased value added in agriculture. Contributions are given to administrative costs, including the facilities arrangement, registration, drawing up of common rules on production, purchase of information technology and other equipment, and salary for one full time employee as well as the costs of purchasing the primary equipment necessary for joint marketing of producer groups. The maximum aid rate is up to 5 % of the marketable production. No differentiation is made between organic and non-organic producer groups.

## **2.2 Improving the environment and the countryside (Axis 2)**

Measures under Axis 2 aim to improve the environment and the countryside through i) natural handicap payments, ii) Natura 2000 payments and payments linked to the EU Water Framework Directive (2000/60/EC), iii) agri-environment payments, iv) animal welfare payments, v) support for non-productive investments as well as vi) activities targeting the sustainable use of forestry land. Agri-environment payments are by far the most important support measure of the rural development programmes for organic farmers. Member States or their regions have not used any other Axis 2 measure to support organic farming specifically, except Cataluña (Spain) which also addresses organic farming in Measure 215.

### **Measure 214: Organic support payments**

Organic farming provides various environmental benefits such as soil conservation, increased faunal and floral diversity as well as reduced soil and groundwater pollution. Although most organic farmers are able to sell their products at a premium price at the markets, additional costs occur. Apart from the Netherlands and France, all EU Member States have implemented specific organic farming schemes as a sub-activity of Measure 214 to cover these additional costs or income foregone<sup>4</sup>. Organic area payments are offered for conversion to and maintenance of organic farming and have been an important driving force for the expansion of organic farming over the last two decades.

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<sup>4</sup> France provides conversion and maintenance payments under Article 68 of Council Regulation 73/2009. In Romania, RDP measure 214 is only used for maintenance payments whereas conversion payments are provided under Article 68. In the case of Denmark, organic maintenance payments are either provided under the general extensification scheme of RDP measure 214 or under Article 68 of Council Regulation 73/2009. Further details are given in Chapter 3. In the Netherlands, no specific organic area payments are provided but organic farmers are supported through general agri-environmental measures.

Payment rates for individual crops differ substantially between Member States. In order to provide a consistent overview, individual crops have been grouped into seven main land use categories:

- Grassland
- Arable land
- Annual vegetables/herbs
- Perennials/orchards/fruits
- Greenhouse crops
- Vineyards
- Olive trees

An overview of payment rates for conversion and maintenance is given below.

### *Conversion payments in 2011*

Figures 2.3a and 2.3b compare the average conversion payment rate over a five year period and Table 2.4 provides an overview of the conversion payment rates in the different Member States. Generally, Cyprus, Belgium, Malta, some Italian regions and Greece have relatively high per hectare conversion payment rates. However, Figures 2.3a and 2.3b show that the ranking of Member States in terms of the average conversion payment rate varies according to land use. The highest payment rate for grassland exists in Cyprus followed by some Italian regions, Greece and Belgium. The highest grassland payment rates in Italy and Greece are for extensive organic livestock farming (cattle) on grassland. Farmers in Sweden<sup>5</sup>, Poland, Estonia, Bulgaria and Czech Republic receive the lowest grassland payments. Payment rates for arable land are highest in Cyprus (potatoes), Malta, Greece (corn), Sweden, some Italian regions and Belgium. The lowest payment levels are in Latvia, Estonia, Ireland and the Czech Republic. The highest payment levels for annual vegetables exist in Malta, some regions in Italy, Finland and Belgium. The lowest can be found in Denmark, the UK and Ireland.

Saxony and North Rhine-Westphalia in Germany have the highest payment levels for perennials, orchards and fruits, followed by some Spanish regions, Cyprus, Malta, and Portugal. As with vegetable payments, Ireland and Denmark have the lowest payment levels for perennials, orchards and fruits. Germany has also the highest payment levels for greenhouse crops, but payments for greenhouse crops only exist in one region (North Rhine-Westphalia). Payments for greenhouse crops in Austria are also substantially higher than in other Member States. País Vasco (Spain) and Saxony, Baden-Wurttemberg and Rhineland-Palatinate (Germany) have the highest payment levels for vineyards, followed by Cyprus, Malta, some Italian regions and Greece. Greece has the highest payment levels for olive trees.

Roughly half of the countries have implemented higher payment rates for the first two or three years, while payments remain constant over the five year period in Austria, Cyprus, Czech Republic, Estonia, Finland, Greece, Latvia, Lithuania, Malta, Slovenia, Sweden as well as some regions in Germany, Italy, Portugal and Spain. Only Denmark, Finland mainland (excluding the basic agri-environmental payments) and Ireland (excluding the first six hectares and over 55 hectares of horticultural land) have implemented uniform payment rates across the different land use categories, unlike Austria, the Czech Republic, Hungary, Luxembourg, Malta, Sweden and Portugal, where payment rates vary considerably depending on land type. The range of payment rates within a

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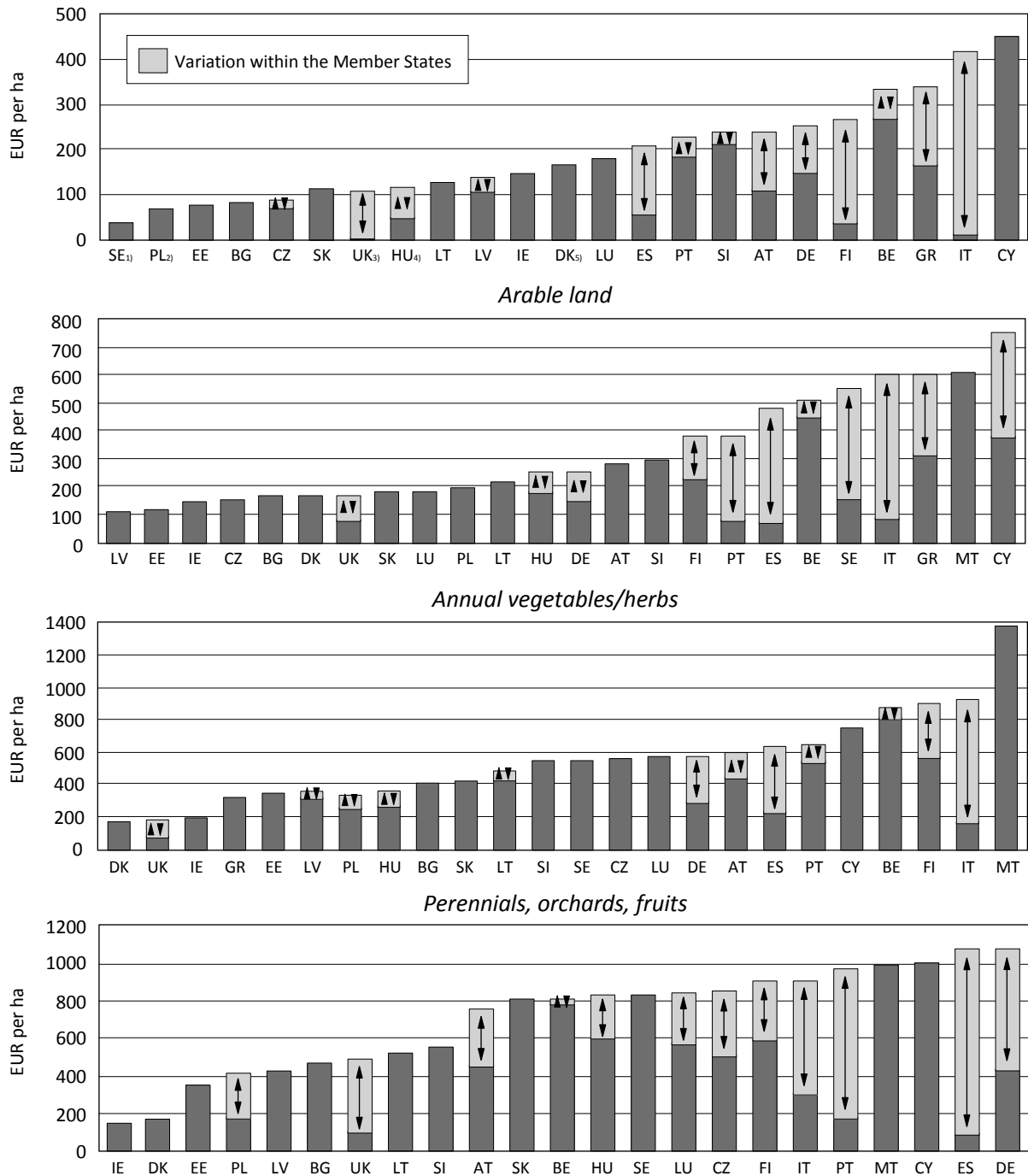
<sup>5</sup> Grassland payments have been introduced in Sweden very recently in 2010.

certain land use category is the result of regional variations (Belgium, Germany, Italy, , Finland, Portugal, Spain and the UK) and further payment differentiations in relation to specific crops, land characteristics and management practices (e.g. in Austria, Bulgaria, Italy, Greece, Hungary, Poland and Portugal).

Estonia and two regions in Spain (Castilla-La Mancha and Extremadura) also provide per unit livestock payments to promote organic livestock production. In other countries such as Cyprus, Finland, Greece and Italy (some regions), support for organic conversion of livestock production has been converted to area payments and is included in the payment rates for the different land types according to the specific design of the payments in the countries. Organic conversion of beekeeping is supported only in Austria, Bulgaria, some regions of Spain and Estonia.

In addition, Table 2.4 highlights a few other national peculiarities of the organic support payments during the conversion period. Danish farmers can also receive maintenance support from the Environmental Farming Scheme during the conversion period. In Finland and England organic support must be undertaken in combination with basic agri-environment measures, so that in practice the organic support is a top-up of the basic payment.

Figure 2.3a Conversion payments in EU Member States provided under RDP measure 214 in 2011 (average payments over the first five years for grassland, arable land, annual vegetables/herbs, and perennials, orchards, fruits)



AT = Austria, BE = Belgium, BG = Bulgaria, CY = Cyprus, CZ = Czech Republic, DE = Germany, DK = Denmark, EE = Estonia, ES = Spain, FI = Finland, GR = Greece, HU = Hungary, IE = Ireland, IT = Italy, LT = Lithuania, LU = Luxembourg, LV = Latvia, PL = Poland, PT = Portugal, RO = Romania, SE = Sweden, SI = Slovenia, SK = Slovakia, UK = United Kingdom

1) Exchange rate: EUR 1 = SEK 9.0359 (average 2011).

2) Exchange rate: EUR 1 = PLZ 4.1551 (average 2011).

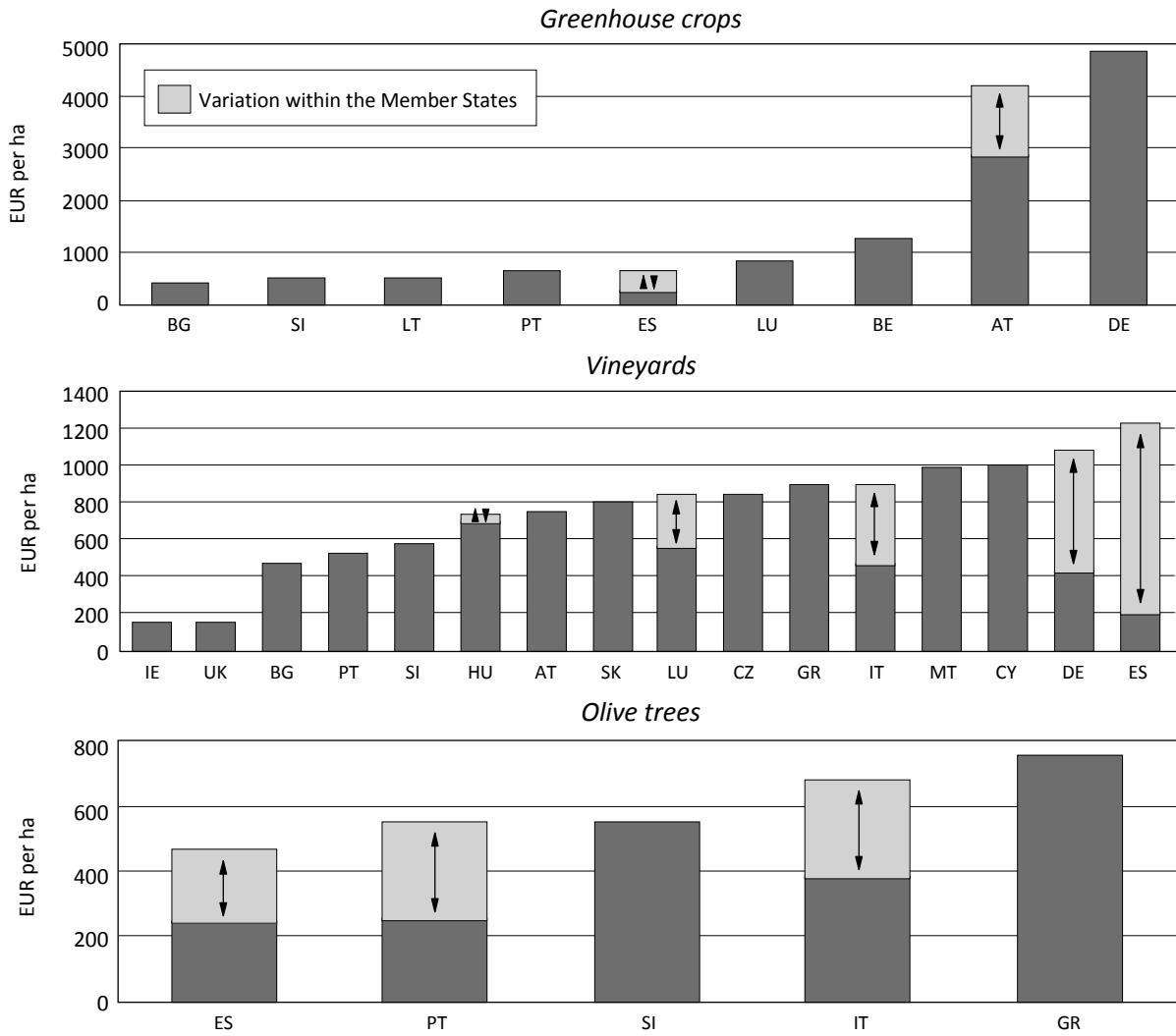
3) Exchange rate: EUR 1 = GBP 0.8668 (average 2011).

4) Grassland only receives maintenance payment, but since this is also paid in the conversion period, it has been included in the table.

5) Exchange rate: EUR 1 = DKK 7.4497 (average 2011).

Source: Own illustration, based on data from national contributors.

Figure 2.3b Conversion payments in EU Member States provided under RDP measure 214 in 2011 (average payments over the first five years, greenhouse crops, vineyards and olive trees)



AT = Austria, BE = Belgium, BG = Bulgaria, CY = Cyprus, CZ = Czech Republic, DE = Germany, DK = Denmark, EE = Estonia, ES = Spain, FI = Finland, GR = Greece, HU = Hungary, IE = Ireland, IT = Italy, LT = Lithuania, LU = Luxembourg, LV = Latvia, PL = Poland, PT = Portugal, RO = Romania, SE = Sweden, SI = Slovenia, SK = Slovakia, UK = United Kingdom

Source: Own illustration, based on data from national contributors.

Table 2.4 Conversion payments in EU Member States provided under RDP measure 214 in 2011 (average payments over the first five years)<sup>1</sup>

Country	Euro per ha							Comments
	Grass-land	Arable land	Annual vegetables/herbs	Green-house crops	Perennials, orchards, fruits	Vine-yards	Olive trees	
Austria <sup>2</sup>	110-240	285	450-600	2,900-4,200	450-750	750	0	In addition, payment for medicinal crops and spices of 450 EUR/ha, 750 EUR/ha for tree and hop nurseries and 25 EUR per beehive. Specific payment degression for arable fodder crops and soil recovery areas: first 25% of arable land = 285 EUR/ha; above 25% of arable land with $\geq 0.5$ LU/ha = 240 EUR/ha, above 25% of arable land with $< 0.5$ LU/ha = 110 EUR/ha. General payment degression: until 100 ha = 100%; 100-300 ha = 92.5%; 300-1000 ha = 85%; $> 1000$ ha = 75%. Grassland payments are differentiated by livestock density and cutting frequency
Belgium <sup>3</sup>	270-335	456-510	810-880	1,254 <sup>7</sup>	788-810	0	0	Flanders: Payment degression for annual vegetable crops: conversion area: $\leq 2.5$ ha = 880 EUR/ha; $> 2.5$ ha = 820 EUR/ha Wallonia: In addition, payment for fallow land; Payment degression: Grassland and fallow land: $\leq 32$ ha = 335 EUR/ha; $> 32-64$ ha = 210 EUR/ha; $> 64$ ha = 135 EUR/ha Arable land: $\leq 32$ ha = 510 EUR/ha; $> 32-64$ ha = 385 EUR/ha; $> 64$ ha = 310 EUR/ha Arboriculture and horticulture: $\leq 14$ ha = 810 EUR/ha; $> 14$ ha = 510 EUR/ha (av.)
Bulgaria	82	165	407	407	470	470	0	In addition, payment for oil and medicinal crops of 296 EUR/ha (av.), essential oil roses of 470 EUR/ha (av.) and for bee families (BF) of 12 EUR/BF (av.)
Cyprus	450	380-750 <sup>2</sup>	750	0	1,000	1,000	0	Grassland payments just if used for stock farming
Czech Republic <sup>13</sup>	71-89 <sup>4</sup>	155	564	0	510-849	849	0	Permanent culture (vineyards, orchards, hops): 849 EUR/ha, 510 EUR/ha for extensive orchards
Denmark <sup>9</sup>	165	165	165	0	165	0	0	Payment includes 101 EUR/ha maintenance support from the Environmental Farming Support scheme during the conversion period
Spain <sup>5</sup>	57-207	77-480	238-640	285-658	94-1,075 <sup>6</sup>	210-1,239 <sup>6</sup>	248-472	In addition, livestock payments, payments for bee-keeping and payment degression in relation to size and over time are implemented in some regions. Arable land excludes payments for rice, lucerne and intensive herbaceous crops; Horticultural land excludes payments for mushrooms
Estonia	77	119	350	0	350	0	0	Grassland: Additional livestock payment of EUR 32 per unit of grazing livestock; Other livestock payments: sows with piglets = 211 EUR/sow resp. young pigs = 128 EUR/pig, poultry = 6.4 EUR/bird, rabbits = 6.4 EUR/rabbit, bee families 32 EUR/BF

Table 2.4 Conversion payments in EU Member States provided under RDP measure 214 in 2011 (continued)

Country	Euro per ha							Comments
	Grass-land	Arable land	Annual vegetables/herbs	Green-house crops	Perennials, orchards, fruits	Vine-yards	Olive trees	
Finland	39-267	234-383	579-900	0	591-900	0	0	Payments include payment for mandatory basic AEM (Mainland: 93 EUR/ha arable land, 438 EUR/ha horticultural land, 450 EUR/ha fruits and berries; Åland: 145 EUR/ha arable land, 415 EUR/ha horticultural land, 554 EUR/ha fruits and berries - due to EC Reg. 1698/2005 payment limit of 900 EUR/ha for horticulture and fruit+berries, resp. Mainland: upper payment rate range includes livestock payment of 126 EUR/ha, maximum per hectare payment: EUR 267 (without basic AEM)
France	-	-	-	-	-	-	-	Since 2011, conversion payments are paid via Article 68 of EC Reg. No. 73/2009
Germany <sup>3</sup>	150-252	150-252	300-576	4,900 <sup>7</sup>	308-1,080	430-1,080	0	Bavaria and Baden-Wurtemberg: max. EUR 40,000 per farm and year
Greece	166-339 <sup>2</sup>	320-600 <sup>2</sup>	320	0	0	900	756	Grassland payments just if used for stock farming; In addition, payments for saffron = 900 EUR/ha
Hungary <sup>2,8,13</sup>	48-116	181-251	265-358	0	600-829	706-738	0	
Ireland	148	148	198	0	148	148	0	In addition, payments for other land of 12 EUR/ha; Payment depression: Horticultural land: ≤ 6 ha = 198 EUR/ha, 6 - 55 ha = 148 EUR/ha, > 55 ha = 21 EUR/ha; Farmland: 3 - 55 ha = 148 EUR/ha, > 55 ha = 21 EUR/ha
Italy <sup>5</sup>	13-418	88-600	166-921	495-600 <sup>7</sup>	307-900	470-900	335-680	In addition, payments for medical/officinal plants, floriculture and ash tree; Bolzano: max. EUR 20,000 per farm; Payment depression in some regions Grassland payments in some regions just if used for stock farming
Lithuania <sup>13</sup>	127	215	440-489 <sup>2</sup>	516	516	0	0	Maximum: EUR 115,848 per farm and year Arable land: only grains; pulses, oilcrops, sugar beets are not supported
Luxembourg	180	180	570	840	570-840 <sup>2</sup>	570-840 <sup>2</sup>	0	
Latvia <sup>13</sup>	108-138 <sup>2</sup>	108	318-357 <sup>2</sup>	0	419	0	0	In addition, payments for fallow land of 108 EUR/ha and payments for nectar plants of 138 EUR/ha
Malta	0	613	1.379	0	996	996	0	



Table 2.4 Conversion payments in EU Member States provided under RDP measure 214 in 2011 (continued)

Country	Euro per ha							Comments
	Grass-land	Arable land	Annual vegetables/herbs	Green-house crops	Perennials, orchards, fruits	Vine-yards	Olive trees	
Netherlands	-	-	-	-	-	-	-	No specific support for organic farming since 2005
Poland <sup>10</sup>	69	195	263-337 <sup>2</sup>	0	178-408 <sup>2</sup>	0	0	Payment degression: 0.1 - 100 ha = 100%; > 100 - 200 ha = 50%; > 200 ha = 10% Payments exclude fruitless walnut plantation
Portugal <sup>2</sup>	186-227	82-384	542-648	648	180-972	529	255-551	Payment degression for fresh fruits, vegetables and vineyards: < 5 ha = 100%, 5-10 ha = 80%, 10-25 ha = 50%; > 25 ha = 20%, for for olive trees and dry fruits (irrigated) < 10 ha = 100%, 10-20 ha = 80%, 20-50 ha = 50%; > 50 ha = 20%, for olive trees and dry fruits (non-irrigated), annual crops (irrigated) < 20 ha = 100%, 20-40 ha = 80%; 40-100 = 50%; > 100 ha = 20%; for annual crops (non-irrigated), permanent and biodiversity pasture < 30 ha = 100%, 30-60 ha = 80%, 60-150 = 50%, > 150 ha = 20%; In addition, payments for tea of 900 EUR/ha
Romania	-	-	-	-	-	-	-	Conversion payments are paid via Art. 68 of Council Regulation (EC) No. 73/2009
Sweden <sup>11</sup>	39	161-553 <sup>2</sup>	553	0	830	0	0	Grassland: payment only if organic certification; all other land use types: just half of the payment if no organic certification or not in conversion
Slovakia	112	179	421	0	808	808	0	
Slovenia	213-238 <sup>2</sup>	298	551	488	555	579	555	In addition, payments for hops and tree nurseries of 579 EUR/ha
United Kingdom <sup>3,12</sup>	5-108 <sup>14</sup>	84-171	79-180	0	102-484	150 <sup>7</sup>	0	In England, the organic support must be undertaken in combination with the Entry Level agri-environment Scheme, which is included in the payment rates

1) In some countries conversion payments are provided for the first two or three years only. In such cases maintenance payments for the years 4 and 5 are included in the calculation of averages.

2) Payment rate differs between further differentiation categories such as type of crops and livestock, management practices or land characteristics. 3) Payment rate differs between regions.

4) Higher payment rate applies if the whole farm is in conversion or converted. 5) Payment rate differs between regions and further differentiation categories. Payment categories are not implemented in every region

6) Highest payment rate of 1,075 EUR/ha for fruits respectively of 1,239 EUR/ha for wine in País Vasco. 7) Payment only exists in some regions.

8) Grassland only receives a maintenance payment. Since this is also paid in the conversion period, it has been included in the table.

9) Exchange rate: EUR 1 = DKK 7.4497; 10) EUR 1 = PLZ 4.1551; 11) EUR 1 = SEK 9.0359; 12) EUR 1 = GBP 0.8668 (average 2011); 13) all other monetary data were supplied in EUR.

14) Very low payment rate is paid for ELS land within moorland line in England.

Source: Own illustration based on data supplied by national experts

### *Maintenance payments in 2011*

Figures 2.4a and 2.4b compare maintenance payment rates and Table 2.5 provides an overview of the payment rates in the different Member States. Generally, Member States which provide relatively high conversion support continue to support farmers with relatively high maintenance payment rates. The highest rates for the different land use types can be found in Cyprus and some Italian regions for grassland and arable land, in Malta for annual vegetables, in Cyprus and some regions in Spain for perennials, orchards and fruits, in Austria for greenhouse crops, in some regions in Spain and Cyprus for vineyards and in Italian regions for olive trees.

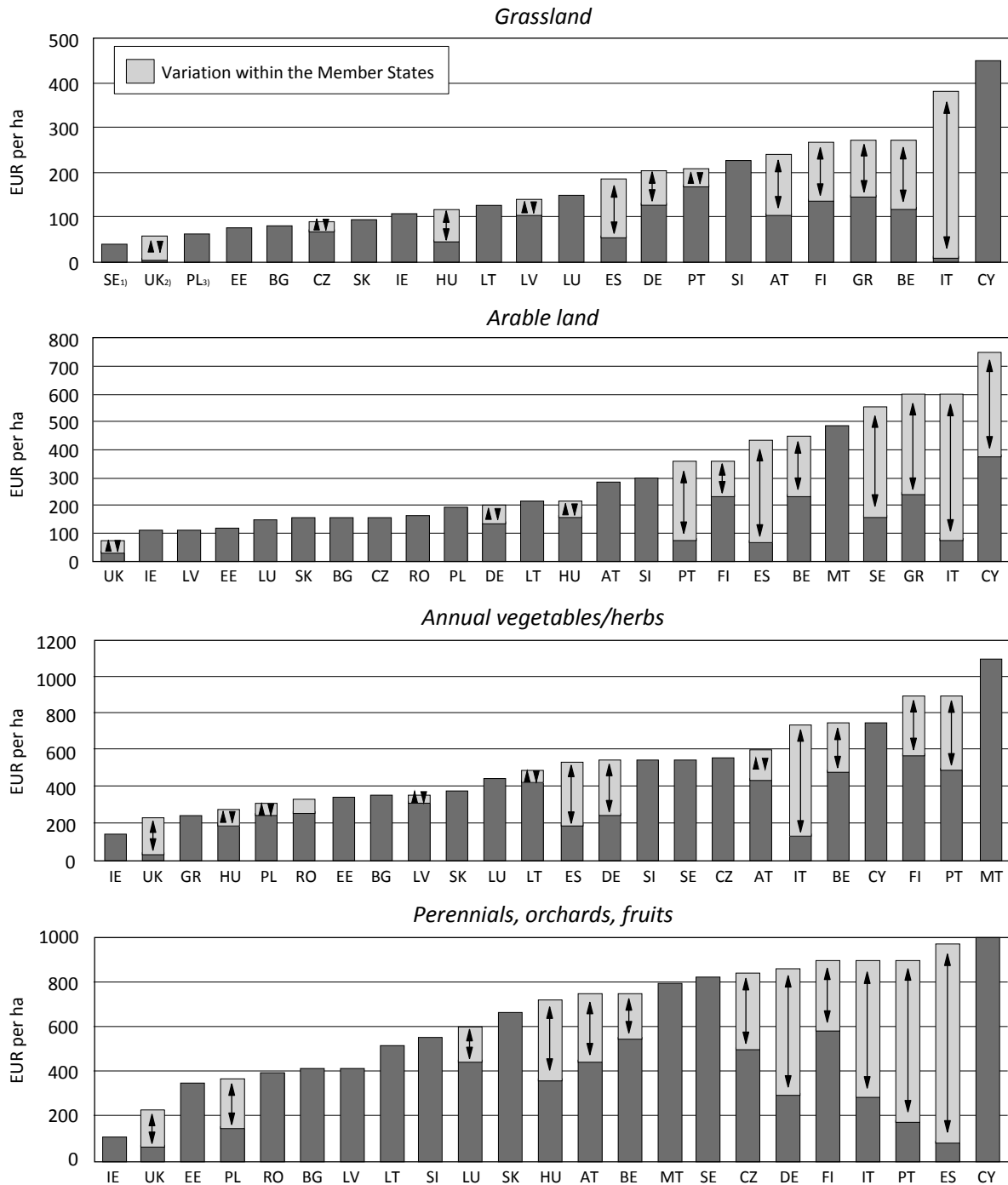
While the majority of the Member States has lower maintenance payment rates than the average conversion payment rates, 13 Member States (Austria, Cyprus, Czech Republic, some German regions, Estonia, Finland, some Italian regions, Lithuania, Latvia, Portugal (Azores), some Spanish regions, Sweden and Slovenia) have constant payment rates throughout the conversion and maintenance periods.

In addition to Denmark, Finland mainland and Ireland, also England (except grassland) and Wales (except grassland and arable land) have implemented uniform payment rates across the different land use categories during the maintenance period. As with the conversion payment rates, particularly large variations exist in Austria, the Czech Republic, France, Malta, Sweden, Hungary and Portugal. The range of payment rates within a certain land use category is again the result of regional variations (Belgium, Germany, Italy, Finland, Portugal, Spain and the UK) and further payment differentiations such as specific crops, land characteristics and management practices (e.g. in Austria, Bulgaria, Italy, Greece, Hungary, Poland and Portugal).

Table 2.5 illustrates that Spain (Castilla-La Mancha and Extremadura) and Estonia also grant per unit livestock payments during the maintenance period. In addition, Sweden provides per unit support payments for livestock on arable and grassland. Member States which support organic conversion of other specific land use systems such as beekeeping and medicinal plants also grant payments for maintenance. As pointed out above, support for maintaining organic farming in Denmark is provided by the Environmental Farming Scheme, which is an extensification scheme open to organic and conventional farms, but mainly taken up by organic farms due to the scheme requirements being similar to organic maintenance requirements.

Since 2010, France provides maintenance payments not in the framework of their rural development programme, but via Article 68 of Council Regulation 73/2009. In Denmark, the current RDP extensification scheme, which provides area payments for organic farmers, is stepwise replaced by a similar Article 68 measure. The Netherlands has not implemented an organic farming scheme (neither under RDP measure 214 nor under article 68 of Council Regulation 73/2009), but organic farmers may benefit from the agri-environmental programme like conventional farmers. The mandatory participation in basic agri-environmental schemes in Finland and England also applies during the maintenance period.

Figure 2.4a Maintenance payments in EU Member States provided under RDP measure 214 in 2011 (grassland, arable land, annual vegetables/herbs, and perennials, orchards, fruits)



AT = Austria, BE = Belgium, BG = Bulgaria, CY = Cyprus, CZ = Czech Republic, DE = Germany, DK = Denmark, EE = Estonia, ES = Spain, FI = Finland, GR = Greece, HU = Hungary, IE = Ireland, IT = Italy, LT = Lithuania, LU = Luxembourg, LV = Latvia, PL = Poland, PT = Portugal, RO = Romania, SE = Sweden, SI = Slovenia, SK = Slovakia, UK = United Kingdom

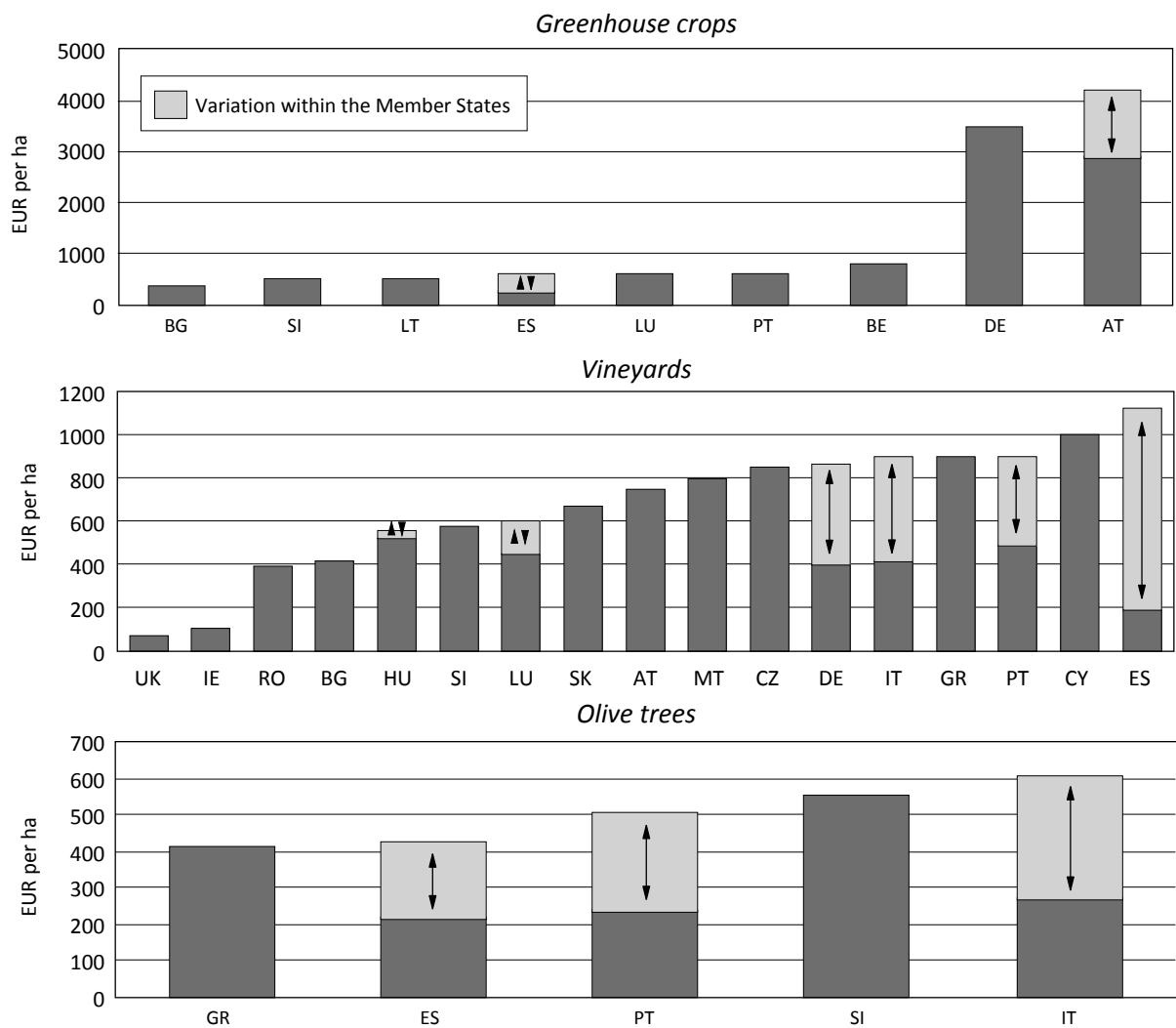
1) Exchange rate: EUR 1 = SEK 9.0359 (average 2011).

2) Exchange rate: EUR 1 = GBP 0.8668 (average 2011).

3) Exchange rate: EUR 1 = PLZ 4.1551 (average 2011).

Source: Own illustration, based on data from national contributors.

Figure 2.4b Maintenance payments in EU Member States provided under RDP measure 214 in 2011 (greenhouse crops, vineyards and olive trees)



AT = Austria, BE = Belgium, BG = Bulgaria, CY = Cyprus, CZ = Czech Republic, DE = Germany, DK = Denmark, EE = Estonia, ES = Spain, FI = Finland, GR = Greece, HU = Hungary, IE = Ireland, IT = Italy, LT = Lithuania, LU = Luxembourg, LV = Latvia, PL = Poland, PT = Portugal, RO = Romania, SE = Sweden, SI = Slovenia, SK = Slovakia, UK = United Kingdom

Source: Own illustration, based on data from national contributors.

Table 2.5 Maintenance payment rates in EU Member States provided under RDP measure 214 in 2011

Country	Euro per ha							Comments
	Grass-land	Arable land	Annual vegetables/herbs	Green-house crops	Perennials, orchards, fruits	Vine-yards	Olive trees	
Austria <sup>1</sup>	110-240	285	450-600	2,900-4,200	450-750	750	0	In addition, payment for medicinal crops and spices of 450 EUR/ha, 750 EUR/ha for tree and hop nurseries and 25 EUR per beehives (BH); Specific payment degression for arable fodder crops and soil recovery areas: first 25% of arable land = 285 EUR/ha; above 25% of arable land with $\geq 0.5$ LU/ha = 240 EUR/ha; above 25% of arable land with $< 0.5$ LU/ha = 110 EUR/ha; General payment degression: until 100 ha = 100%; 100-300 ha = 92.5%; 300-1000 ha = 85%; > 1000 ha = 75%. Grassland payments are differentiated by livestock density and cutting frequency
Belgium <sup>2</sup>	120-275	240-450	495-750	790 <sup>3</sup>	555-750	0	0	Flanders: Payment degression for annual vegetable crops: organic area: $\leq 2.5$ ha = 495 EUR/ha; > 2.5 ha = 380 EUR/ha Wallonia: In addition, payment for fallow land; Payment degression: Grassland and fallow land: $\leq 32$ ha = 275 EUR/ha; 32-64 ha = 150 EUR/ha; > 64 ha = 75 EUR/ha Arable land: $\leq 32$ ha = 450 EUR/ha; 32-64 ha = 325 EUR/ha; > 64 ha = 250 EUR/ha Arboriculture and horticulture: $\leq 14$ ha = 750 EUR/ha; > 14 ha = 450 EUR/ha
Bulgaria	82	155	357	357	418	418	0	In addition, payment for oil and medicinal crops of 267 EUR/ha essential oil roses of 418 EUR/ha and for bee families (BF) of 12 EUR/BF
Cyprus	450	380-750 <sup>1</sup>	750	0	1,000	1,000	0	Grassland payments just if used for stock farming
Czech Republic <sup>10</sup>	71-89 <sup>4</sup>	155	564	0	510-849	849	0	Permanent culture (vineyards, orchards, hops): 849 EUR/ha, 510 EUR/ha for extensive orchards
Denmark	101	101	101	0	101	0	0	Maintenance support is provided under the general extensification scheme or under Article 68 of Council Regulation (EC) No. 73/2009
Spain <sup>5</sup>	57-185	71-436	198-540	259-600	85-977 <sup>6</sup>	191-1,126	216-429	In addition, livestock payments, payments for bee-keeping and payment degression in relation to the size of the organic area and over time are implemented in some regions. Arable land excludes payments for rice, lucerne and intensive herbaceous crops; Horticultural land excludes payments for mushrooms
Estonia	77	119	350	0	350	0	0	Grassland: Additional livestock payment of EUR 32 per unit of grazing livestock; Other livestock payments: sows with piglets = 211 EUR/sow resp. young pigs = 128 EUR/pig, poultry = 6.4 EUR/bird, rabbits = 6.4 EUR/rabbit, bee families 32 EUR/BF

Table 2.5 Maintenance payment rates in EU Member States provided under RDP measure 214 in 2011 (continued)

Country	Euro per ha							Comments
	Grass-land	Arable land	Annual vegetables/herbs	Green-house crops	Perennials, orchards, fruits	Vine-yards	Olive trees	
Finland	39-267	234-383	579-900	0	591-900	0	0	Payments include payment for mandatory basic AEM (Mainland: 93 EUR/ha arable land, 438 EUR/ha horticultural land, 450 EUR/ha fruits and berries; Åland: 145 EUR/ha arable land, 415 EUR/ha horticultural land, 554 EUR/ha fruits and berries - due to EC Reg. 1698/2005 payment limit of 900 EUR/ha for horticulture and fruit+berries, resp. Mainland: upper payment rate range includes livestock payment of 126 EUR/ha, maximum per hectare payment: EUR 267 (without basic AEM)
France	-	-	-	-	-	-	-	Since 2010, maintenance payments are paid via Article 68 of EC Reg. 73/2209
Germany <sup>2</sup>	131-204	137-200	255-550	3,500 <sup>3</sup>	308-864	400-864	0	Bavaria and Baden-Wurtemberg: max. EUR 40,000 per farm and year
Greece	151-273	247-600 <sup>1</sup>	247	0	0	900	415	Grassland payments just if used for stock farming; payments for saffron = 900 EUR/ha
Hungary <sup>1,10</sup>	48-116	161-217	203-274	0	365-722	525-557	0	
Ireland	106	106	142	0	106	106	0	In addition, payments for other land of 15 EUR/ha; Payment degression: Horticultural land: ≤ 6 ha = 142 EUR/ha, 7-55 ha = 106 EUR/ha, > 55 ha = 15 EUR/ha; Farmland: 3-55 ha = 106 EUR/ha, > 55 ha = 15 EUR/ha
Italy <sup>5</sup>	12-385	80-600	144-737	445-600 <sup>3</sup>	290-900	419-900	270-609	In addition, payments for medical/officinal plants, floriculture and ash tree; Bolzano: max. EUR 20,000 per farm; Payment degression in some regions Grassland payments in some regions just if used for stock farming
Lithuania <sup>10</sup>	127	215	440-489 <sup>1</sup>	516	516	0	0	Maximum: EUR 115,848 per farm and year Arable land: only grains; pulses, oilcrops, sugar beets are not supported
Luxembourg	150	150	450	600	450-600 <sup>1</sup>	450-600 <sup>1</sup>	0	
Latvia <sup>10</sup>	108-138 <sup>1</sup>	108	318-357 <sup>1</sup>	0	419	0	0	In addition, payments for fallow land of 108 EUR/ha and payments for nectar plants of 138 EUR/ha
Malta	0	490	1.103	0	797	797	0	
Netherlands	-	-	-	-	-	-	-	No specific support for organic farming since 2005

Table 2.5 Maintenance payment rates in EU Member States provided under RDP measure 214 in 2011 (continued)

Country	Euro per ha							Comments
	Grass-land	Arable land	Annual vegetables/herbs	Green-house crops	Perennials, orchards, fruits	Vine-yards	Olive trees	
Poland <sup>7</sup>	63	190	253-313 <sup>1</sup>	0	156-371 <sup>1</sup>	0	0	Payment degression: 0.1 - 100 ha = 100%; > 100-200 ha = 50%; > 200 ha = 10% Payments exclude fruitless walnut plantation
Portugal <sup>1</sup>	172-450	76-900	502-900	600	180-900	490-900	236-510	Payment degression for fresh fruits, vegetables and vineyards: < 5 ha = 100%, 5-10 ha = 80%, 10-25 ha = 50%, > 25 ha = 20%; for olive trees and dry fruits (irrigated) < 10 ha = 100%, 10-20 ha = 80%, 20-50 ha = 50%, > 50 ha = 20%; for olive trees & dry fruits (non-irrigated), annual crops (irrigated) < 20 ha = 100%, 20-40 ha = 80%; 40-100 = 50%; > 100 ha = 20%; for annual crops (non-irrigated), permanent and biodiversity pasture < 30 ha = 100%, 30-60 ha = 80%, 60-150 ha = 50%, > 150 ha = 20%; In addition, payments for tea of 900 EUR/ha
Romania	0	162	270-335 <sup>1</sup>	0	393	393	0	
Sweden <sup>8</sup>	39	161-553 <sup>1</sup>	553	0	830	0	0	In addition, animal husbandry payment of 178 EUR/LU (1 LU/ha) resp. 89 EUR/ha (≤ 0.5 LU/ha) for arable land and permanent grassland. Grassland: payment only if organic certification; all other land use types: just half of the payment if no organic certification or not in conversion
Slovakia	96	153	377	0	671	671	0	
Slovenia	213-238 <sup>1</sup>	298	551	488	555	579	555	In addition, payments for hops and tree nurseries of 579 EUR/ha
United Kingdom <sup>9</sup>	6-58 <sup>11</sup>	35-69	35-231	0	69-231	69 <sup>3</sup>	0	England: The maintenance payment consists of a GBP 30 supplement for organic ELS eligible land on top of the normal GBP 30 ELS payment. Northern Ireland: Applicants for the maintenance payment ("Organic Management option") must be in the Northern Ireland Countryside Management Scheme

1) Payment rate differs between further differentiation categories such as type of crops and livestock, management practices or land characteristics.

2) Payment rate differs between regions. 3) Payment only exists in some regions. 4) Higher payment rate applies if the whole farm is converted.

5) Payment rate differs between regions and further differentiation categories. The different payment categories are not implemented in every region.

6) Highest payment rate of 977 EUR/ha for fruits respectively of 1,126 EUR/ha for wine in País Vasco. 7) Exchange rate: EUR 1 = PLZ 4.1551 (average 2011). 8) Exchange rate: EUR 1 = SEK 9.0359 (average 2011).

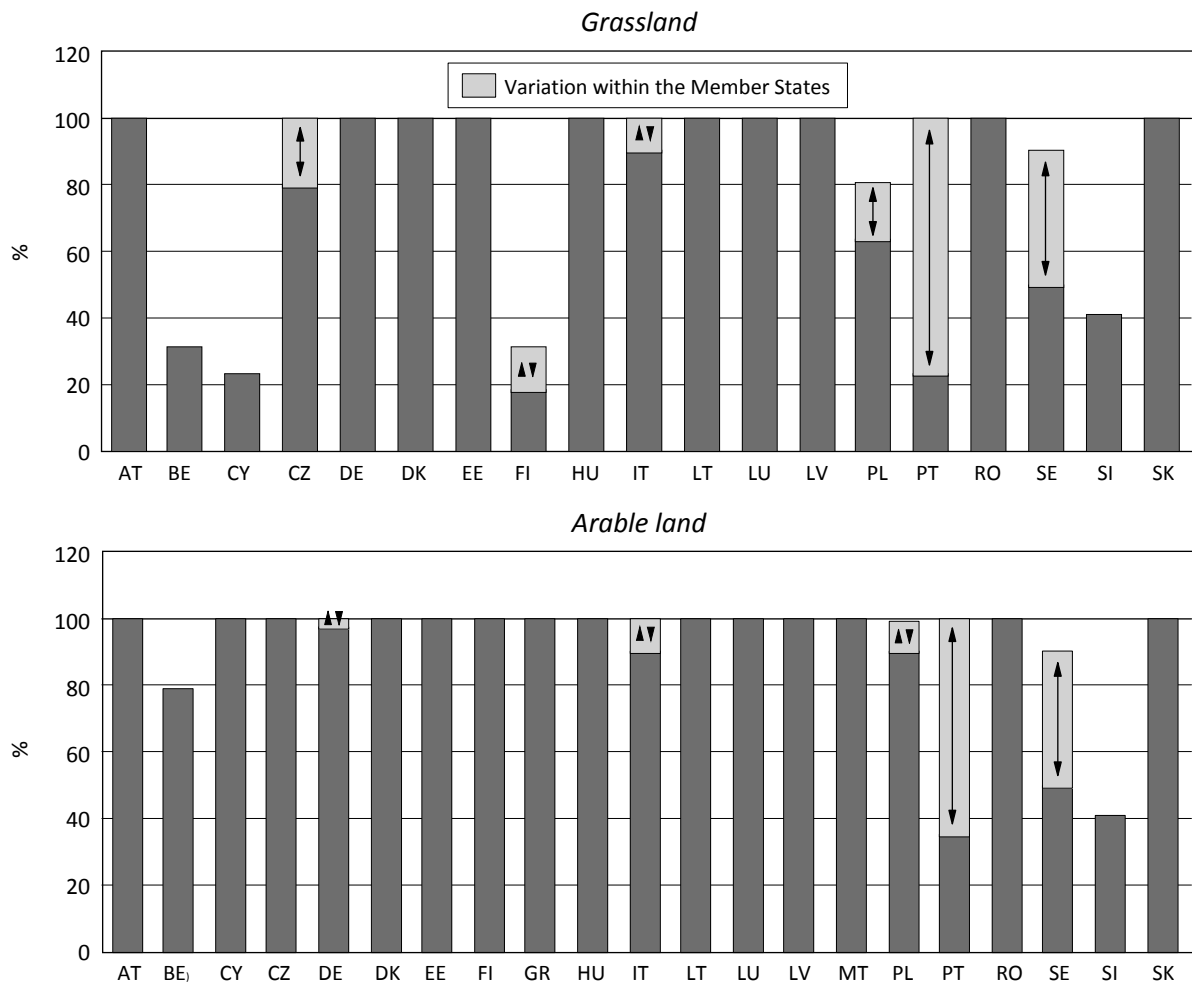
9) Exchange rate EUR 1 = GBP 0.8668 (average 2011). 10) Payment rate was submitted in EUR. 11) Very low payment rate is paid for rough grazing land in Scotland.

Source: Own illustration, based on data supplied by national experts

### Level of compensation

As already mentioned, payment rates shall cover additional costs or income foregone resulting from organic management. The level of payments is defined by Member States based on the following parameters: differences in yield, production costs, prices and transaction costs. Usually Member States define a typical regional organic farm and a conventional reference farm to calculate the additional costs. Information about the level of compensation was obtained from roughly half of all rural development regions. As indicated in Figure 2.5, not all countries/regions compensate 100 % of the additional costs. Reasons for partial compensations are mainly budget constraints, EU payment limits and/or different policy priorities. The range of compensation levels within a country is the result of regional variations and/or a differentiation in relation to specific crops. In most countries which do not compensate 100 % of the additional costs, there are large variations between individual crops or land use types. Since additional costs are calculated on the basis of a typical farm, low compensation levels do not necessarily mean that all farmers are only partially compensated. The real implications of compensation levels depend very much on the selected organic and conventional reference farms.

Figure 2.5 Level of compensation (in %) for additional costs resulting from organic management in 2011



AT = Austria, BE = Belgium, CY = Cyprus, CZ = Czech Republic, DE = Germany, DK = Denmark, EE = Estonia, FI = Finland, HU = Hungary, IT = Italy, LT = Lithuania, LU = Luxembourg, LV = Latvia, MT = Malta, PL = Poland, PT = Portugal, RO = Romania, SE = Sweden, SI = Slovenia, SK = Slovakia

Source: Own illustration, based on data from national contributors.

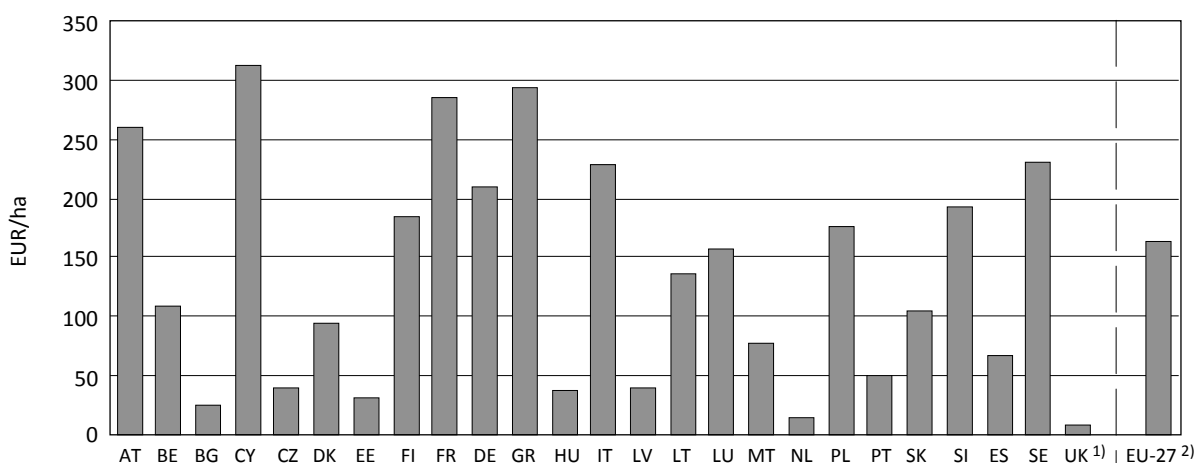


### Restrictions to scheme access

Although organic support payments are implemented in most Member States, farmers across the different countries do not have the same access to the payments. A number of Member States reported restrictions to the scheme access in current and past years. For example, the organic support scheme in Portugal was closed between 2005 and 2007, no conversion support was provided in Saarland (Germany) in 2007. Scheme access problems were also reported from Hungary (farmers were only able to apply in 2009), Luxembourg, Wales and Spain. In Schleswig-Holstein (Germany), the organic farming scheme has been closed in 2011. It appears that particularly in the initial and final years of the RDP programming period, some of the Member States or their regions have tended to restrict access to the organic farming scheme. Access restrictions can be explained by factors such as administrative problems with implementation of the schemes at the start of the RDP period, the attempt to avoid legal claims to payments at the end of the RDP period or simply budget constraints.

According to the financial data collected in the Common Monitoring and Evaluation Framework (CMEF), average public expenditure for organic support payments under the agri-environmental measure per certified organic hectare (based on EUROSTAT data<sup>6</sup>) varied between EUR 7 (UK excluding England) and EUR 314 (Cyprus) for the period 2008 to 2009 (see Figure 2.6). On average, public expenditure amounted to EUR 163 per hectare for EU27 (excluding Ireland, Romania and England where not all the necessary data were available). In seven Member States, public expenditure ranged between EUR 150 and EUR 300 per hectare (Austria, Finland, France, Germany, Greece, Italy and Sweden), whereas in fourteen countries average spending was less than EUR 150 per hectare (Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Hungary, Latvia, Lithuania, Malta, Netherlands, Portugal, Slovakia, Spain and the United Kingdom – excluding England). It should be noted here that differences in public expenditure are partly due to different organic land use structures. Regardless of this, a comparison of payment rates with average public expenditure per hectare of organic land indicates that high payment rates do not necessarily guarantee a high level of support.

Figure 2.6 Average public expenditure for organic support payments under the RDP measure 214 per certified organic hectare in 2008–2009



1) Without England.

2) Without England, Ireland, Romania.

Source: European Commission (2011).

<sup>6</sup> Missing EUROSTAT data were amended by information from national experts. Since payment entitlements refer usually to the previous year, area data from 2007 and 2008 were used to calculate average expenditure per hectare in 2008–2009.

### *Certification costs*

In addition to organic area payments, Germany (most regions) provides a separate certification support payment under the organic farming support schemes and reimburses a specific amount per hectare of the certification and inspection costs (usually EUR 35 per hectare)<sup>7</sup>. In many cases the contribution is limited to a maximum of between EUR 400 and EUR 530 per holding. In Bulgaria, Greece (non-food crops) and Latvia, conversion payment rates include a certification cost component or are increased by a certain amount for the first hectare during the in-conversion period.

### **Measure 214: Other agri-environmental measures**

Mandatory commitments to combine organic support payments with basic agri-environmental measures exist in Finland and England, while such combinations are optional in Estonia and Denmark. Besides the few cases of mandatory and optional linkages of the organic support payments with basic agri-environmental schemes, the survey explored what other options exist for farmers to top-up organic support payments through other agri-environmental measures for the same piece of land.

Regulation (EC) No 1974/2006 specifies that different agri-environmental measures can be combined if these are complementary and compatible. This requires that double-funding of income foregone or additional cost components must be avoided and no conflicting management rules exist between the different measures. Consequently, different categories concerning the possible combination of agri-environmental measures on the same piece of land are defined in the national and regional RDPs. The principal combination categories are: i) measures can be combined and payments can be accumulated, ii) measures can be combined and reduced payments can be accumulated, iii) measures can be combined, but only the higher of the two payments is paid and iv) measures are incompatible and cannot be combined. However, the number of categories applied varies between the Member States. The survey focussed on the first combination category.

A wide range of options for other agri-environmental payments “on-top” of the organic support payments (accumulated payments) for the same piece of land have been reported from the different Member States and exist across most agri-environmental key themes including:

- Grassland conversion and maintenance
- (Other) Biodiversity measures
- Conservation of landscape features
- Water protection
- Soil protection
- Traditional crop types
- Endangered livestock breeds.

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<sup>7</sup> A number of Member States support certification costs indirectly through alternative approaches. As described in section 1, Austria, Belgium, Cyprus, Estonia, France, Greece (food crops), Italy, Malta, the Netherlands, Poland, Portugal, Slovenia, most regions in Spain as well as Wales and Scotland in the UK provide certification support to farmers under food quality schemes in Axis 1 of their RDP (Measure 132). Swedish farmers can receive support for certification costs under Council Regulation 73/2009 (see Chapter 3). Certification and inspection are provided free of charge by government institutions in Denmark (see Chapter 4).

Some Member States focus the combination options on certain key themes. For example, a focus on traditional crop types and local/endangered livestock species exists in Southern European Member States (e. g. some Spanish regions, Greece, some Italian regions). Grassland management, biodiversity and wildlife options are the main combination options in the Czech Republic, Poland and Slovenia. “On-top” payments across several key themes exist in most Member States. No options for “on-top” payments were reported from Bulgaria, Cyprus, Lithuania, Malta, one region in Germany (Saxony) and some regions in Italy and Spain.

Special cases of “on-top” options have been reported from Denmark and Hungary. Organic and in-conversion farms on small Danish Islands can receive a specific additional support payment for up to 100 ha per farm. Hungary only reported the option of combining organic support payments with the Natura 2000 payment (RDP measure 213).

The level of “on-top” payments through other agri-environmental measures varies substantially between different types of measures. The lowest “on-top” payments exist for buffer zones (e.g. in Latvia and Poland) while erosion measures and steep slope management of organic vineyards and meadows qualify for the highest payments (e.g. Austria and some regions in Germany). More details on the different combination options and levels of “on-top” payments are provided in the National Inventories (see Annex 1).

### **Measure 215: Animal welfare**

Support for farmers who adopt high standards of animal husbandry is given under Measure 215. Payments are paid annually per livestock unit and cover additional costs or income foregone due to commitments in the area of feeding facilities or free outdoor access. This measure is used in Cataluña (Spain) to provide additional support for organic livestock farmers. Non-organic farmers may not benefit from this measure. Thus Cataluña has implemented two approaches to cover additional costs resulting from organic management. One that is related mainly to organic land management (Measure 214) and another one related to organic husbandry (Measure 215). In all other RDP programmes, organic farming is not specially addressed or mentioned under RDP measure 215. Since organic livestock regulations go beyond the relevant mandatory standards, organic livestock farmers are however eligible for support.

## **2.3 Improving the quality of life in rural areas and encouraging diversification of the rural economy (Axis 3)**

Support under Axis 3 aims to improve the quality of life in rural areas and the diversification of the rural economy through i) diversification into non-agricultural activities, ii) support for the creation and development of micro-enterprises, iii) encouragement of tourism activities, iv) basic services for rural areas, v) village renewal and development, vi) conservation and upgrading of the rural heritage, vii) training and information measures and viii) measures to prepare and implement local development strategies. Two Member States (Czech Republic and Hungary) were identified which address organic farming in the following two Axis 3 measures:

- Diversification into non-agricultural activities (311)
- Encouragement of tourism activities (313)

### **Measure 311/313: Diversification into non-agricultural activities / Encouragement of tourism activities**

Measures 311 and 313 aim to diversify the rural economy through grants for the introduction or expansion of service activities (e.g. bed and breakfast), craft activities (e.g. production of local produce), trade activities (e.g. creation of farm shops where self-made products are sold directly to consumers) as well as tourism activities (e.g. information centres or recreational infrastructure). Similar to provisions made for Axis 1 measures, projects related to organic farming are awarded higher points in the Czech Republic that may increase the likelihood of receiving support. Projects are supported in a municipality with not more than 2,000 inhabitants. The minimum total eligible expenditure is about EUR 2,000 per project. Grant levels differ depending on the size of the enterprise and region and range from and 30-60 % of the eligible expenditure for both measures.

In Hungary, organic farmers are not awarded higher points, but they are mentioned as one of several target groups of Measure 313 - however without any special provisions.

## **2.4 LEADER (Axis 4)**

In addition to the three thematic axes, the rural development programmes comprise also a fourth overarching axis: the so-called "Leader Axis". Measures under this axis aim to encourage the implementation of integrated strategies for sustainable development in rural areas focussing on building up partnerships and networks for the exchange of experiences. No specific references to organic farming were found in the rural development programmes. However, Member States may use LEADER measures to support specific projects related to organic farming. Examples were reported from Austria, Germany and Spain.

## Chapter 3

# Support measures addressing organic farming under CAP Pillar 1

Jörn Sanders

In addition to rural development programmes, EU Member States can implement organic support measures under CAP Pillar 1 financed by the European Agricultural Guarantee Fund (EAGF). Two relevant support measures are described in this section: (1) aid schemes based on Article 68 of Council Regulation 73/2009 and (2) contribution to producer organisations under the Common Market Organisation (CMO) for fruit and vegetables.

### 3.1 Article 68 measures

As a result of the Mid-Term Review of the CAP, Member States were allowed to retain up to 10 % of their national financial ceilings<sup>8</sup> for supporting specific types of farming and quality. Following the CAP Health Check agreement, this has continued under Article 68 of Council Regulation 73/2009 (so-called 'Article 68 measure'). In comparison with the 2003 regulation, additional objectives were included which can be used for granting specific support. Support to farmers may be given for:

- specific types of farming which are important for the protection or enhancement of the environment
- improving the quality of agricultural products
- improving the marketing of agricultural products
- practising enhanced animal welfare standards
- specific agricultural activities entailing additional agri-environmental benefits

Furthermore, support may be given:

- to address specific disadvantages in economically vulnerable or environmentally sensitive areas or for economically vulnerable types of farming in specific sectors
- in areas subject to restructuring and/or development
- in the form of contributions to crop, animal and plant insurance premiums
- by way of mutual funds for animal and plant diseases and environmental incidents

Seven Member States were identified that use Article 68 measures to support organic farming: Denmark, France, Romania, Greece, Italy, Spain and Sweden (see Figure 3.1). Below the measures implemented are briefly described.

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<sup>8</sup> Maximum value of all allocated SFP entitlements as set out in Annex VIII of Council Regulation 1782/2003 (Common rules for direct and certain support schemes).

Figure 3.1 Countries utilising Article 68 of Council Regulation 73/2009 to support organic farming



Source: Own presentation

France has notified two measures dedicated to the organic farming sector: aid for maintenance of organic farming and aid for conversion to organic farming under Article 68 as measures entailing additional agri-environmental benefits. Thus, France is using Article 68 instead of RDP measure 214 as a vehicle to provide organic area payments. Support for maintenance of organic farming was implemented in 2010. Payment rates vary according to land use:

- EUR 590 per ha for legumes, fruit and olive trees
- EUR 150 per ha for open field legumes, wine, aromatic and medicinal plants
- EUR 100 per ha for annual crops
- EUR 80 per ha for meadows and chestnuts

In 2011, conversion payments are also paid on the basis of Article 68. The level of payments for farmers in conversion is roughly twice as high as maintenance payments:

- EUR 900 per ha for legumes, fruit and olive trees
- EUR 350 per ha for open field legumes, wine, aromatic and medicinal plants
- EUR 200 per ha for annual crops
- EUR 100 per ha for meadows and chestnuts

Funds allocated to maintenance payments amount to EUR 50 million per year in France. The budget allocated to conversion payments is as follows: EUR 34 million in 2011, EUR 44 million in 2012 and EUR 56 million in 2013. Referring to public expenditure in 2011 and assuming that the area under organic management and in-conversion will be about 900,000 ha in 2011, average expenditure per hectare would be about EUR 93.

In Denmark, the current RDP extensification scheme, which provides area payments for organic farmers, is stepwise replaced by a similar Article 68 measure. Payments are given for discontinuing use of pesticides to enhance biodiversity and reduce nitrogen leaching (max 140 kg N/ha or 75 % of the allowed N quota). The scheme is open to organic as well as conventional farmers who fulfil these requirements, although priority is given to certified organic farmers. Payments amount to about EUR 110 per ha. An estimated EUR 1.8 million (approx. 16 % of the total budget) was allocated to organic farmers in 2010.

Romania has reported specific support dedicated to the organic farming sector in the context of a quality approach. Aiming to improve the quality of agricultural products, Romania implemented support for farms which are under conversion for the years 2010, 2011, 2012 and 2013. Support is granted in the form of a payment per farm for annual and perennial crops, poultry, bovine animals, sheep and goats and beekeeping. Payment rates vary on average between EUR 500 and EUR 3,800 per holding depending on the type of farming and the size of the farm and might be subject to annual changes (see National Inventory in Annex 1 for details). Funds allocated to this measure amount to EUR 3.098 million per year. Based on the conversion area (99,724 ha) and funds for the year 2010, average expenditure per hectare is about EUR 31.

In addition to Romania, Greece, Italy, Spain and Sweden have also implemented specific support to farmers for improving the quality of agricultural products. These schemes are targeted not only at organic farmers, but also at farmers participating in other food quality schemes.

- Greece has implemented payments for the production of olive oil and table olives with specific characteristics. EUR 10 million per annum is budgeted for this measure.
- Italy supports organic livestock farmers and farmers complying with the PGI food scheme or voluntary labelling systems. A premium of EUR 90 per head is paid for bovine livestock slaughtered between 12 and 26 months.
- Spain provides payments for sheep and goat farmers participating in quality schemes (PGO, integrated production, organic farming, and voluntary labelling systems). The total budget for this measure is EUR 28.8 million for the years 2010–2013.
- Sweden implemented a support scheme under the old Article 69 of Council Regulation 1782/2003 in 2007 which is now subject to transitional provisions. The scheme does not focus on a specific sector but on quality and marketing issues across all sectors. It is used - among others - to cover certification costs incurred by organic farmers as well as farmers of other accredited quality certification schemes. Approximately EUR 1.3 million is allocated to organic farms, which is an average annual support of about EUR 450 per holding.

Support for organic farming under Article 68 has a number of implications. On the one hand, payments under Article 68 are fully financed by the EU and not just co-financed like support provided under RDP measure 214. As a result, payments and financial regulations are not related to the RDP programming period. This means that it is less likely that the corresponding support schemes are closed towards the end of a funding period as happened in some regions and countries in the past. On the other hand, payments for organic farming are limited by the national ceilings. In theory, if substantially more farmers apply for measures adopted under Article 68 measures, Member States

would have to reduce payment rates. In practice however, most countries devote (or have devoted) less than 5 % of their national ceilings to schemes under Article 68.

It should be noted here that payments coupled to production are collectively limited by a stricter threshold. A ceiling of 3.5 % (instead of 10 %) is applied for support related to specific types of farming (which are important for the protection or enhancement of the environment), to improvement of the quality and marketing of agricultural products, to enhancement of animal welfare standards, to specific farmers in economically vulnerable or environmentally sensitive areas as well as to mutual funds for animal and plant diseases and environmental incidents. The limit of 3.5 % means that Member States wishing to utilise the full 10 % of their national ceilings would have to use environmental schemes (which in turn could be used to support organic farming), insurance premiums or support for areas subject to restructuring and/or development (see Directorate-General for Internal Policies (2010) for further details).

To sum up, article 68 provides an alternative possibility for Member States to provide specific support to organic farming. Three Member States have fully or partly transferred their organic farming schemes from the RDP to the support framework of Article 68 (Denmark, France and Romania). Four Member States were identified which use Article 68 for support schemes that address organic but also farmers participating in other food quality schemes (Greece, Italy, Spain and Sweden). Other EU States have either implemented Article 68 measures without any specific focus on organic farming, or have not implemented it at all.

### **3.2 Contribution to producer organisations in the fruit and vegetable sector**

The Fruit and Vegetables Regime of CAP Pillar 1 aims, among others, to improve the competitiveness and market orientation of EU fruit and vegetable growers in a sustainable way. In order to achieve this, financial support is given to members of producer organisations (PO) that contribute through specific activities to the goals of the Common Market Organisation (CMO). To receive a grant, producer organisations have to prepare an operational programme in which they describe how their activities contribute to the specific national goals defined in the national strategies for sustainable operational programmes. In order to increase the use of environmental-friendly cultivation and production techniques, the operational programme must include at least two environmental actions. Alternatively, at least 10 % of spending in the operational programmes must be devoted to environmental action.

According to Article 103c of Council Regulation 1234/2007 (Single CMO Regulation), organic farming counts as an environmental action if at least 80 % of the members of a producer organisation are organic farmers and subject to agri-environment commitments under RDP measure 214. The Community co-financing rate for organic production in the operational programmes is 60 % of the eligible costs (usually 50 %) with a maximum financial contribution of 4.1 % of the total value of marketed produce.

In general, support for the environmental actions covers additional costs and income foregone resulting from that action. Several Member States have however made country-specific provisions regarding the type of eligible costs related to organic farming. In Belgium, Ireland, the Netherlands and Sweden, only expenditure for specific equipment or means of production is eligible for aid (e.g. for packing and storing of organic products, use of organic dung and compost, etc.). Support for training and advisory costs are granted in Germany and Austria. The Czech Republic provides support for planting new organic orchards. In Spain, financial support is either given as a per-hectare



payment or is based on invoices for specific cost items. More details are given in the National Inventories (see Annex 1).

According to estimates of the EU contribution to organic farming measures under Council Regulation 1234/2007, support varies substantially between countries but also between 2008 and 2009 (see Table 3.1). This is also true of the share of support to organic farming in the total support. While in 2008, the estimated absolute support was high (> EUR 0.5 million) in Belgium, Germany, the Netherlands and Spain, this was the case in Belgium, Italy and the Netherlands in 2009. In relative terms, support was high in Finland (2008) and Sweden (2009). In Bulgaria, Cyprus, the Czech Republic, Denmark, Hungary, Ireland, Malta and Poland supported producer organisations have not implemented an action related to organic production in their operational programmes. Estonia, Latvia, Luxembourg, Lithuania, Slovenia had no recognised producer organisations. On average, a share of 0.8 % of the total EU contributions was spent on organic farming measures in the years 2008 and 2009. Estimates have been calculated on the basis of the Community co-financing rate of 60 % to organic farming measures. The calculation represents the maximum amount and not necessarily the real EC support expenditure.

Table 3.1 EU contribution to producer organisations of the fruit and vegetable sector based on Council Regulation 1234/2007

	2008			2009		
	Estimated EU support to organic farming measures	Total EU support	Estimated % of support to organic farming in the total EU support	Estimated EU support to organic farming measures	Total EU support	Estimated % of support to organic farming in the total EU support
AT	96,454	5,140,393	1,88 %	3,100	6,078,946	0,05 %
BE	1,480,505	47,629,331	3,11 %	1,596,218	50,651,912	3,15 %
BG	-	18,648	0,00 %	-	-	-
CY	-	778,047	0,00 %	-	920,457	0,00 %
CZ	-	1,140,441	0,00 %	-	1,504,745	0,00 %
DK	-	3,971,359	0,00 %	2,708	4,377,852	0,06 %
EE	-	-	-	-	-	-
FI	251,537	1,165,724	21,58 %	-	1,280,041	0,00 %
FR	8,712	88,154,162	0,01 %	21,197	75,278,602	0,03 %
DE	812,681	31,592,806	2,57 %	88,163	37,501,551	0,24 %
GR	18,000	9,267,006	0,19 %	29,745	11,243,849	0,26 %
HU	-	2,210	0,00 %	-	2,550,402	0,00 %
IE	-	4,968,267	0,00 %	-	5,785,391	0,00 %
IT	325,652	163,532,934	0,20 %	647,756	175,143,706	0,37 %
LV	-	-	-	-	-	-
LT	-	-	-	-	-	-
LU	-	-	-	-	-	-
MT	-	226,644	0,00 %	-	208,824	0,00 %
NL	585,620	90,071,032	0,65 %	675,967	100,450,381	0,67 %
PL	-	342,222	0,00 %	-	300,884	0,00 %
PT	37,648	8,277,876	0,45 %	-	6,824,517	0,00 %
RO	294	37,288	0,79 %	-	228,776	0,00 %
SK	473	8,364	5,65 %	-	10,683	0,00 %
SI	-	-	-	-	-	-
ES	2,914,801	160,955,732	1,81 %	108,636	163,727,469	0,07 %
SE	2,050	414,590	0,49 %	47,384	354,459	13,37 %
UK	96,094	24,643,924	0,39 %	127,287	22,596,866	0,56 %
<b>EU-27</b>	<b>6,630,521</b>	<b>642,338,999</b>	<b>1,03 %</b>	<b>3,348,162</b>	<b>667,020,311</b>	<b>0,50 %</b>

Note: EE, LT, LU, LV and SI have no recognised producer organisations.

Source: European Commission (2011).



## Chapter 4

# Beyond the CAP – Other national or regional organic support measures not (co-)financed by the EAFRD or EAGF

Jörn Sanders and Stefanie Metze

Besides CAP measures Member States and regions have introduced a wide range of other national or regional policy instruments such as financial support for producing, processing and marketing organic products, a range of communicative policies as well as research support for projects related to organic farming. Figure 4.1 provides an overview of identified national or regional measures that are not (co-)financed by the EAFRD or EAGF. This chapter describes briefly these measures. More detailed information is given in the National Inventories (see Annex 1).

- *Investment support* for organic farmers and processors has been identified in Ireland aiming to develop further the organic sector. The scheme provides grant aid of 40 % of the cost up to a maximum grant of EUR 60,000 for on-farm investments or EUR 500,000 for off-farm investments.
- *Organic marketing and processing support* exists, for example, in Estonia, Finland, Flanders (Belgium), Estonia, Germany, Ireland, Italy, Latvia, Lithuania, the Netherlands, Romania, Spain and Scotland (UK). The national or regional schemes provide financial support for the development of local processing facilities, development of co-operative marketing ventures, promotion of local retailing initiatives, establishment of effective market information systems or support for participating in trade fairs and exhibitions. Besides this, organic farmers may also receive advice on developing or improving a marketing strategy including the presentation of organic products in farm shops.
- Until 2010, Belgium refunded *inspection and certification* costs of organic farmers under a regional programme (financed on the basis of the de-minimis rule/Council Regulation 1998/2006). The same applies for Romania for the year 2008. In Denmark, organic inspection is carried out by a state body and the service is free of charge. In Ireland, each certification body is paid EUR 121 for each operator at the end of the year. A grant to certification costs is also given to farmers in Trento (Italy).
- Many Member States support *vocational training programmes* for organic farmers or organic advisory services (e.g. in Flanders (Belgium), Finland, Germany, Ireland, Italy, Luxembourg, Poland, the Netherlands, some regions in Spain and in the United Kingdom). In some cases, the state advisory services offer tailor made provision for organic farmers, e.g. Bavaria (Germany). Training and advice is also carried out by organic farming associations, which are supported by public funds (see also 'Institutional Support'). Specific activities are carried out for farmers aiming to convert their farms. Training and advice is offered in the form of phone help-lines, information packages, farm visits or demonstration farms. An innovative conversion programme has been launched recently in Germany. Conventional farmers interested in conversion may obtain a farm-check and are brought together with potential clients, i.e. processors and retailers before the conversion period starts. In many Member States or regions, training and advice is not just given for organic producers but also for processors or staff of certification bodies (e.g. Czech Republic, Slovenia).

Figure 4.1 Overview of identified national or regional public measures addressing organic farming which are not (co-) funded by the EAFRD or EAGF in 2007 – 2011

	Farm investment	Marketing & Processing	Certification & Regulation	Training & Advice	Information & Education	Public procurement	Promotion campaigns & events	Institutional support	Research	Others
AT					■		■	■	■	
BE		■	■	■			■	■	■	
BG										
CY										
CZ				■	■	■	■	■	■	■
DK			■				■	■	■	
EE		■	■		■		■		■	
FI		■		■					■	■
FR									■	■
DE		■		■	■	■	■	■	■	■
GR										
HU										
IE	■	■	■	■	■		■			
IT		■	■	■	■	■	■	■	■	■
LV		■			■		■	■	■	
LT		■							■	
LU				■	■	■	■	■	■	■
MT										
NL		■		■			■	■	■	■
PL			■	■	■		■		■	
PT										
RO		■	■				■			■
SK								■	■	
SI				■	■			■	■	■
ES		■		■	■	■	■	■	■	■
SE							■		■	
UK		■		■	■			■	■	■

■ Public support measures not (co-) financed by EAFRD or EAGF available in the whole country  
 ■ Public support measures not (co-) financed by EAFRD or EAGF available only in certain regions

Source: Own presentation based on information supplied by national experts.

- Distribution of *information* on organic farming and *educational programmes* are two other areas where several Member States or regions provide support. Basic information for the wider public is disseminated, for example, in the form of booklets, leaflets or websites. This also includes statistical information on organic farming or the organic market. Financial support is given to develop or improve teaching materials on organic farming for secondary schools, for example in Austria, Estonia, Germany and Spain. Furthermore, there are study courses in organic farming at various state universities and universities of applied sciences.
- In Luxembourg, financial support is given for a pilot project on the introduction of organic food in a school canteen. A similar project exists also in the Czech Republic. Furthermore, *public procurement projects* have been identified at local or regional level in Germany, Italy and Spain.
- Several Member States organise *promotion campaigns* to support organic farming. This also includes support for events such as 'Organic Action Days' or award schemes for innovative farming. In Germany, promotion campaigns are closely linked to the national state logo for organic farming. Similar activities are also carried out by the regional governments in Germany. Promotion campaigns are usually targeted at consumers or the wider public – in some cases also at schools (e.g. in Germany, Poland, Spain) or distributors or caterers (e.g. in

Estonia and Spain). Furthermore, national or regional authorities participate in national or international fairs and exhibitions to promote organic food.

- *Institutional support* is given in some countries and regions to organic farmers' associations or other organic actors for specific services, such as marketing projects, training courses or data collection. This type of support contributes to the development of an "organic infrastructure". The regional government in Wales provides institutional support for the Organic Centre Wales to provide information for the organic sector and advice for organic farmers. A similar centre is supported in Lower Saxony (Germany), however on a project specific basis. The development and/or enhancement of the organic sector infrastructure is also an important aim of support in the Netherlands.
- Eighteen Member States participate in the coordinated action CORE Organic II which is a transnational partnership joining resources within *research* in organic food and farming (Denmark, Germany, Austria, Belgium, Czech Republic, Estonia, Finland, France, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Slovenia, Spain, Sweden, United Kingdom). In addition, several countries and regions provide research grants for specific projects that address specific national or regional topics relevant to organic farming.

In many cases, the identified measures have some similarities to those implemented under rural development programmes. This is particularly the case for investment aids, marketing aids and support for training programmes and advisory services. Some of the identified regional or national measures could probably also be financed under the RDP measures 111 (Vocational training and information actions), 114 (Use of advisory services), 121 (Modernisation of agricultural holdings) or 123 (Adding value to agricultural and forestry products). Obviously, some Member States or regions abandon the possibility of co-financing these measures through the EU in order to have greater flexibility in programme planning and implementation or to avoid reporting duties.

As well as the measures identified above, organic farming is also supported by a range of other instruments in Member States which, however, are not specifically targeted at organic supply-chain actors. For obvious reasons it is very difficult to clearly identify these measures if, for example, expenditure figures provide no information on how much money is spent on organic farming.

Furthermore, it is important to take into consideration that some Member States follow rather an indirect support strategy, where specific financial incentives for organic farming play a minor role. The collated information gives the impression that this is the case, for example, in the Netherlands where the focus is predominantly on support for knowledge generation, innovation and research, a close cooperation between the government, the private sector and a number of civil society organisations as well as horizontal measures (i.e. measures which are open to organic and conventional farmers) aiming to support sustainable agriculture. It appears that indirect support measures also play an important role in Denmark, where organic farming is well embedded in general agricultural policy. Fully capturing and understanding these indirect forms of support goes beyond a pure description of policy measures and would require additional information. This information was collected for selected Member States to assess the overall support strategy (see Chapter 4 in Part B of this report).



## Chapter 5

# Organic action plans – A targeted combination of different policy measures to support organic farming

Jörn Sanders and Stefanie Metze

The support measures described in Chapter 4 are in many cases part of a national or regional organic action plan. Such schemes are a targeted policy approach to support organic farming. The emergence of organic action plans is closely connected to recognition of the dual market and public goods role of the organic sector; i.e. the fact that organic farming provides public goods to society as well as food for consumers. Organic area support within agri-environmental programmes provides an important incentive for the provision of public goods and stimulates the growth of the organic supply side. The one-dimensional support of organic area may however lead to marketing problems, if there is a large imbalance between supply and demand of organic products. In this context, organic action plans provide a strategic instrument to coordinate different supply-push and demand-pull instruments tailored to local conditions. Besides a mix of policy measures, an organic action plan often includes an analysis of the strengths and weaknesses of the organic sector upon which a growth strategy is developed. According to Stolze and Lampkin (2009), organic action plans have typically the following characteristics:

- Participation of stakeholders in the action plan development process and during the implementation period
- Explicit statements of the strategic role of organic farming within the general agricultural policy
- Analyses of the status quo and identification of conflicting and potentially supportive policy areas
- Formulation of clear strategic targets and goals
- Mix of different supply and demand-oriented policy measures

In total, 17 national and 10 regional action plans or similar support schemes were identified in EU Member States that have been implemented since 2007 (see Table 5.1). The action plans differ substantially with respect to their policy targets, running periods, types of actions, number of previous action plans, and initial year of implementation reflecting different support strategies and developmental stages of the EU's organic sectors. This section provides a brief description of some of the key characteristics of implemented action plans. More detailed information is given in the National Inventories (see Annex 1).

- Some action plans are less focussed on individual support measures but are rather a strategic policy document which provides an enabling framework for further actions. This is the case, for example, in Sweden and Belgium. These action plans are more general in nature and describe strategies which may foster the development of organic farming. In Belgium, specific actions are implemented by the Ministry in the form of annual programmes. The Swedish government primarily monitors and evaluates the implementation of the action plan by stakeholders.

Table 5.1 Overview of organic action plans or similar support schemes in EU Members States implemented in 2007–2011

EU Member States / Region	Running period	Number of previous actions plans	Year of implementation of the first action plan	Quantitative targets		Target year
				Share of organic land area in the total UAA	Share of organic food in the total food market <sup>1</sup>	
AT Austria	2011 - 2013	4	2001	20 %	-	2013
BE <sup>2</sup> Flandern	2008 - 2012	2	2000	-	-	-
BG Bulgaria	2007 - 2013	0	2007	8 %	-	2013
CY Cyprus	-	-	-	-	-	-
CZ Czech Republic	2011 - 2015	1	2004	15 %	3 % <sup>3</sup>	-
DK Denmark	2011 – 2013/15	2	1995	ca. 15 % <sup>4</sup>	-	2020
EE Estonia	2007 - 2013	0	2007	ca. 3 % <sup>5</sup>	3 % <sup>6</sup>	2013
FI Finland	-	-	-	-	-	-
FR France	2011 - 2013	1	2008	6 %	-	2012
DE Germany	since 2002	0	2002	- <sup>7</sup>	-	- <sup>7</sup>
GR Greece	-	-	-	-	-	-
HU Hungary	-	-	-	-	-	-
IE Ireland	2008 - 2012	0	2008	5 %	-	2012
IT <sup>8</sup> Italy	2008 - 2009	1	2005	-	-	-
LV Latvia	2007 - 2013	1	2007	10 %	-	2013
LT Lithuania	-	-	-	-	-	-
LU Luxembourg	2009 - 2011	0	2009	ca. 5 % <sup>9</sup>	-	-
MT Malta	-	-	-	-	-	-
NL Netherlands	2008 - 2011	2	2001	- <sup>10</sup>	-	-
PL Poland	2011 - 2014	1	2007	-	-	-
PT Portugal	-	-	-	-	-	-
RO Romania	-	-	-	-	-	-
SK Slovakia	2011 - 2013	1	2006	5 %	-	-
SI Slovenia	2005 - 2015	1	2007	20 %	10 % <sup>11</sup>	2015
ES <sup>12</sup> Spain	2007 - 2010/11	0	2007	-	-	-
SE Sweden	2007 - 2010	0	-	20 %	-	2010
UK <sup>13</sup>	Scotland	since 2011	2007	-	-	-
	Wales	2005 - 2010	1	1999	10-15%	-

<sup>1</sup> Related to the annual turnover

<sup>2</sup> The regional government of Wallonia intends to implement an organic action plan in 2012.

<sup>3</sup> 60% of organic food sales shall be organic products produced in the Czech Republic.

<sup>4</sup> Doubling the area under organic management

<sup>5</sup> 120,000 ha organically managed area

<sup>6</sup> Share of organic food produced in Estonia in the total food market

<sup>7</sup> No targets were set out in the Federal Organic Farming Scheme. Although, as part of its national sustainability strategy, Germany aims to achieve a share of 20 % in the long-run.

<sup>8</sup> A regional action plan has been implemented in Trento.

<sup>9</sup> Doubling the area under organic management of the year 2006

<sup>10</sup> Annual growth of the organically managed area by 5 %

<sup>11</sup> Share of organic food produced in Slovenia in the total food market

<sup>12</sup> Regional action plans have been implemented in Andalucía, Asturias, Castilla-La Mancha, Cataluña, Extremadura and País Vasco

<sup>13</sup> In England, the regional organic action plans were phased out in 2010.

Source: Own presentation based on information supplied by national experts and amended by data from Gonzalez et al. (2011)



- Other action plans include a list with specific actions. For example, the Irish Organic Action Plan proposes 64 specific actions and defines the role of involved institutions and a time frame for each action. The Scottish Organic Action Plan has identified a number of government activities and describes what will happen during the 12 months after its implementation in 2011.
- No specific budget has been allocated to the organic action plans in the Czech Republic, Slovenia, Sweden and Wales. Financial resources are made available by actors involved in the action plan or are financed under other existing programmes.
- In some Member States, the national action plans are based on a combination of EU co-funded RDP measures and fully nationally funded support measures (e.g. in Austria, Estonia, Latvia, Poland, Slovenia, Spain and Sweden). The same also applies to regional action plans implemented in some regions in Spain as well as in Scotland and Wales. In contrast to this, the German, Italian and Luxembourg support scheme consists of only nationally funded measures and supplement the RDP measures.
- The German Federal Organic Farming Scheme aims to improve the basic conditions necessary for expanding organic farming through research and information on organic farming for all supply chain actors. It is however not linked to the agricultural policies of the German federal states, which are responsible for the RDPs. Furthermore, it does not contain any specific targets with respect to the further development of organic farming (although an area target has been defined in the German sustainability strategy). Furthermore, it has recently been opened to include other forms of sustainable agriculture. For these reasons, the scheme is not an organic action plan in the true sense.

Evaluation studies on organic action plans suggest that such support schemes are a useful attempt to achieve a better policy mix of individual support measures (see e.g. DEFRA, 2004; Taen et al., 2004). It would however be misleading to assume that the development of an organic action plan is synonymous with a coherent strategy to foster organic farming. The information collected on organic action plans gives the impression that such schemes are en vogue in Europe but that this does not necessarily demonstrate a strong government commitment to organic farming. An in-depth analysis of the role of organic action plans and the support strategy of organic farming has been carried out in nine case study regions. The results of this investigation can be found in Chapter 4 of Part B of this report.



## Chapter 6

# Towards a typology of public support policies addressing organic farming

Jörn Sanders

This report provides a comprehensive overview of public support measures addressing organic farming in EU Member States. Schemes from three different funding sources are taken into account: i) national or regional RDP measures funded under the EAFRD, ii) CAP Pillar 1 support measures for organic farming funded under the EAGF and iii) national and regional measures supporting organic farming not (co-)funded under the EAFRD or EAGF. The review of support measures shows that there are substantial differences between Member States in terms of the number of measures addressing organic farming and the way in which organic farming is addressed within each measure.

With the exception of the Netherlands, all Member States have implemented specific area payments for organic farming to compensate additional costs or income foregone resulting from organic management. In most countries or regions, conversion and maintenance payments have been implemented under Measure 214 of the RDP (agri-environmental payments). In the case of Denmark, this is only true of conversion payments since maintenance payments are paid under the extensification scheme (which is also open to conventional farmers) or under Article 68 of Council Regulation 73/2009 on direct support schemes for farmers under CAP Pillar 1. Romania implemented organic maintenance payments through RDP measure 214 and conversion payments as an Article 68 measure. As of 2011, France uses Article 68 for both conversion and maintenance payments. The Netherlands is the only country without specific organic area payments, although organic farmers may fully benefit from general agri-environmental payments.

Area payments are an important foundation for the financial performance of organic farms and can be understood as a form of risk-hedging against lower and/or instable system performance. In view of the dual market and public good role of the organic sector and the specific system approach of organic farming, Member States provide a wide range of other policy instruments tailored to the organic sector, such as training and advice, marketing and processing support or information and promotion activities. These measures are either implemented in the framework of the RDPs or other national/regional support programmes. Organic fruit and vegetable growers may also benefit from specific CMO payments.

A second difference between countries is the way in which organic farming is addressed in these measures. Basically three different types can be distinguished:

- **Measures addressing organic farming with special provisions:** Support measures that are exclusively targeted at organic farming or measures that are also open to non-organic farmers but with special provisions for organic farmers (e.g. higher payment rates).
- **Measures addressing organic farming with partly special provisions:** Support measures under which organic farmers, as well as other specified types of farming, receive higher payment rates or where access to a scheme is based on a point system whereby organic farmers (and other specified types of farming) receive extra points.
- **Measures addressing/mentioning organic farming without special provisions:** Support measures in which organic farming is one of a number of target groups. No special provisions are made for organic farming, so the additional benefit organic farmers may derive from such measures is unclear.

In addition, there are measures which do not address or mention organic farming but which are used to finance projects or schemes that are highly relevant for organic farming. An example of this type of support is vocational training schemes (implemented either under RDP Measure 111 or similar national / regional programmes). Another example is programmes that address specific needs of organic farmers without addressing or mentioning explicitly organic farming (such as schemes for mountain farmers).

It is difficult to draw a clear line between i) measures which intend to support explicitly organic farmers (aiming to foster the development of the organic sector), ii) measures which support organic farmers but also a range of other types of farming so that organic farmers may not have a real advantage over others and iii) measures which support organic farmers but not specifically because they manage their farm organically (e.g. it can be questioned whether a specific aid to mountain farmers is an organic support measure or not if organic farmers are predominantly located in mountain areas). Public expenditure data are also of limited help in identifying more precisely specific organic support policies, since they usually contain no information on how much money is spent on organic farms. Despite these limitations, it is possible to identify patterns of measures used in the Member States. Broadly, the following types of support patterns can be distinguished:

**A. Apart from area based organic schemes, organic farming is not or only in a limited way supported through specific policy measures**

- CAP support is mainly focused on the compensation of additional costs or income foregone resulting from a management system that provides environmental services.
- There is no or only limited specific support for organic farming through additional national or regional measures.
- The public goods role of the organic sector is addressed by CAP area payments but not the market role.

**B. Apart from area based organic schemes, organic farming is supported through various specific policy measures from national/regional sources**

- CAP support is mainly focused on the compensation of additional costs or income foregone resulting from a management system that provides environmental services.
- Additional national or regional support measures addressing organic farming play an important role for promoting organic farming.
- The dual role of the organic sector (i.e. the provision of public goods and organic food) is addressed by CAP measures as well as by national/regional support measures.

**C. Organic farming is targeted by a range of CAP measures as well as national/regional measures**

- A range of supply and demand-oriented CAP measures are implemented.
- Most CAP measures address organic farming with partly special provisions; i.e., organic farmers are one of a number of target groups.
- National/regional support measures complement CAP measures.
- The dual role of the organic sector (i.e. the provision of public goods and organic food) is addressed by CAP measures as well as national/regional support measures.

**D. Organic farming is specifically targeted by and a preferred option in a range of CAP measures**

- A range of supply and demand-oriented CAP measures are implemented.
- Various CAP measures address organic farming with special provisions.
- National/regional support measures complement CAP measures.
- The dual role of the organic sector (i.e. the provision of public goods and organic food) is addressed by CAP measures as well as national/regional support measures.

There might also be a fifth support strategy when organic farming is not addressed with special or partly special provisions but mentioned as one of several reasons for intervention. One reason for this could be that organic farming is well-embedded in the general agricultural policy and part of the mainstream. This way to address organic farming could however also mean that organic farming is just mentioned on paper but without any real intention to promote it strategically.

The typology presented here is – by its very nature –simplistic and describes rather patterns than real support systems. It is however useful to highlight differences between individual support strategies. The following allocation of individual Member States to the support types A-D is therefore purely illustrative (see also Figure 6.1):

- Some EU countries support organic farming specifically only in a limited way or have implemented RDP measures which - besides organic area payments - do not address directly organic farming. According to the information collected, it appears that this is for example the case in Hungary and Greece. In these countries, national or regional support measures not (co-)financed by the EAFRD or EAGF do not exist or have not been identified. Implemented CAP measures address the public goods role of the organic sector but not the market sector.
- Limited specific support for organic farming under CAP measures is also provided in Germany, Ireland and Luxembourg. Although, a range of national/regional measures are used to support organic farming which complement the organic area payments implemented under the agri-environmental schemes of the RDPs.
- The third policy approach can be found e.g. in Austria, Cyprus, the Czech Republic, Estonia, Latvia and Slovenia. In these countries, organic farming is addressed in various CAP supply-oriented and demand-oriented measures. However, organic farming is mostly regarded as only one of a number of policy options. In addition to CAP measures, some of these countries have implemented a range of complementary national/regional support measures.
- No country was identified which could be clearly allocated to the fourth type.

Figure 6.1 Number of organic support measures (co-) funded by the EAFRD / EAGF and availability of regional / national support measures addressing or relevant to organic farming

	EAFRD / EAGF (co-) funded measures								Regional/national funded measures		Action plan <sup>2</sup>		
	OSP <sup>1</sup>	Supply (other) <sup>3</sup>				Demand <sup>4</sup>				Supply		Demand	
	1	2	3	4	5	1	2	3	4				
Austria	█	█				█						✓	✓
Belgium	█	█								✓ <sup>R</sup>			✓ <sup>R</sup>
Bulgaria	█	█				█							✓
Cyprus	█	█				█	█						
Czech Republic	█	█	█	█	█	█						✓	✓
Denmark	█	█	█	█		█	█			✓	✓	✓	✓
Estonia	█					█	█			✓	✓	✓	✓
Finland	█									✓	✓		
France	█												✓
Germany	█	█				█				✓	✓	✓	✓
Greece	█	█											
Hungary	█	█	█	█		█							
Ireland	█									✓	✓	✓	✓
Italy	█	█								✓	✓	✓	✓
Latvia	█	█				█				✓	✓	✓	✓
Lithuania	█	█									✓		
Luxembourg	█									✓	✓	✓	✓
Malta	█	█				█							
Netherlands		█	█	█						✓	✓	✓	✓
Poland	█					█				✓	✓	✓	✓
Portugal	█	█				█							
Romania	█	█								✓	✓		
Slovakia	█	█				█							✓
Slovenia	█	█				█	█	█		✓		✓	✓
Spain	█	█				█	█			✓	✓	✓	✓
Sweden	█										✓	✓	✓
UK	█									✓	✓ <sup>R</sup>	✓ <sup>R</sup>	✓ <sup>R</sup>

<sup>1</sup> Organic support payments under Measure 214, RDP 132.

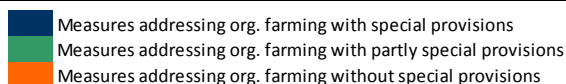
<sup>2</sup> Organic action plans or similar support schemes.

<sup>3</sup> RDP measures 111/114,112,121,141,215,311,313.

<sup>4</sup> RDP measures 123,124,133,142.

✓ Implemented

<sup>R</sup> Not implemented in the whole country.



Source: Own presentation based on information supplied by national experts.

It should be noted here again, that a large number of support measures does not necessarily equate to a high level of financial support for organic farming. Additional information would be required to understand and evaluate adequately the organic support strategies of individual countries. This has been done for nine case study regions, the results of which are presented in Chapter 4 of Part B of this report.

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## **PART B**

# **Assessment of organic farming policy measures and strategies in six case study countries**



## Chapter 1

# Assessing organic support policies – an introduction

Jörn Sanders, Stefanie Metze, Carolyn Foster and Susanne Padel

Over the last ten years, organic farming has expanded continuously in EU Member States. Between 2000 and 2009 the organic area in the EU15 Member States grew by 75 % (based on EUROSTAT data for the years 2000–2009). Recently, the total organic area in the EU27 grew by 10 % from 2008 to 2009 to more than 8.6 million ha and thus continued to show an upward trend with increasing yearly growth rates. At the country level, Belgium, the Czech Republic, Estonia, Finland, France, Hungary, Ireland, Italy, Poland, Romania, Spain and Sweden had growth rates of over 10 %. At the other end of the range, Bulgaria experienced a substantial decline in organic area from 2008 to 2009, but at a rather low absolute level. Both the size of organic area and the organic area share of total utilised agricultural area (UAA) varied considerably between the Member States in 2009. Organic area as a share of total UAA ranges from more than 18 % in Austria to less than 2 % in Bulgaria, Cyprus, Romania and Ireland.

The variations in the development trajectory of the organic sector in the Member States and regions are in part due to differences in the policy environment. Other key factors include, for example, organic market developments or geographical conditions. As described in Part A of this study, organic farming policies differ substantially in individual Member States - despite the fact that the EU-Commission implemented an organic action plan for the whole EU in 2004 and recommended Member States to make full use of the instruments available to support organic farming within their rural development programmes. Based on the overview of public support measures addressing organic farming in EU countries, Part B of this report aims to explore in-depth the relationship between policy measures, policy strategies and the development of organic farming. More specifically four study questions are addressed:

- Study Question 1: To what extent has the use of public support measures addressing organic farming contributed to the development of the number of farms, area of land under organic management and growth of the organic market for organic products?
- Study Question 2: What are the factors influencing the effectiveness and efficiency of the measures?
- Study Question 3: What links exist between national/regional support package and the European Action Plan for Organic Food and Farming (EOAP)?
- Study Question 4: To what extent have Member States developed an overall strategy to develop organic farming?

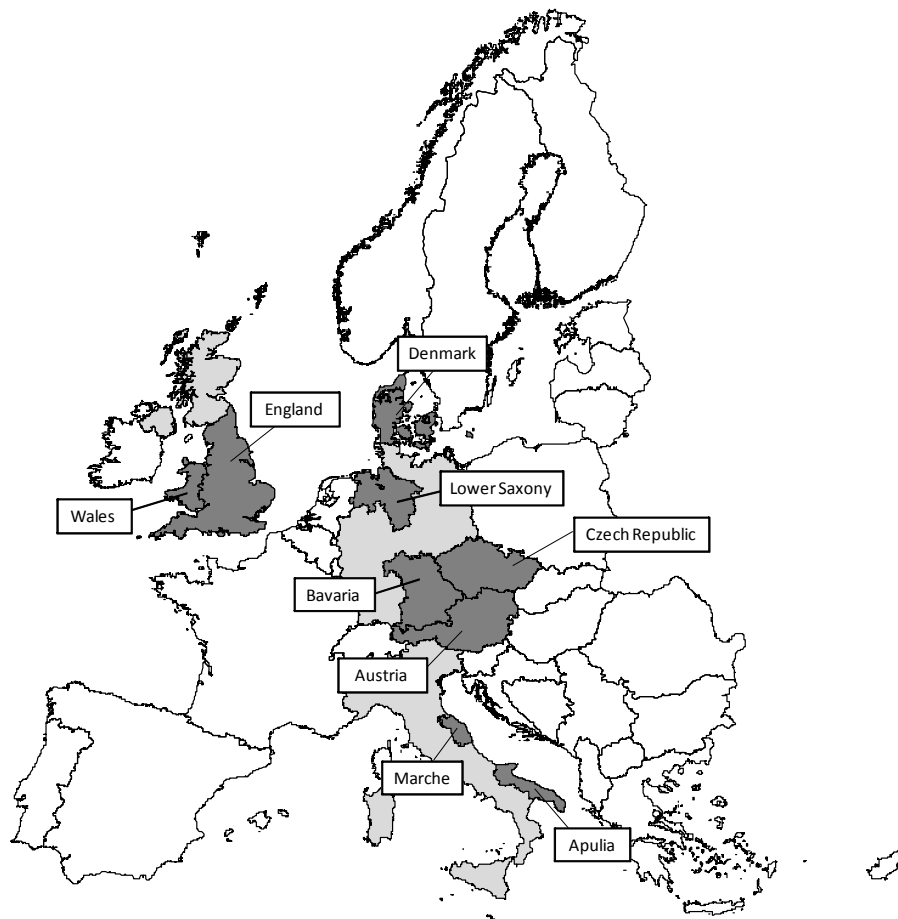
The analysis has been carried out in nine case study regions reflecting different

- types of public support for organic farming,
- strategies for organic food and farming,
- sizes of the organic sectors as well as
- data availability and
- level of institutional development.

Based on these five criteria the following countries/regions have been selected (see also Figure 1.1): Austria, the Czech Republic, Denmark, Germany (Bavaria, Lower Saxony), Italy (Apulia, Marche) and the United Kingdom (England, Wales). This chapter introduces each of the case study countries/regions with a short description of the organic sector and the policy environment for organic farming. It is structured as follows:

- Section 1.1 describes the development and structure of the organic sector as well as the market and policy context of each case study country/region giving reasons why they have been chosen as a case study<sup>9</sup>.
- Section 1.2 compares in more detail policy measures implemented in each country/region to support organic farming.
- Section 1.3 briefly describes the structure and content of Part B of this report.

Figure 1.1 Overview of case study countries/regions



Source: Own presentation

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<sup>9</sup> Information provided in Section 1.1 is mainly based on EUROSTAT data and data supplied by sub-contractors of this study. Other data sources are listed in the references.

## **1.1 Description of the case study countries/regions**

### **Austria**

Austria's landscape is dominated by the Eastern Alps which cover 63 % of the country's area. About 87 % of the total land area is agricultural, of which 70 % is classified as less favoured area (LFA). The cultivated area is split in equal parts between agriculture and forestry and more than half of all agricultural holdings are managed on a part-time basis. Main food products are meat, dairy products, cereals, wine, fruit and vegetables with a focus on extensive and ecologically-friendly agricultural production and preservation/maintenance of landscapes, especially in the LFA.

Organic farming in Austria has developed very dynamically in the last 20 years. With a share of more than 18 % in the total UAA, it has the most organic land area of any EU country. Austria refers to itself as being the EU's "Number 1" country for organic farming and represents a country where organic agriculture is an important part of the agricultural sector.

Organic production is concentrated in the Alpine regions. In total, 87 % of all organic producers are located in the disadvantaged mountainous areas. The average organic farm size was 24.6 ha in 2010, which is larger than the average farm size of 19.5 ha, but much smaller than the EU27 average for organic farms of about 40 ha. Since most organic farmers are located in the Alps, 66 % of the organic area in Austria is permanent pasture and 33 % is arable land. A large proportion of the livestock producers' activities can be classified as extensive grassland production.

The development of organic farming in Austria can be divided into different growth periods. Since the first official guidelines for organic farming were introduced in 1986, rapid development of the organic sector in Austria took place up to the second half of the 1990s. After a short period of stagnation there was another growth phase, albeit at a lower level. From 2000 to 2010, the number of organic farms increased by 16 % from 19,027 to 22,132 holdings; the organic area expanded from 429,167 ha to 545,212 ha (+27 %).

Organic market sales in Austria amounted to EUR 868 million in 2009 and EUR 986 million in 2010, respectively, which corresponds to an increase of 14 %. On average, consumers spent EUR 97 per capita on organic food in 2009. Supermarkets are the most important market channel, where approximately two-thirds of the organic products are sold.

Organic farming has become part of the mainstream agricultural policy in Austria. It is seen as a strategy for achieving sustainability targets based on the Kyoto protocol and as an appropriate instrument for rural development. The development of organic farming has been supported through a sequence of organic action plans which include diverse types of support measures. Recently the government prepared the fourth Organic Action Plan 2011-2013 with the aim of achieving 20 % organic area by 2013.

### **Czech Republic**

Just over half of the area in the Czech Republic is agricultural land, with LFAs constituting about half of this. Environmental problems include soil degradation, water erosion and deforestation. Challenges exist with respect to scattered land ownership, a need for investment, problems with age structure and a low degree of products being processed in the country.

The Czech Republic has the highest share of organic area of all CEE countries. In 2009, organic land accounted for 10.6 % of the UAA. The average size of organic farms has been decreasing from 294 ha in 2000 to 124 ha in 2010. Nevertheless, this still significantly exceeds the European average of about 40 ha. The fact that the Czech Republic is a relatively new Member State (since 2004) makes it an interesting part of this study as its organic sector developed in a very different context and under a different set of circumstances from the other case study countries. Since 2000, the organic land area increased from 165,699 ha to 435,610 ha in 2010 (+163 %) and the number of organic farms increased from 563 to 3,517 holdings in 2010 (+525 %). This is the highest growth of all the case study countries – albeit at a relatively low absolute level.

Organic farming in the Czech Republic takes place mostly in the mountain and foothill regions of the country. For this reason, permanent grassland for beef cattle makes up the largest share of organic land (approx. 82 %). There has been a steady increase in organic arable land and permanent crops (orchards, vineyards, hops), but their shares are considerably smaller with 12 % and 1 % respectively.

The availability of organic food has improved significantly in recent years, mainly due to the interest of retail chains. Currently almost all super- and hypermarkets offer some organic food and are the most important market channel for organic food in the Czech Republic (sales share of 69 % in 2009). The organic market was valued at EUR 67 million in 2009. Even if the volume of organic retail sales has increased more than 3.5 times since 2005, per capita spending for organic food remains relatively low and amounted to EUR 6.6 in 2009. As the processing sector is insufficiently developed, many organic products are sold as conventional products. On the other hand, there is an undersupply of certain organic products such as dry pulses, oilseeds and certain types of cereals (amaranth, spelt, oats) as well as vegetables and fruits. Both have led to a heavy reliance on imports due to the lack of availability of domestic organic food. In 2008, 57 % of organic food consumed in the Czech Republic was imported. Thus the Czech Republic represents a case where supply increased substantially in the last years whereas the organic supply-chain is still under development.

In order to develop further the organic sector, a second organic action plan was launched in 2011 (the first action plan was implemented in 2004). Specific measures are designed to supplement support given under the Czech Rural Development Programme.

## **Denmark**

Denmark refers to itself as being one of the most efficient and high tech based agricultural sectors in the world. It is characterised by a high level of organisation and education and good agricultural soils. The agriculture sector has a strong focus on international competition and export markets.

With a 5.9 % share of total UAA, the size of organic land area is relatively low in comparison to other case study countries. Average organic farm size was 60.9 ha in 2010 which is above the EU27 average and slightly below average farm size of 64.6 ha in Denmark. More than three quarters of the organic area is arable land, from which a substantial part is used for green fodder production. From 2000 to 2010 organically farmed area increased from 157,676 ha to 162,903 ha (+3.3 %). During the same period, the number of organic farms fell by 23 % from 3,466 to 2,677 holdings<sup>10</sup>. It seems that Denmark has reached a certain plateau with only limited potential for further growth.

In Denmark, organic farming development was boosted among other factors by the entry of conventional retail chains into the organic sector in 1993. This led to increased demand and acted as

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<sup>10</sup> A decline in the number of farms took however also place in the conventional farming sector.

an incentive for producers. Danish consumers spent EUR 791million on organic products in 2009. At EUR 139 per capita consumer spending is the highest in the world, followed by Switzerland and Austria. Supermarkets have an 81 % share of total organic sales and are by far the most important market channel.

Besides the very early interest of conventional retailers, the development of organic farming was also fostered by a number of policy initiatives. Denmark was the first European country to introduce national organic standards and public organic farming support as well as the first state to have an organic label (the red «Ø»). It was also one of the first countries to develop an organic action plan in 1998 and thus a forerunner for many EU Member States. The latest organic action plan was introduced in 2011. Further support is provided under the Danish Rural Development Plan. The RDP is used to implement the wide-ranging national Grøn Vækst (Green Growth) programme in rural areas and to support organic farming features as part of this.

### **Germany (Bavaria and Lower Saxony)**

Organic farming has a long tradition in Germany, and the German organic market is one of the biggest in Europe. Two contrasting regions have been selected for the case study analysis: Bavaria in the South and Lower Saxony in the North of Germany. Both federal states differ substantially with respect to the geographic conditions, share of organic farms in total agricultural holdings and the policy environment.

Agriculture in **Bavaria** is characterised by highly intensive and competitive agricultural production on the one hand, and ecologically more friendly agricultural production in less favoured areas which accounts for 60 % of the agricultural land on the other. Bavaria continues to be the most important agricultural state and the largest producer of food in Germany. For example, more than a quarter of the milk in Germany is produced in this region. Organic farms have a 6.6 % share of total farms in Bavaria and organic land makes up 6.3 % of the region's agricultural land in 2010. Not surprisingly, most organic farms are located in LFAs. In total 20 % of the organic area and 29.3 % of the organic farms in Germany are located in Bavaria. The average organic farm size is 31 ha, which is less than the German average of about 56 ha. From 2000 to 2010, the number of organic farms increased from 3,280 to 6,437 holdings (+96 %) and the organic area rose from 92,130 ha to 197,893 ha (+115 %).

Agriculture in **Lower Saxony** is very heterogenic and has a relatively strong focus on competitiveness and export markets. At the coast line in the North, there are predominately grassland farms, while in the South most of the land is used for arable production. Mainly mixed farms are located in the middle of Lower Saxony. The Western part is characterised by intensive livestock production, especially pork and poultry production. In contrast to Bavaria, organic farming has developed more modestly in Lower Saxony. In 2010, organic farms make up just 3.2 % of total holdings and organic land has a share of just 2.9 % of the region's total agricultural area. In total 7.5 % of the organic area and 6.1 % of the organic farms in Germany are located in Lower Saxony. From 2000–2010 the number of organic farms in Lower Saxony grew by 76 % from 730 to 1,344 holdings. Organic land experienced a growth rate of 108 % during the same period when the area increased from 34,763 ha to 74,300 ha.

The **German** state system is federal and the various political parties and regions have very different attitudes towards organic farming. This is mirrored by the fact that individual federal states support organic farming to a different extent. In Bavaria, e.g., organic farming is one of the agricultural policy priorities of the state and various support measures exist. A different policy situation exists in Lower Saxony. The regional government acknowledges the environmental performance of organic farming but its main focus is on improving the competitiveness of the agricultural sector without favouring

specific types of farming. The federal government of Germany influences the regional organic support policies through a co-financing of organic area payments within the Framework of the 'Joint Task for Improvement of Agricultural Structure and Coastal Protection (GAK, Gemeinschaftsaufgabe Verbesserung der Agrarstruktur und des Küstenschutzes)<sup>11</sup>'. Furthermore, as a supplement to the regional organic support measures, the federal government implemented a Federal Organic Farming Scheme in 2002 (Bundesprogramm Ökologischer Landbau). The scheme has been developed to further improve the basic conditions necessary for expanding organic farming in Germany.

Like in other countries, the development of organic farming is fostered by a strong demand for organic food. With a turnover of EUR 5.9 billion in 2010, the German organic food market is the biggest market for organic products in Europe. On average, per capita spending amounted to EUR 71 in 2009. Despite a steady increase in supply, for several years demand could not be satisfied by domestic production. This has resulted in an increasing reliance on imported organic goods. While traditionally organic food was mainly sold via natural or organic food shops, supermarkets and discounter shops have become the most important outlet in the last ten years.

### **Italy (Marche and Apulia)**

Italy is characterised by varied agricultural production, ranging from the mountain climate of the Alps to the semi-arid areas of Sicily in the South. Output includes typical quality products such as wine, cheese, meat and extra-virgin olive oil, as well as products from extensive upland farms to more intensive livestock in the North. In Italy two case regions were selected: Marche located in the middle of the country and Apulia located in the South East. While Marche was among those regions pioneering organic farming, both in terms of production and policy, Apulia, on the other hand, is a region where organic farming developed only recently.

**Marche** is characterised by inland mountains and hills with flat land along the Adriatic coast and rivers. 95 % of the region counts as rural and 81 % of the population lives in rural areas. The region is characterised by a decreasing and aging population, low levels of economic activity in rural areas and poor access to services. In 2010, Marche had 52,731 ha of organic land on 1,783 holdings. In total, 4.7 % of the organic area of Italy is located in Marche. However, the organic area takes up 11.1 % of the total agricultural area. Organic farms have a 3.8 % share of all farms in Marche. Average farm size is 29.6 ha. Organic farm numbers have increased by 43.6 % since 2000 (1,593 holdings) but growth is stagnating in the last years.

The farm structure is mainly based on small family farms highly specialised in cereals. Arable crops have a 37 % share of the organic land which is high compared with the other case study regions. Permanent crops have up to a 32 % share, grassland accounts for 24.7 % and vegetables for 5.4 %. Important regional products are cereals and wine.

Since the 1990s the government's policy in Marche has been highly favourable to organic farming. Consumption of organic food is widespread and there is a tradition of organic catering in state schools. In 2006, Marche was awarded "BioRegion 2006" because of consistent support from the government to promote organic farming.

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<sup>11</sup> Regional RDP measures implemented by individual German federal states are only co-financed by the Federal Government if they are in line with the various GAK principles.



**Apulia** is the most “agricultural” Italian region, with 83.7 % of the area devoted to agriculture and a share of 6.2 % of the regional value added. An agricultural area of about 1.3 million ha is managed by 325,500 farms. The region constitutes to be a leader in certain areas of production (like vineyards and olive trees) with typical high-quality agri-food products. In 2010, Apulia had 137,721 ha of organically farmed land (4,501 organic farms), the second largest organic land area after Sicily. About 12 % of Italian organic land is located in Apulia. Organic holdings make up 1.6 % of all agricultural holdings and the organic area accounts for 10.8 % of total UAA. Average farm size is 30.6 ha, which is comparable to Marche, but low in comparison to other countries.

Olive oil and vegetables play an important role in the region’s organic production which is mainly export-oriented. The major regional products are cereals and olives. In contrast to the other case study regions, 43.5 % of the organic area is used for permanent crops. 38.6 % of the organic area is used for arable crops, 13 % for grassland and on 4.9 % vegetables are cultivated.

Like Marche, Apulia emphasises competitiveness over environmental measures in its rural development policy, although within the agri-environment programme there is particular emphasis on organic farming with more than 50 % of the budget allocated to this.

The development of the **Italian** organic market has been influenced more by the European than the domestic market. Over a third of all Italian organic products were exported to other European countries. However, since 2007 imports of organic products have been increasing. In 2010, the Italian market for organic products had a turnover of EUR 1.55 billion. This represents market growth of 15 % between 2009 and 2010. Different to other EU countries, where the conventional supermarkets represent the most important organic retail channel, in Italy specialised organic shops play an important role in marketing of organic food. In 2008, 38 % of organic products were sold through supermarkets, followed by specialist retail shops (27 %) and other marketing channels (direct sales, catering) with 35 %.

### **United Kingdom (England and Wales)**

Agricultural policy in the UK is the responsibility of the four devolved administrations of England, Scotland, Northern Ireland and Wales. Two regions were studied: England and Wales. Both regions have been selected as case regions because of contrasting policies and uptake under similar market conditions. Both regions started with similar policy frameworks, including a low level of financial support for conversion only, then diverged, with Wales implementing two action plans between 1998 and 2010. England experienced slower growth while Wales experienced more rapid growth.

In **England**, 392,761 ha of land were farmed organically in 2010 managed by 3,173 producers. Organic area has a 4.4 % share of total agricultural land in England, which is similar to the EU average. The number of organic farms accounts for 2.4 % of all farms in England. The average size of an English organic farm is 76.4 ha. Between 2006 and 2010, organic land area grew by 32 %.

In England, permanent and temporary pasture account for over 75 % of the total organically farmed land, indicating the compatibility of traditional extensive livestock farming with organic approaches. Arable land makes up 14 %, vegetable growing has a 3.2 % share and permanent crops 0.6 %.

England’s rural areas are largely competitive and economically fairly well developed. The main focus of policy support for organic farming is environmental through the agri-environment scheme. An action plan for organic farming was introduced in 2002, but all activities under the action plan ceased in 2007.

In **Wales**, half of the country is mountainous and 80 % of the total land surface area is classified as LFA. The most important farming sectors are beef and sheep (90 %) followed by dairy and arable production. In 2010, organic land area covered 123,000 ha which equates to a 8 % share of total UAA in Wales and 17 % of the UK's organically farmed land. Welsh organic farms have a 2.9 % share of all farms in Wales (1,032 holdings in 2010). The average size of Welsh organic farms is 106 ha which is relatively high. Organically farmed area and organic farms have increased by 59 % and 41 % respectively since 2006. However, from 2009 to 2010 the organic area and farm numbers decreased. The majority of organically farmed land is permanent pasture and rough grazing which accounts for 85 % of all organic land. This corresponds to a high concentration of livestock producers (mainly beef and sheep).

As mentioned above, Wales has had two organic action plans since 1998. The second plan foresaw an increase in organic land area from 10 to 15 % between 2005 and 2010. As in England the main focus of the RDP is environmental, but unlike England, Wales has supported actions relating to market development, advice and training as part of RDP measures. Recently, the future direction of organic farming maintenance support has been unclear with the review of all Axis 2 schemes. The impact of the new all-Wales agri-environment scheme (Glastir) is uncertain, and in the interim, previous support schemes for conversion and maintenance have been extended.

In the **United Kingdom**, consumers spent EUR 2,006 million and EUR 33 per capita on organic products in 2010. This reflects a steady decrease over recent years. Unlike many other countries, the UK experienced high growth in domestic demand for organic products until 2007, accompanied by initially low levels of producer uptake. This situation has changed substantially. Organic product share in the overall retail market for 2009 was an estimated 3.5 %. The main retail outlet for organic food in the UK is the multiple retailers which in 2010 sold 72 % of all organic products in the UK. Historically a large proportion of the organic products sold in the UK were imported. No official statistic is published on self-sufficiency in the organic market, but past estimates suggested that about 60 % is domestically produced with considerable variation between sectors.

## **1.2 Overview of policy support in the case study regions**

In order to give further insights into the policy context of the case study countries/regions, this section provides a short overview of the policy support for organic farming in rural development plans and implemented national support programmes.

### **RDP measures addressing organic farming**

Agri-environmental payments (Axis 2, Measure 214) are by far the most important RDP measure to support organic farming in the case study regions, providing specific support for conversion to and maintenance of organic management practices (see Figure 1.2). In the case of Denmark, maintenance payments are provided under the Environmental Farming Scheme which is also open to conventional farmers who fulfil similar requirements<sup>12</sup>.

Payment rates for individual crops differ substantially among case study regions. Only Denmark has implemented a uniform flat rate. Apart from Austria, the Czech Republic and Apulia (Italy), payment rates are higher in all cases during the conversion period. Substantial differences also exist with respect to eligibility criteria and requirements as well as possibilities to combine the organic support

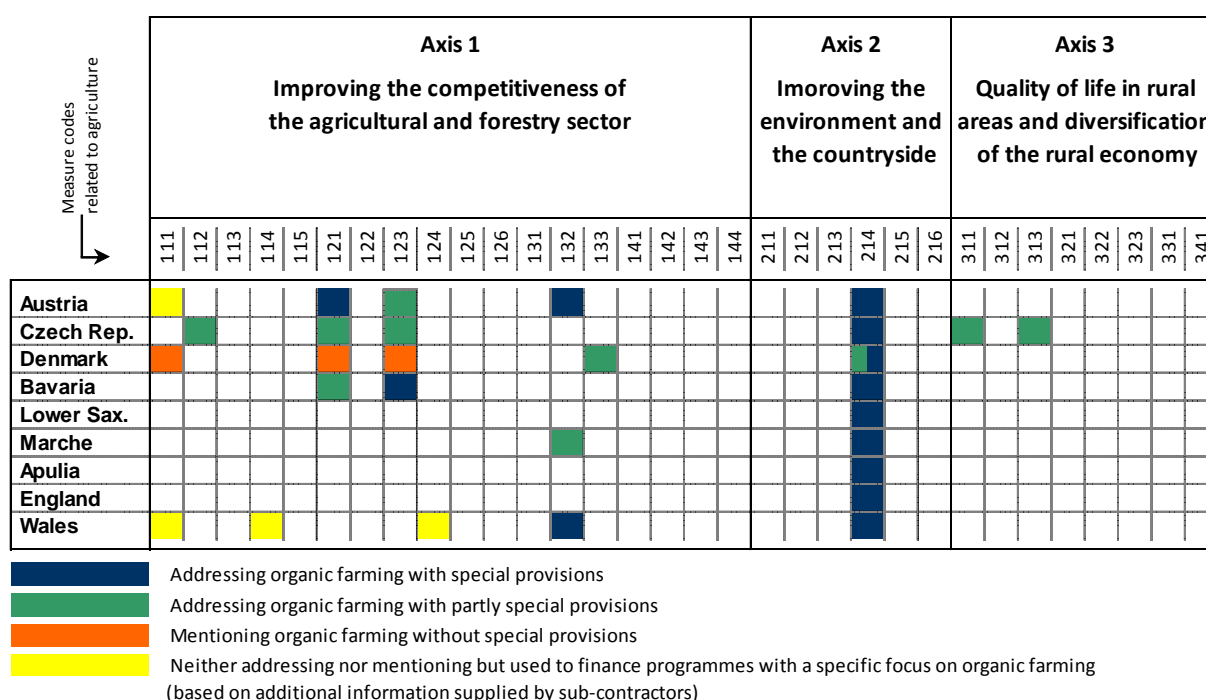
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<sup>12</sup> The current RDP extensification scheme, which provides area payments for organic farmers, is stepwise replaced by a similar Article 68 measure under Council Regulation 73/2009.

scheme with other agri-environmental measures. None of the case study regions use any other Axis 2 management measures than Measure 214 to develop the organic sector.

Six of the nine programming regions address organic farming in Axis 1 with special or partly special provisions. Thus, there is a much lower emphasis on supporting organic farmers as a means of increasing the competitiveness of the agricultural industry and use of measures to develop the market (Axis 1) and less recognition of the potential contribution of organic farming to diversification of the rural economy (Axis 3) with only one country, the Czech Republic, addressing organic farming. No information about addressing support to organic farming in the LEADER measures has been identified. However, Austria and Germany use the LEADER measures to support projects related specifically to organic farming.

Figure 1.2 Overview of RDP measures addressing organic farming in the case study countries



See page X-XII (List of Abbreviations) for explanation of measure codes

Source: Own presentation based on data supplied by national experts.

### Support measures in national organic action plans or other support programmes

Alongside efforts to develop organic farming in line with the objectives of the European Action Plan for Organic Food and Farming by using RDP measures, a number of countries use national action plans or other support programmes to develop the sector. Table 1.1 provides an overview of national/regional action plans for organic farming in the case study countries and of the issues they address.

Austria, the Czech Republic and Italy have national action plans for organic farming. Germany and Denmark have a national policy support framework that functions similarly to an action plan but is not called so. In the case of Italy, the instrument of an organic action plan is used at national level, whereas RDP programming responsibility lies with the regions. The Danish Organic Vision programme and a new action plan in Austria were only launched in 2011 and very few details are yet known. The UK has no nationwide action plan although action plans existed in both England and Wales (and a new action plan has been launched in Scotland). However, activities under the English

Action Plan have been suspended since 2007 because the Ministry considered them completed, although no formal evaluation was published. The action plan of 2002 has therefore not been considered in the analysis. However, a number of support policies have existed outside the RDP framework (see Chapter 4). In Wales, the 2<sup>nd</sup> Welsh Action Plan of 2004 came to the end of its envisaged implementation period in 2010 and there are currently no plans for a new action plan.

Table 1.1 Overview of national action plans and areas covered

	AT Action plan	CZ Action plan	DK Organic Vision	DE BÖLN	IT Action plan	UK-WAL Action plan
Year of development	2009	2010	2011	2001	2001	2004
Implementation	2011	2011 to 2015	2012–2013	Since 2002 continuous	Since 2005 continuous, 2008–2009	2005–2010
Bottom-up			✓	✓	✓	✓
Top-down	✓	✓	✓	✓		
Previous APs (years)	2001, 2003, 2005, 2008	2004–2010	1995, 1999	None	None	1999–2004
Stakeholder participation	medium	high	high	medium	high	high
AP has been formally evaluated (year)		2010		2004 partly		2011 partly
Land area target	20 % by 2013	15 % by 2015	15% by 2020	Creating growth	None	10-15 % by 2011
Market targets	a) 100 % marketed as organic by 2020 b) up to 10% market share	a) 60 % domestic food share b) annual in- crease of 20 % c) 3 % market share		Creating growth		
<b>Contains actions / measures related to</b>						
Area-payments (agri-environment)	✓		✓			✓
Farm investments	✓					✓
Marketing & Processing	✓		✓	✓	✓	✓
Certification & Regulation	✓		✓		✓	✓
Training & Advice	✓	✓	✓	✓	✓	✓
Information & Education	✓	✓	✓	✓	✓	✓
Promotion campaigns	✓	✓		✓	✓	✓
Public procurement	✓		✓	✓		✓
Infra-structure (organic sector institutions)	✓	✓			✓	✓
Research	✓	✓		✓	✓	✓
Other		✓		✓		

Source: Own presentation based on information supplied by sub-contractors

A number of noteworthy actions and features are summarised below. A full inventory of all national support policies in all the case study countries and regions can be found in the national inventories (Annex 1) and case study monographs (Annex 4).

- The Austrian Action Plan includes actions relating to most issues. There is also a focus on information for schools and nurseries as well as procurement, and, interestingly, it also includes an action on the promotion of organic farming in developing countries in cooperation with the ADA (Austrian Development Agency).
- The Czech Action Plan includes actions to evaluate the contribution of organic farming to the environment and animal welfare and to make farmers more market-oriented, to improve their financial viability and reduce their dependence on subsidies.
- In Denmark, organic farming is supported through a research programme and also as part of a number of mainstream agricultural or general policies, such as innovation and an agricultural fund. It aims to target organic farming as the preferred management option in environmentally-sensitive areas.
- The Federal Organic Farming Support Scheme (BÖLN) in Germany aims to provide information to various actors in the whole supply chain and to carrying out research and demonstration activities. It has recently been opened to include also other forms of sustainable agriculture.
- The Italian Action Plan promotes, among other actions, studies concerning organic agriculture's role within environmental policies. It also promotes studies on the environmental impact with the aim of defining concrete actions to improve the environmental efficiency of organic farms. Further actions refer to defining guidelines for the creation of "organic districts" and for institutional development as well as the promotion of virtual supply aggregation/concentration to strengthen trade and exports.
- As in the Czech Republic, the action plan in Wales features support for educational work with schools.

Bavaria and Lower Saxony have not implemented an organic action plan but support organic farming through a range of regional measures (besides RDP measures). Both federal states support organic farmers among others through vocational training programmes and farm advisory, information and promotion campaigns as well as grants for research projects related to organic farming. In Lower Saxony, numerous support activities are provided by a partly state-funded competence centre for organic farming. In Bavaria, organic farmers may also benefit from a marketing programme which is focussed on the development of local marketing strategies for organic and regional quality products.

Nation support measures that are not part of an organic action plan and not (co-)funded by the EAFRD/EAGF exist also in Denmark and England. In Denmark, organic inspection is carried out by a state body and the service is free of charge to farmers, processors, canteens and restaurants. An organic conversion service exists in England. Furthermore, both countries/regions participating in the transnational research network CORE organic.

### **1.3 Content of Part B**

Having described the organic sector and the policy environment in the nine case study regions, the results of the in-depth analysis on the relationship between policy measures, policy strategies and the development of organic farming are presented in the following chapters. The first and the second study questions, which focus on the contribution of support policies to the development of the organic sector and the factors affecting the effectiveness and efficiency of these policies, are answered in Chapter 2. Subsequently, in Chapter 3, links between national support package - consisting of rural development programmes and national or regional organic action plans/support programmes – and the European Action Plan for Organic Food and Farming are explored (Study Question 3). An assessment of the overall organic support strategy and policy coherence in the nine case study regions is given in Chapter 4, addressing Study Question 4. Based on the results, conclusions are drawn in Chapter 5 on how the policy framework in the EU can be improved to enable a further growth of organic farming.

## Chapter 2

# Contribution of public support measures addressing organic farming to the development of the organic sector

Matthias Stolze and Ingrid Jahrl

### 2.1 Introduction

Organic farming has been developed by a social movement without government support and intervention (Dabbert 2001). Indeed, government support for organic farming in recognition of its wider benefits began in the late 1980s, with national initiatives in countries like Austria, Denmark, Germany and Switzerland, as well as programmes in a few EU Member States under the framework of the EC Extensification Programme (Commission Regulation (EEC) No 4115/88) (Lampkin et al. 1999; Lockeretz 2007, Stolze and Lampkin 2009).

Since then, organic farming development has become more and more an instrument of state agricultural policy. With the legal definition of organic farming (Council Regulation (EEC) No 2092/91) in the early 1990s, it became possible to specifically include organic farming as an option under the agri-environmental and other measures of the rural development programmes. Government support for organic farming now also extends into areas such as research, market development and consumer promotion.

Organic farming development in Europe has been stimulated mainly by two factors (Dabbert 2001; Stolze and Lampkin 2009): strong consumer demand and policy support through

- EC Reg. 2092/91, the EU-wide legal definition of organic farming, and
- Area payments as an agri-environmental measure in the framework of EU rural development programmes (EC Reg (No) 2078/92 and 1257/1999).

However, the resulting supply increases induced by the organic area payments led to short-medium term marketing problems particularly for organic milk and beef in countries like Austria, Denmark and Germany (Hamm and Gronefeld 2004; Lampkin and Stolze 2006; Daugbjerg et al. 2008). Stimulating the organic market requires the availability of organic raw material. Thus to some extent, a period of supply and demand imbalance might be inevitable. Processing and marketing of organic products are of crucial importance to sustainable development of the organic sector with its dual market and public good focus, requiring a different approach to that usually implemented under other agri-environment schemes. Since the late 1990s, organic farming policy has therefore developed from a one-dimensional focus on area support to more integrated approaches considering demand-oriented measures as well as communicative policy instruments of information, training, research, education and capacity building (Stolze and Lampkin, 2009). Action plans provide a strategic instrument for governments to achieve policy goals, particularly when multiple policy areas (such as agriculture, environment, trade), are to be integrated and contradictory policies are to be avoided whilst also ensuring that the different measures are complementary (Håring et al. 2004; Lampkin and Stolze, 2006; Schmid et al. 2008). Also the European Commission (2010) states that especially for EU Member States with a recent organic farming sector development that may face

market difficulties or have a less conducive institutional framework, policy measures need to consider diverse support in enhancing the uptake of organic farming by providing measures also beyond support subsidies to organic production. In the analysis of the organic sector development dynamics after 2005, the European Commission (2010) concluded that there are three factors responsible for the evolution of organic holdings: i) the support that is provided to the sector, ii) market developments and iii) the existence of a “facilitating” environment.

However, **to what extent has the use of public support measures addressing organic farming contributed to the development of the number of farms, area of land under organic management and growth of the organic market for organic products? And what are the factors influencing the effectiveness and efficiency of these measures?** To answer these questions, this chapter presents an analysis of quantitative and qualitative information from six case study countries (Austria, the Czech Republic, Denmark, Germany with the two regions Bavaria and Lower-Saxony, Italy with the two regions Marche and Apulia, and the United Kingdom with England and Wales). The chapter is structured in the following way:

- Section 2.2 describes the approach of data collection and analysis will be described.
- Section 2.3 analyses the role organic farming policy measures have for organic sector development in terms of number of farms and area of land, and
- Section 2.4 for organic market growth.
- Section 2.5 makes a particular reference to the factors which affect effectiveness and efficiency of public support measures for organic farming.
- Section 2.6 draws conclusions from the empirical data and the analysis.

## **2.2 Approach**

To understand the importance of public support measures and thus the extent to which they have contributed to the evolution of the number of organic farms, the organic land and the organic market, all organic farming support policies as well as other factors that influence organic sector development were looked at and the interdependency between these policy and context factors were analysed. The data basis for the analysis consisted of

- quantitative information from the EU Farm Accountancy Data Network (FADN),
- qualitative information of
  - a first web survey of 111 stakeholders to identify the factors and their strengths which influenced between the period of 2000 and 2011 the number of organic farms, the area of organic land and organic market development,
  - a second web survey of 79 stakeholders to estimate the contribution of the most relevant public policy measures and of context factors identified in the first web survey to the evolution of the number of organic farms, the organic land and the organic market, and
  - six national expert workshops to put the survey results into the national context of the case study countries and to identify factors influencing effectiveness and efficiency of public support measures for organic farming.



## **Approach of the quantitative analysis**

The EU Farm Accountancy Data Network (FADN) data were analysed using descriptive statistics. For this descriptive analysis, the relation of the support level for organic farming to that of competing policies (e.g. other agri-environmental measures non-combinable with organic farming, e.g., integrated farming) is used as an indicator. This indicator can serve explaining the effectiveness of specific area support for organic farming (i.e. conversion and maintenance payments) (Häring et al., 2004). The effective support to organic farming via area payments within the agri-environmental programmes is measured as the difference of total agri-environmental payments received by organic and comparable conventional farms (on the basis of the argument that the organic farms would at least get as many agri-environmental payments as comparable conventional farms if no specific support for organic farming was available). It should be noted that the level and the development of this indicator can be very different from those of the nominal rates of organic farming support specified in national regulations (Part A, Chapter 2, National Inventory) for two reasons: i) it takes into account that the incentive effect is reduced by competing policies, and ii) the average rate of organic support payments actually received by organic farms differs from nominal rates for a number of reasons (e.g. not all farm area may be eligible, not all organic farms may apply or be accepted for support, variation in payments between different categories of land). It is exactly for these reasons, however, that the effective support indicator is better suited to evaluate the effectiveness of specific area support than nominal programme rates.

As payments from specific organic support programmes are not separately accounted for in the EU Farm Accountancy Data Network, the effective support to organic farming via area payments within the agri-environmental programmes is measured as total agri-environmental payments received by organic farms minus the agri-environmental payments received by 'comparable conventional farms'. The information from 'comparable conventional farms' thus serves as a proxy for the amount of agri-environmental payments that organic farms would get if no specific support for organic farming was available (the counterfactual).<sup>13</sup> Comparable conventional farms are selected as a reference system according to the methodology described in Nieberg et al. (2007). For this study, comparable conventional farms have the same general farm type, similar altitude and less-favoured area (LFA) status, and similar size of agricultural land (UAA) and milk production as the organic farms. For the United Kingdom, comparable conventional farms additionally have similar total grassland and rough grazing areas. Horticultural, and, with the exception of Italy, wine and permanent crop farms have been excluded, due to difficulties in identifying truly comparable farms. This approach prevents comparing, e.g., organic beef or sheep farms with conventional pig rearing farms. More details are given in Annex 3. The reported results are based on un-weighted sample averages.<sup>14</sup>

The impact of this 'effective' support to organic farming on income is assessed by subtracting the support from actual income of organic farms. The profitability<sup>15</sup> of organic farms without specific support measures compared with the profitability of comparable conventional farms provides an indication of the importance of organic farming policies as a financial incentive to (re-)convert.

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<sup>13</sup> This is equivalent to the argument that the organic farms would at least get as many agri-environmental payments as comparable conventional farms if no specific support for organic farming was available.

<sup>14</sup> As organic farming is not a stratification criteria employed when calculating the EU FADN weights, the reliability of these weights might be low, especially in countries where organic holdings represent only a small proportion of farms (Hansen et al., 2009).

<sup>15</sup> Profitability is here measured as farm net value added per agricultural working unit.

Due to the fact that too few observations were available (maximum 9 years per country) to account for i) the multitude of factors influencing the development of organic farming, and ii) the lag which can be expected between policy implementation (and related indicator response) and a change in the share of organic land, from the data of the EU Farm Accountancy Data Network, it was not possible to conduct a meaningful multivariate statistical analysis.

### **Approach of the qualitative analysis**

To answer the study questions, six case studies were used as a descriptive and explanatory tool in order to understand thoroughly the complexity of the problem given. To integrate the knowledge gained from the case studies, the Qualitative System Analysis approach was chosen. According to Wiek et al. (2008), the Qualitative System Analysis is a constructivist approach similar to conceptual modelling approaches that aim at system representation as collective knowledge. The Qualitative System Analysis was organised as an expert online consultation process with two electronic consultation rounds and six national expert workshops. For this, the case study country partners identified experts from the national or regional government, organic farming association, research, organic market experts, producers, retailers and processors. As far as the development of the number of organic farms and the organic area is concerned, the web survey in Germany, Italy and in the United Kingdom specifically asked for the influencing factors on regional level (Germany: Bavaria and Lower-Saxony, Italy: Marche and Apulia, United Kingdom: England and Wales). The regional impact on organic market development is however limited. Therefore, factors influencing the organic market development were analysed in all case study countries from a national perspective.

#### *First web survey: Which factors have an impact?*

The aim of the first web survey was to identify for each case study the most relevant factors that influenced the number of organic farms, the area of organic land and organic market development in the period between 2000 and 2011. The questionnaire was based on an initial list of impact factors including public support measures for organic farming, policy relevant factors and context factors. Experts were asked to add against the background of the country specific situation any missing factors and to rate the impact (strong impact, medium impact, weak or no impact) of each factor on the development of the number of organic farms and the area of organic land on the one hand and on organic market development on the other. This resulted in the calculation of an impact index and a ranking of impact factors. As a result of the web survey from Denmark and Germany, two additional factors “Collaboration between organic actors and the government” (in Denmark) and “Support of renewable energy sources” (in Germany) were considered to be relevant. The results of the web survey fed in the second web survey. Table 2.1 shows the number of experts who participated in the first web survey.

Table 2.1 Participation in the first web survey by case study country

	AT	CZ	DE	DK	IT	UK	Total
Government	3	5	2	2	2	2	16
Producer	4	7	0	0	3	4	18
Organic farming association	4	2	3	3	0	3	15
Advisory service	1	1	3	1	1	1	8
Processor	2	1	2	0	0	1	6
Organic marketing	5	4	3	3	3	1	19
Certification body	0	1	0	0	1	1	3
Research	1	2	8	3	2	4	20
Other	0	1	2	1	1	1	6
<b>Total</b>	<b>20</b>	<b>24</b>	<b>23</b>	<b>13</b>	<b>13</b>	<b>18</b>	<b>111</b>
Experts contacted	27	42	82	21	25	43	240
Response rate in %	74	57	28	62	52	42	46

Source: Own presentation

Between 13 (Denmark, Italy) and 24 (Czech Republic) experts participated in first web survey which corresponds with a response rate between 28 – 74 % which is considerably high for web surveys. Most respondents of the first web survey round were researchers (18 %), producers (16 %), representatives of the government (14 %), organic farming association (14 %) and retailers (13 %).

*Second web survey: What are the mutual impacts between the most relevant factors?*

The aim of the second web survey was to assess the mutual impacts between the most relevant factors that were identified in the first web survey. This step was required to be able to estimate the direct and indirect impacts of public policy support measures and context factors. As a guiding principle, in the second web survey only factors were included which showed at least a medium importance in the first web survey (see Annex 4 for details). Furthermore, to keep the time required for answering the web survey in less than 45 minutes, the number of factors in the second web survey round was limited to a maximum of 17 factors. Table 2.2 shows the participation of experts in the second web survey.

Even though the second web survey design was thoroughly prepared, pre-tested and the experts were informed that the project will need a substantial contribution, the total responses per country amounted to between 11 and 18 fully completed questionnaires. The second web survey was quite complex and demanding so that some experts were not willing to contribute to the survey. This led to the situation that in those countries where the project aimed at distinguishing the national level as well as two regions (Germany, Italy, United Kingdom), the information received was not sufficient to make a sound analysis at the regional level. This was compensated by specifically addressing regional aspects during the national expert workshops. Most respondents of the second web survey were organic producers (19 %), researchers (16 %) and representatives of the government (13 %) with only a few marketing experts responding. Therefore, the results of the second web survey very much reflect the production and policy-maker perspective while the market perspective is somewhat underrepresented.

Table 2.2 Participation in the second web survey by case study country

	AT	CZ	DE	DK	IT	UK	Total
Government	3	2	0	1	2	2	10
Producer	5	4	0	3	1	3	16
Organic farming association	1	2	0	1	1	0	5
Organic marketing	1	1	0	0	0	2	4
Processor	1	3	3	0	0	0	7
Organic marketing	1	0	1	2	2	0	6
Advisory service	1	2	2	1	0	1	7
Certification body	0	2	0	0	0	2	4
Research	1	1	5	3	1	2	13
Other	0	1	1	0	3	2	7
<b>Total</b>	<b>14</b>	<b>18</b>	<b>12</b>	<b>11</b>	<b>10</b>	<b>14</b>	<b>79</b>
Experts contacted	27	42	82	21	25	43	240
Response rate in %	52	43	15	52	40	33	33

Source: Own presentation

### Analysis of the web surveys

Based on the information received from the two web surveys, for each case study country two impact matrices were compiled: one impact matrix for the analysis of the development of the number of organic farms and the organic area and one impact matrix for the analysis of the organic market development (see Annex 4 for the impact matrices). In the Quantitative System Analysis, the coefficients of the impact matrix  $M(V_i, V_j)$  do not only specify the impact strength with which the impact factor  $V_i$  influences the impact factor  $V_j$ , but also the proportionality of the impact. The impact strength was assessed as zero (no or weak impact), 1 (medium impact), or 2 (strong impact). The proportionality is indicated as positive (proportional) or negative (inversely proportional). Thus the coefficients of the impact matrix can take the values from -2 (strong inversely proportional impact), -1 (medium inversely proportional impact), 0 (no impact), 1 (medium proportional impact), and 2 (strong proportional impact). The compilation of the impact matrices was followed by a modelling and analysing procedure using SYSTAIM Q software i) to estimate the indirect impacts of an impact factor and ii) to estimate the efficacy of an impact factor to contribute to organic sector development.

The contribution of an impact factor to organic sector development is complex and can be direct and indirect (through at least one other impact factor). To understand the real contribution of an impact factor therefore both the direct and the indirect impact need to be taken into account. These indirect impacts were calculated using the system feedback matrix approach (Tietje, 2009). The system feedback matrix is a linear dynamic system matrix with a linear ordinary differential equation system. On the basis of the feedback matrix an efficacy analysis was conducted. The efficacy analysis estimates the extent to which factors contribute to change other factors or to achieve certain goals respectively. For this study, the following goals were defined:

- a. Increase the factor “number of organic farms and the organic area”
- b. Increase the factor “organic market”

The results of this efficacy analysis approach can be interpreted as the extent to which impact factors contribute to foster organic sector development. As the efficacy analysis does not only show whether a factor contributes to achieve a certain goal but also its relative performance compared to other

factors, the efficacy analysis provides an indication of the potential effectiveness of a factors for contributing to organic sector development.

### **National expert workshop**

To validate the results of the two web surveys, to examine which factors influence the effectiveness and efficiency of public support measures for organic farming, and to discuss the outcome of the document analysis (see Chapters 3 and 4) expert workshops were conducted in each case study country. They followed a common structure, but left space to clarify questions specific to the case study country and region. Ten experts participated in the workshop in the Czech Republic, Germany and in the United Kingdom, seven in Denmark, four in Austria and three in Italy. The key tasks and questions of the expert workshops were:

1. Critical reflection of the web survey results against the national and regional situation in the case study countries.
2. Which factors are expected to have an important impact on the number of farms, the organic area and the organic market in the future?
3. How could (e.g. through policy design, framework conditions) the effectiveness and efficiency of the current policy support measures for organic farming be improved?
4. What is the coherence of policy in support for the organic sector in the case study countries?
5. What were the reasons that supporting organic farming is considered an important (not important) instrument in the national/regional agricultural and rural development policies?
6. What could be done to improve the Pillar 2 of the CAP (Rural Development Program) in the next period (after 2014) to achieve better support policies for the organic sector?
7. How could the co-ordination between the regional/national rural development programmes and organic action plans be improved?

The results of the expert workshops contributed to the results presented in this chapter and to the documentary analysis which is presented in Chapter 3 and 4.

## **2.3 Contribution of public support measures to the development of the number of organic farms and the organic area**

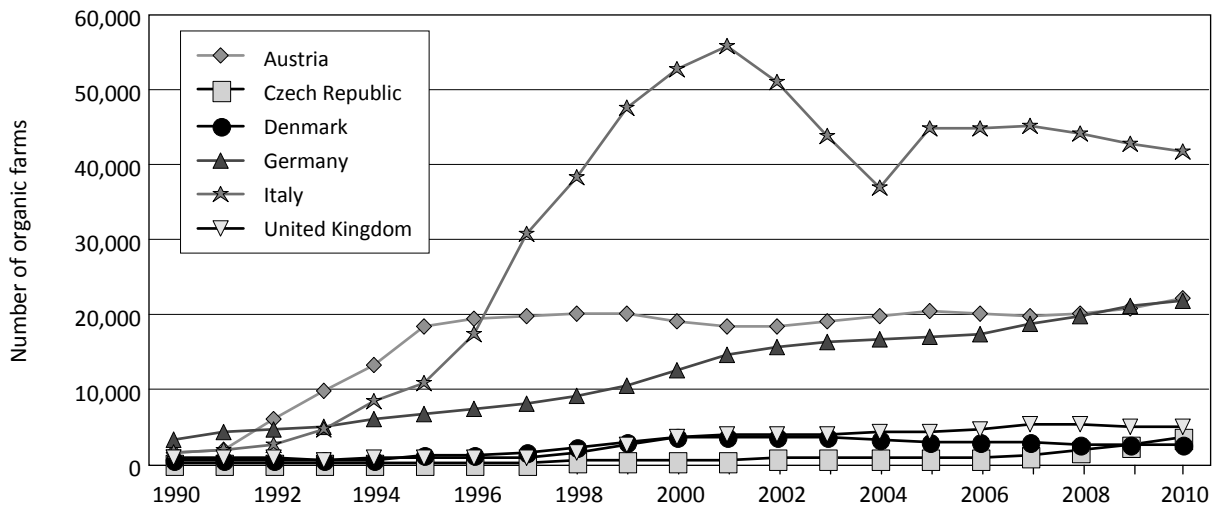
This section provides the results from the quantitative and qualitative analysis with respect to the development of the number of organic farms and the organic area between the period of 2000 and 2011.

### **2.3.1 Overview on the development of the number of organic farms and the organic area**

The development of the organic sector in the six case study countries is quite different (see Figure 2.1 and Figure 2.2). In Denmark, the organic sector boosted particularly in the 1990s and stagnated since 2000. This might be due to the maturity of the sector (European Commission, 2010). Also Austria showed a great growth rate in the number of organic farms in the 1990s. But contrarily to the situation in Denmark, the organic area has continuously grown while the number of farms keeps

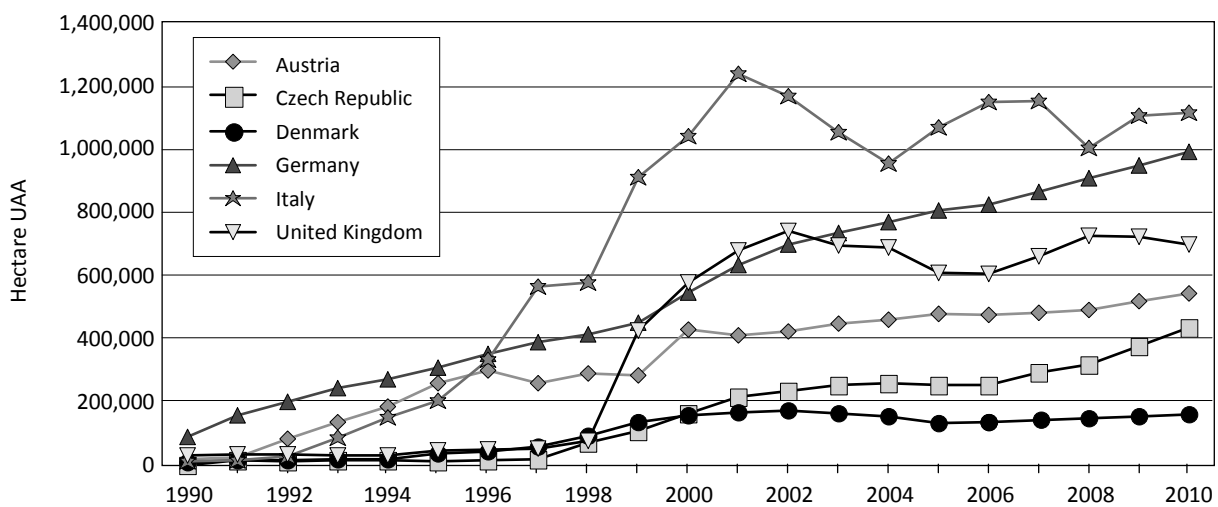
almost constant. Thus, organic area development first of all is a result of increasing organic farm size. Compared to the other case study countries, the Czech Republic is a new comer in organic business. Even though organic area payments were introduced already in the 1990s, the number of organic farms increased dynamically within the last years from 829 farms in 2005 to 3'517 organic farms in 2010. Italy is leader among the case study countries with respect to the number of farms and the organic area. After a very dynamic organic sector development with a peak in 2001, in Italy both the number of organic farms and the organic land area decreased until 2004. Even though since 2005 the number of organic farms and the organic area increased again, they did not reach the peak level of 2001 again. Also the UK, had low but continuous growth rates as far as the number of organic farms is concerned, and had between 2000 and 2006 and again in the last couples of years an alternating development in the organic area. This is influenced by decline in Scotland while other regions showed increasing land area. Finally, Germany's organic sector increased with respect to both the organic area and, on a lower level, to the number of organic farms.

Figure 2.1 Development of the number of organic farms between 1990 and 2010



Source: Own calculation based on data from EUROSTAT, national Ministries of Agriculture, University of Aberystwyth, Bio Austria and Biobank

Figure 2.2 Development of the organic area between 1990 and 2010



Source: Own calculation based on data from EUROSTAT, national Ministries of Agriculture, University of Aberystwyth, Bio Austria and Biobank

The organic sectors analysed in the study represent countries

- with a very long tradition in organic farming: Austria, Denmark, Germany, Italy, United Kingdom;
- where organic farming just recently gained in importance and develops dynamically: Czech Republic;
- where the highest sector growth was in the 1990s: Austria, Denmark, Italy, United Kingdom;
- with an alternating development since the beginning of this millennium: Italy, United Kingdom (only organic area); and
- showing continuous growth with respect to both the number of organic farms and the organic area: Germany.

### **2.3.2 The role of public support measures for the development of the organic area and the number of organic farms**

Recent research shows that governmental organic farming support has a significant impact to the development of the number of farms and the organic area (Daugbjerg et al., 2011; Lesjak, 2008; Bahrs and Held, 2006). Furthermore, Daugbjerg et al. (2011) found that in the UK and Denmark the provision of organic extension as well as marketing support correlates positively with the number of organic farms and the area under organic management. Other authors suggest that e.g. the absence of an enthusiastic organic movement (Noe, 2008) or farmer attitudes (Läpple, 2010) are also factors determining the organic sector development.

In a first step, below, the relevance of the organic area payments in the six case study countries is shown. In a second step, the contribution of public support measures and context factors to the development of the number of organic farms and the organic area in the case study countries is analysed.

#### **What is the role of organic area payments?<sup>16</sup>**

The relation of the level of support for organic farming received by farmers to that of competing policies (e.g. other agri-environmental measures non-combinable with organic farming, e.g., integrated farming) is used as an indicator explaining the effectiveness of specific organic farming support (see Section 2.2). In Figure 2.3 the effective specific organic area support is illustrated for the six case study countries. In addition, to complete the picture, total agri-environmental payments per ha received by organic farms are shown. The difference between the level of these two indicators varies significantly between countries, reflecting the different agri-environmental policy environments. Generally, the development of total agri-environmental payments received by organic farms is very similar to that of the calculated effective subsidies indicating that there was no enduring change in the level of support to other ('non-organic') measures supporting environmentally friendly farming in the analysed period. A remarkable exception is the Czech Republic, where the increase of the level of total agri-environmental payments was considerably higher than that of the effective support to organic farms.

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<sup>16</sup> The analysis of EU-FADN data was carried out by Frank Offermann, Johann Heinrich von Thünen-Institut, Braunschweig.

The effective specific area support to organic farming increased by 28 % from 2000 to 2006 in Austria, and from 2000 to 2008 in Germany and this seems to be positively correlated to the share of organic area in total utilised agricultural area (UAA). However, the significant drop in the level of effective specific area support in 2007 and 2008 following the implementation of the 'new' Austrian Agri-Environmental Programme ÖPUL (Österreichisches Programm zur Förderung einer umweltgerechten, extensiven und den natürlichen Lebensraum schützenden Landwirtschaft<sup>17</sup>) has not had a visible effect on the trend of an increasing area share. In the Czech Republic and in the United Kingdom, effective specific area support increased strongly (80-88 %)<sup>18</sup> between 2003/2004 and 2008 (though starting from a considerably lower absolute level than in the other study countries), and seems to be positively correlated to the increase in the share of organic farming in total UAA in the more recent years.<sup>19</sup>

In Italy, the effective specific area support to organic farming decreased from 2001 to 2004 (from 137 to EUR 87 per ha), increased from 2004 to 2006 (from EUR 87 to EUR 161 per ha) and decreased again by until 2008 (from EUR 161 to EUR 112 per ha). Also the alternating level of effective specific area support seems to strongly correlate with the development of the share of organic area in total utilised agricultural area (UAA). In Denmark, the effective organic area support increased slightly from 2000 to 2008, however no relationship to the development of the share of organic area in total utilised agricultural area (UAA) is visible.

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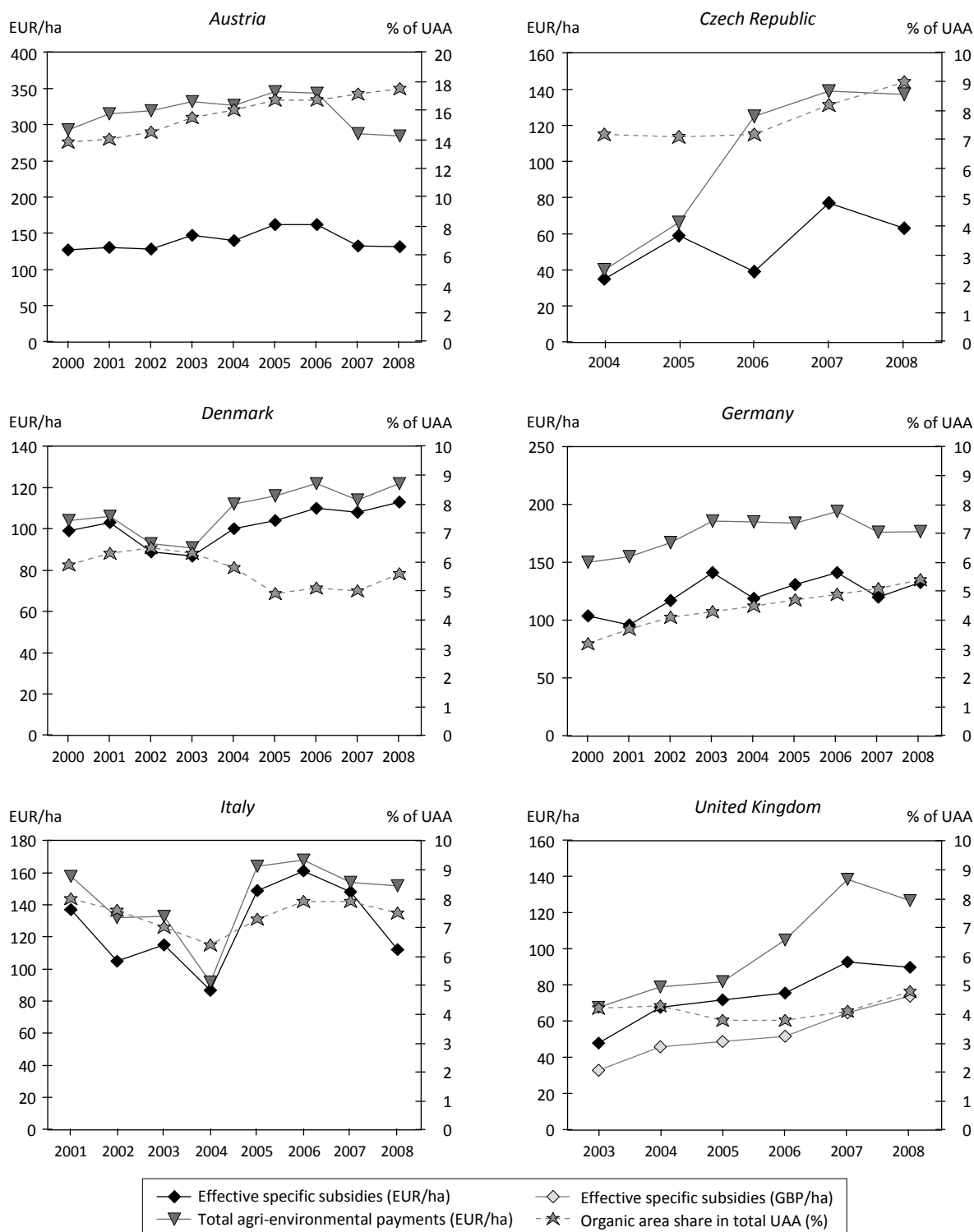
<sup>17</sup> Austrian programme for supporting environmentally friendly, extensive and natural habitat protecting agriculture

<sup>18</sup> Figures are shown in GBP and EUR. Due to the devaluation of GBP against the Euro in 2008, this increase is even higher if measured in the national currency.

<sup>19</sup> For the United Kingdom, this finding is supported by the analysis of Daugberg et al. (2011), who found a significant positive effect of the 2005 'Organic Entry Scheme' on organic land area and number of organic farms. However, other important context factors accounting for growth in the United Kingdom in 2006-2008 were the positive marketing environment and potentially also greater confidence among producers with respect to the impacts of the single farm payment introduced in 2005.



Figure 2.3 Effective specific subsidies and total agri.-environmental payments of organic farms in Austria, Czech Republic, Denmark, Germany, Italy and the United Kingdom Austria, Czech Republic and Denmark in the period 2000 – 2008



Source: Own calculation based on EU FADN, DG-AGRI.

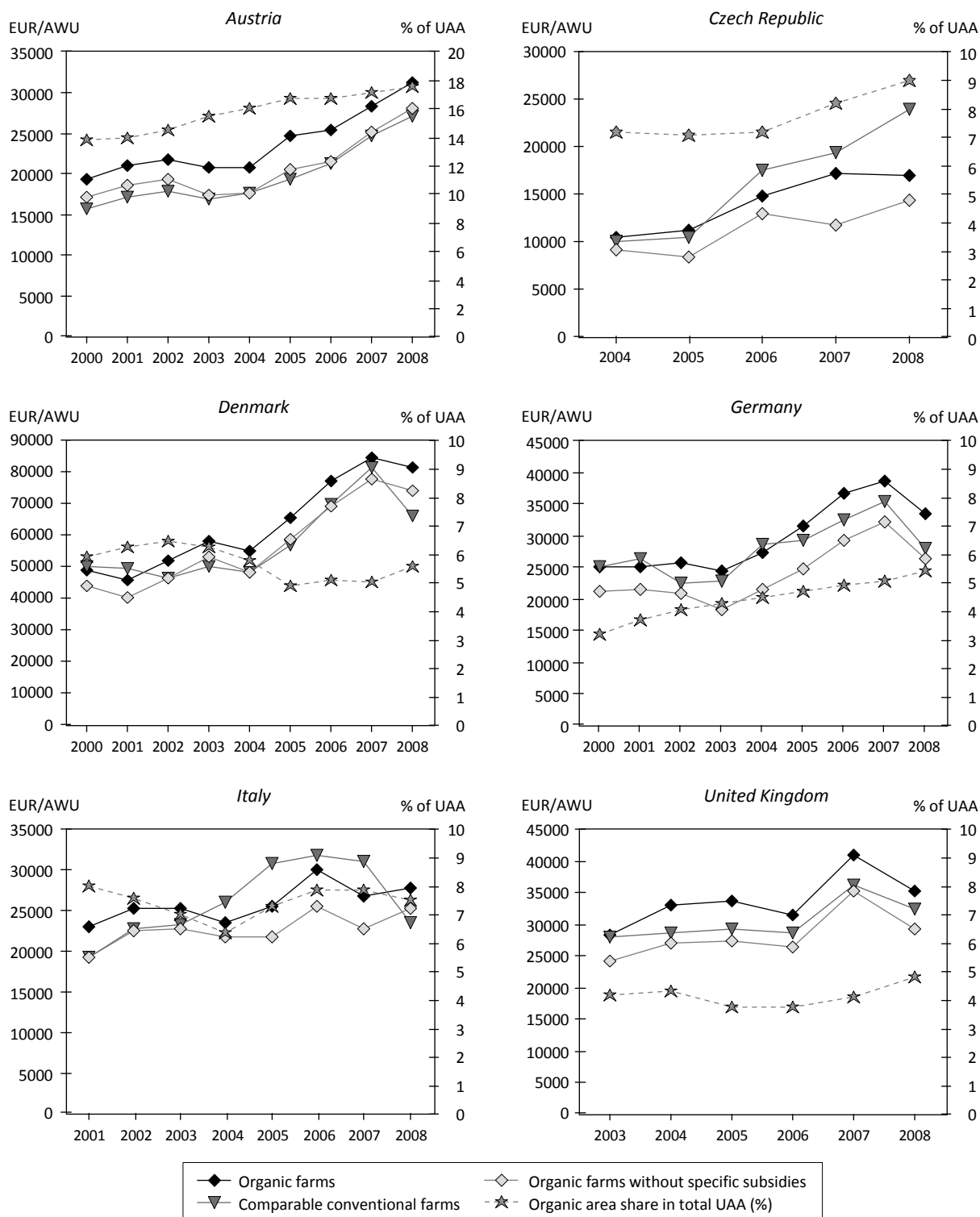
The impact of this 'effective' support to organic farming on income is assessed by subtracting the support from actual income of organic farms. The profitability of organic farms without specific support measures compared with the profitability of comparable conventional farms<sup>20</sup> provides an indication of the importance of organic farming policies as a financial incentive to (re-)convert. The results (Figure 2.4; detailed information is provided in the Annex 4) show that in Germany, Denmark and in the United Kingdom, area support for organic farms played an important role for the relative competitiveness. Without the specific extra support to organic farms, in most years, incomes would have been lower or equal to those of comparable conventional farms. In these countries as well as in Austria, the support to organic farms thus was effective at maintaining relative competitiveness, or even providing an additional incentive for conversion to organic farming. In contrast, the results from the analysis of the data from the EU Farm Accountancy Data Network indicate that in Italy and the Czech Republic, area support for organic farms was not sufficient to maintain relative competitiveness in the more recent years, which however did not prevent the share of organic area in total utilised agricultural area (UAA) to increase (Figure 2.4).

Summing up, in four of the six study countries the support to organic farms was effective at maintaining relative competitiveness, or even providing an additional incentive for conversion to organic farming. For five of the six study countries, the level of effective area support to organic farming seems to correspond with the development of the organic area, though the extent of the correlation differs between countries. Also, it needs to be stressed that due to data limitations no causal relationships can be statistically confirmed, and the development of other factors, e.g. market conditions, may have been (more) important drivers of the development of the organic area share. The figures presented here thus need to be interpreted cautiously in the respective contexts. Notwithstanding these reservations, the result from the analysis of EU farm accountancy data generally coincide with the high importance which national experts attach to the factors 'Difference between non-organic and organic support payments' and 'Organic area payments' for the development of the organic area (see following paragraphs).

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<sup>20</sup> Comparable conventional farms have, e.g., the same general farm type, similar altitude and less-favoured area (LFA) status, and similar size of agricultural land (UAA) and milk production as the organic farms. This approach prevents comparing, e.g., organic beef or sheep farms with conventional pig rearing farms, as differences in income might be more linked by differences in types of production (beef or pig) than by differences in organic/conventional production. More details are given in Section 2.2 and Annex 3.

Figure 2.4 Income (FNVA/AWU) of organic and comparable conventional farms in Austria, Czech Republic, Denmark, Germany, Italy and the United Kingdom in the period 2000 and 2008



Source: Own calculation based on EU FADN, DG-AGRI.

## **How did organic farming policy support measures and context factors contribute to organic sector development?**

To assess the extent to which public support measures for organic farming contributed to the development of the number of farms and the organic area between 2000 and 2011 it is necessary to take all factors into account which had an impact. As organic sector development is a result of both policy and context factors, considering both factors reflects the complexity of organic sector development. While the section above focussed on the effect of the organic area payments, this section analyses the contribution of organic farming policy support measures against the background of context factors such as the perceived profitability<sup>21</sup> of organic farms, farmers' attitude towards organic farming, government commitment to organic farming, or domestic consumer demand.

Figure 2.5 illustrates the contributions of public support measures and context factors to the development of both the organic area and the number of organic farms. Factors showing a blank field for a specific country were considered to have no or only a weak impact on organic farming development in the first web survey. Public support measures shown in Figure 2.5 refer to the period between 2000 and 2010 whereas the overview on rural development programme measures presented in Chapter 1 (Figure 1.2) addresses only current organic farming measures in the case study countries. Between 2000 and 2010, some support measures ceased in the case study countries. These measures are included in this analysis. Support measures marked with "n.i" were not implemented in the respective country between 2000 and 2010. The grey shaded fields show the gradual differences of contribution to organic sector development.

There have been two major policy factors which have crucially been important to the development of the number of organic farms and the organic area:








- organic area payments (in all case study countries), and
- organic action plans or similar support schemes like the Federal Organic Farming Scheme in Germany were considered to be crucially important (in all countries except the United Kingdom).

This finding confirms the results of the quantitative analysis stressing the importance of organic area payments. However, organic area payments were not highest ranked in Austria, Denmark, Germany and Italy. In these countries, the highest growth in the organic area and in the number of organic farms was in the 1990s and accompanied by strong policy support. Now, with a more developed organic sector, the relevance of area payments for organic sector growth has been slightly reduced. On the other hand, in the Czech Republic, the organic area payments were ranked to have a very positive contribution to organic sector development. Even though organic farming support was already provided in the 1990s, the development of the number of farms and the organic area developed dynamically only since the last years. The expert workshops showed furthermore (Czech Republic, Denmark, Germany) that area payments are a basic requirement for farmers to run their farm viably. They are central at an early phase of organic sector development particularly as an incentive for new organic farmers to convert the farm. But organic area payments are also central in countries with a more developed organic sector.

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<sup>21</sup> Profitability is a relative measure of business success benchmarking profit against a reference.

Figure 2.5 Estimated contribution of public support measures for organic farming and of context factors to the development of the number of organic farms and the organic area in the case study countries between 2000 and 2011

	DE	AT	DK	UK	IT	CZ
<b>Support measures implemented</b>						
Organic area payments	Very positive contribution	Very positive contribution	Very positive contribution	Negative contribution	Very positive contribution	Negative contribution
Support organic farming associations	Positive contribution	Very positive contribution			n. i.	
Organic action plan	Negative contribution	Very positive contribution	Very positive contribution		Very positive contribution	Negative contribution
OF extension support (regional support; RDP measure 111)	Positive contribution			Very positive contribution	n. i.	Positive contribution
OF education and training support	Positive contribution				n. i.	
Support of organic farming research	Positive contribution					
OF competence centre support	Positive contribution	n. i.	n. i.	Very positive contribution	n. i.	n. i.
Modernisation of holdings and buildings (RDP measure 121)		Positive contribution		n. i.	n. i.	Positive contribution
Support to improve quality of olive oil (Art. 68)	n. i.	n. i.	n. i.	n. i.	Negative contribution	n. i.
OF marketing support (national support; RDP measure 124, 133)			Very positive contribution		n. i.	n. i.
Adding value to agricultural and forestry products (RDP measure 123)				n. i.	Very positive contribution	Positive contribution
Reimbursement of organic certification costs (RDP measure 132)				Positive contribution	Very positive contribution	n. i.
Tax foundation for supporting development of OF	n. i.	n. i.	Very positive contribution	n. i.	n. i.	n. i.
Organic Conversion Information Service	n. i.	n. i.	n. i.	Positive contribution	n. i.	n. i.
Setting up young farmers (RDP measure 112)	n. i.	n. i.	n. i.	n. i.	n. i.	Positive contribution
Support of renewable energy sources	Negative contribution					
<b>Policy relevant factors</b>						
Difference between non-organic and organic support payments	Very positive contribution	Very positive contribution	Very positive contribution	Negative contribution	Negative contribution	Negative contribution
Reliability & continuity of governmental support for organic farming	Negative contribution	Very positive contribution	Negative contribution	Negative contribution	Negative contribution	Negative contribution
Commitment of government towards organic farming		Negative contribution	Negative contribution	Negative contribution	Negative contribution	Negative contribution
Collaboration between organic actors and government			Negative contribution			
<b>Context factors</b>						
Perceived profitability of organic farms	Negative contribution	Very positive contribution	Very positive contribution	Negative contribution		Positive contribution
Perceived profitability of organic processing and retailing		Very positive contribution				
Pressure on conventional farmers for change	Positive contribution					
Feasibility to comply with organic regulation					Negative contribution	
Farmers' attitude towards organic farming	Positive contribution	Positive contribution	Very positive contribution	Negative contribution		
Farmers' access to organic market channels	Very positive contribution	Very positive contribution	Negative contribution	Very positive contribution		Positive contribution
Functioning of the organic supply chain	Very positive contribution	Very positive contribution			Negative contribution	
Availability of organic products for consumers			Negative contribution			
Clarity of organic labelling			Very positive contribution			
Role of large conventional retail chains in the organic market		Very positive contribution	Negative contribution			
Domestic consumer demand for organic products		Very positive contribution		Negative contribution	Negative contribution	Very positive contribution
Public attention towards organic farming					Negative contribution	
Activities of organic farming interest groups		Negative contribution	Negative contribution			Very positive contribution
Availability of knowledge about organic farming		Very positive contribution	Positive contribution	Very positive contribution	Negative contribution	
<p>OF = organic farming</p> <p>Very positive contribution  Strong positive contribution  Positive contribution </p> <p>Negative contribution  Impact factor not considered as relevant  n. i.  Support measure not implemented </p>						
Source: Own presentation.						

Organic action plans were considered in all countries apart from the United Kingdom with England and Wales as having at least a strong positive contribution to the number of organic farms and the organic area. Organic action plans are an instrument for governments to i) make the strategic role of organic farming within the general agricultural policy transparent and ii) to design the best possible policy mixes and policy links to further develop organic farming. Action plans have played a role in both regions of the United Kingdom, but all activities related to the English action plan of 2002 ceasing in 2007 may have resulted in English respondents not considering this measure important and influencing the UK result. Thus, action plans or similar organic farming schemes appears also as one of the most important instruments influencing the development of the number of organic farms and the organic area.

Marketing relevant measures like organic marketing support and support to added value to agricultural products were considered to have a strong positive contribution to the development of the organic production in Denmark, Italy and the Czech Republic. In Italy, the organic market was very much influenced by the European market and only recently the Italian domestic market gained importance. Also in the Czech Republic the domestic organic market is just developing. Thus support targeted to the marketing of organic products on domestic markets strongly contributes to the development of organic farms and the organic area in countries where organic domestic markets emerge.

Extension support was provided in different ways in five of the case study countries: as a measure of the national action plan in Austria (combined with national provision) and in the Czech Republic, as a regional or national effort in Denmark and Germany and in form of the state aid funded Organic Conversion Information Service in England and Wales and indirectly through the rural development programme (RTD) funded Farming Connect in Wales. In England and Wales, public extension provision had a strong positive impact on organic farming development while in Germany (Bavaria and Lower-Saxony) and in the Czech Republic extension support is considered relevant to a slightly lower degree. For Austria and Denmark, the first web survey identified that extension support had only a weak impact on organic farming development. Both countries have well established organic extension support and it was mentioned during the expert workshops to be a measure which shows an impact mainly in the long run.

Support for organic research takes on a similar role to extension. Even though in all countries analysed research support for organic farming is provided, only in Germany this measure was estimated to contribute to a certain extent to organic farming development while in all the other countries organic research support was considered to have a weak impact. The Federal Organic Farming Scheme (BÖL) in Germany is a broad programme that also funds activities related to public information and farmer knowledge. Support for extension and organic research were characterised as an accompanying support measures which are important from a long-term perspective but which can improve the effectiveness e.g. of organic area payments.

The following support instruments were only important in one country. Setting up young farmers is a support measure which was only implemented in the Czech Republic. This measure is seen to be the main reason for the large increase of the number of organic farms in the Czech Republic during the last three years. The rural development programme (RDP) measure reimbursement of certification costs was of strong relevance only in Italy. The only other programming regions where the measure is implemented are Austria and Wales since 2010, where it received a weak positive response. Support for the modernisation of agricultural holdings and buildings was only implemented in four countries. In Germany and Denmark experts considered this measure to be of lower relevance, whereas it was considered relevant in Austrian and in the Czech Republic.

Only one factor was identified to negatively contribute to the development of the number of organic farms and the organic area: the provision of renewable energy e.g. by farm biogas plants which are subsidised in Germany. Due to the subsidies for renewable energy in Germany, the demand for energy crops considerably increased and led to high crop and land prices. Organic farmers have limited possibilities to integrate such energy crops in the organic crop rotation. Thus, they cannot benefit from this support measure in the same way as conventional farmers. And high prices for energy crops improved the profitability of conventional farms acting as barrier to convert to organic farming. It might also be the case that, due to these subsidies, some organic farmers reconverted. Furthermore, the high land prices make it harder for organic farmers to rent land. The public support of renewable energy in Germany is one example how public policies in other areas may affect organic farming development.

### **The role of policy relevant factors and context factors**

The Qualitative System Analysis indicates that not only public policy measures contribute to the development of the number of organic farms and the organic area, but there are also factor of policy relevance and context factors that play an important role.

In all case study countries, the governments' position expressed through 'Commitment of government towards organic farming' as well as through the 'Reliability & continuity of governmental organic farming support' were crucial factors contributing very positively to the development of the number of organic farms and the organic area. Thus, the role of the government is not only implementing specific organic farming policies but also to providing a positive and reliable "climate" for organic farming. The issue of collaboration between the organic sector and the government takes the same line. In Denmark, collaboration with organic actors was one of the government's main strategies for developing a suitable organic policy. This strategy emerged to be one of the important drivers for organic sector development in Denmark.

There also is a set of context factors which contributed to a larger extent in more than one country to the number of organic farms and the organic area. Among these are economically relevant factors, such as 'Difference between non-organic and organic support payments' and 'Perceived profitability of organic farms'. The fear of reduced profitability is one of the major barriers for farmers to convert (Noe, 2008). As organic support payments are of considerable importance for the economic performance and relative profitability of organic farms, the level of payments and the difference between organic support payments compared to non-organic farm support very much influences the decision to convert the farm (see above). In England, an extra GBP 30/ha organic area support have little to no effect on farmers and their decision on staying or converting to organic. In Wales on the other hand, the impact is huge. The support payments, especially for beef and sheep farms, make a large difference, also for profitability. However, a certain level of area support for organic farming has a very different impact: in a region with highly intensive farms it provides very little incentive to convert, while the incentive for a low-input farm in less favoured areas is comparably high. There was consensus in the expert workshops that in certain regions (i.e. arable crop regions) it is very difficult to expand organic farming with the current support levels.

A catalyser for the development of the organic area and the number of farms is furthermore knowledge about organic production. The availability of knowledge about organic farming is essential for farmers who intend to convert as a basis for the decision process, but also for organic farmers to optimise the production technique. This is likely to be related to the provision of extension support (see above).

Apart from the factors mentioned above, the 'Role of large conventional retail chains in the organic market', 'Farmers' access to organic market channels', 'Domestic consumer demand' and 'Availability of organic products for consumers' are all beneficial factors which very positively contribute to increase organic production. Particularly in Austria, Denmark and in the United Kingdom, participants of the expert workshop stressed the relevance of market aspects to increase production. In Austria and in Denmark, conventional retail chains considerably influenced organic sector development. An important factor accounting for growth in the United Kingdom in 2006-2008 was the positive marketing environment and potentially also greater confidence among producers with respect to the impacts of the single farm payment introduced in 2005.

Farmers' attitude towards organic farming has also an important impact on the organic sector development. This was considered an important factor in the United Kingdom and in Denmark and to a lower extent for Germany and Austria. Furthermore, the role of the organic sector associations is of considerable importance. In Denmark, especially the collaboration between organic and non-organic organizations and public institutions was one main factor for the development of the organic sector.

## **2.4 Contribution of public support measures to the development of the organic market**

In this section, the contribution of public support measures to the development of the organic market is analysed. First of all, an overview on the development of the organic market in the case study countries is provided. Subsequently, the impact of public support measures and of context factors on the organic market is analysed on the basis of the qualitative information collected.

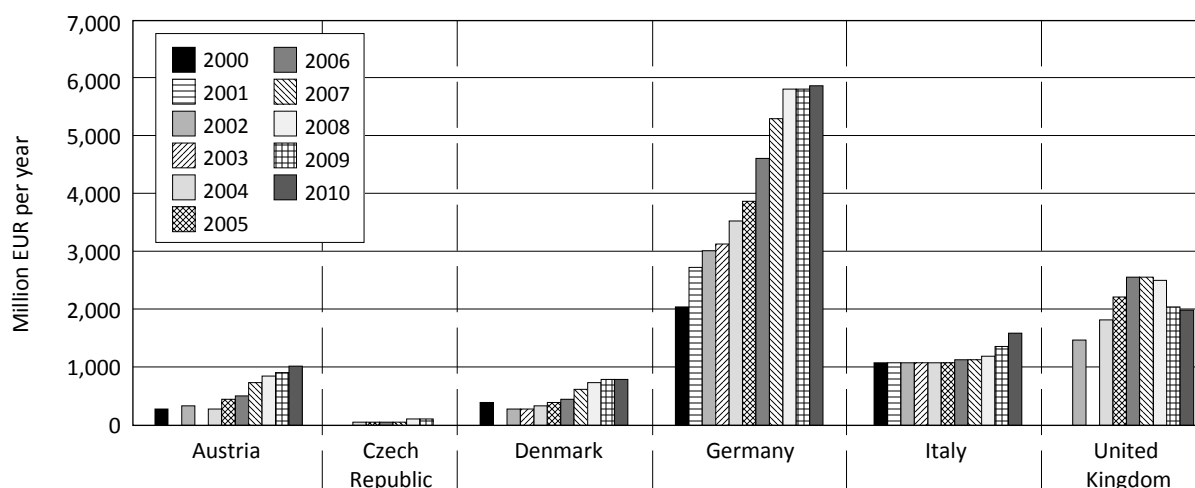
### **2.4.1 Overview on the development of organic market**

In the EU15, in 2006/07, organic food expenses summed up to a total of EUR 14.4 billion. France, Germany, the United Kingdom and Italy together are responsible for more than 80 % of these organic food expenses (European Commission, 2010). Thus, three of the countries with the largest markets for organic food were included in the case study analysis. The organic food market is quite strong taking about 5 % of the total food market in Austria, Germany and Denmark while the significance of the organic sector in food consumption is much lower in the Czech Republic reaching 0.5 % of the total food market (European Commission, 2010).

The development of the organic market in terms of organic sales is quite different in the case study countries (Figure 2.6). In Austria and in Germany, the organic sales are characterised by a continuous growth however since 2008 with stagnating organic sales in Germany. In the United Kingdom, on the other hand, despite remarkable growth in the period between 2000 and 2008, the organic market faced decreasing sales since 2008. This decrease in organic sales in the United Kingdom as well as stagnation of the organic sales in Germany has been attributed to the financial crisis. In Germany falling retail prices for organic food may have also contributed. In Italy, after a period of stable but stagnating organic sales, since 2008, the organic sales increased considerably. In the Czech Republic, the domestic organic market is on a considerably lower level than in the other case study countries and is just emerging.



Figure 2.6 Development of the organic sales in the case study countries between 2000 and 2010



Source: See below<sup>22</sup>

## 2.4.2 The role of public support measures for the organic market development

In this section, the contribution of implemented public support measures for organic farming on organic market development is analysed within the context of other external factors as well as policy relevant factors.

The contribution of these factors to organic market development is illustrated in Figure 2.7. Factors showing a blank field for a specific country were considered to have no or only a weak impact on organic farming development in the first web survey. Public support measures shown in Figure 2.7 refer to the period between 2000 and 2010 whereas the overview on rural development programme (RDP) measures presented in Chapter 1 (Figure 1.2) includes only current organic farming measures in the case study countries. Between 2000 and 2010, some support measures ceased in the case study countries. These measures are included in this analysis. Support measures marked with “n.i.” were not implemented in the respective country between 2000 and 2010. The grey shaded fields show the gradual differences of contribution to organic sector development. As the two web surveys distinguished explicitly between factors that influence organic production (number of farms, organic area) and factors that are relevant to organic market development, below some new factors compared to the previous section appear, while other factors considered to be relevant for the development of the number of organic farms and the organic area may not be important for the organic market.

The two most important public support measures which contributed to a large extent to the development of the organic market in the case study countries are again organic area payments and organic action plans. Whilst at first organic area payments are only considered to be relevant for organic producers, it became clear during the expert workshops that supply and demand depend on each other and that area payments are a basic requirement also for the market development. However, the contribution of organic area payments is lower to organic market development than for the development of organic production.

<sup>22</sup> Source: Own calculation based on data from Bio Austria, Organic Retailer Association (Austria); Green Marketing (Czech Republic); Organics Denmark, Statistics Denmark (Denmark); University of Kassel, Agrarmarkt Informations-Gesellschaft mbH (Germany); Pinton Organic Consultation (Italy); Soil Association (UK).

The focus of organic action plans very much varies between the case study countries. Despite these differences, the web survey showed that action plans contribute positively to organic market development. This is due to the fact that most action plans very much strengthen market measures, consumer information and foster domestic demand (Austria, Czech Republic, Denmark, Italy, Wales). And, similar to farmers, also processors and retailers acknowledge clear policy signs of action plans when investing in businesses. This is supported by the fact that governments' commitment towards organic farming was also seen as an important factor contributing to market development in Austria, Italy and in the United Kingdom (England and Wales). The expert workshops emphasised that the entire organic sector development benefits from stable and reliable framework conditions. In the United Kingdom, a positive commitment of the government is expected to strengthen confidence of all actors' concerned and thus would possibly lead to more investment in the sector. This has been identified in Denmark in the past, where the collaboration between organic and non-organic organisations and even the role of retailers have partly been influenced by public support.

Another important factor in creating confidence for market actors is the clarity of organic labelling. This factor is seen to positively contributing to organic market development in all the case study countries. Even though this factor was mentioned as a context factor, in some case study countries labelling organic products is directly linked to organic farming policies. National logos for organic products in the Czech Republic, Denmark and Germany and in Italy the EU organic logo have proved a recipe for consumers to identify organic products easily and clearly. In Germany, the expert workshop emphasised that public support for marketing and communication played a crucial role in achieving that consumers can easily and reliably identify organic label at the point of sales. In the Danish expert workshop it was however stressed that organic label is not a driver by itself but works together with the other context and policy factors. Organic labels and logos earmark organic production, processing and certification against Council Regulation (EC) No. 834/2007 and its transposition in national law of the EU Member States. The organic certification system is important because it creates confidence and creditability to consumers and to market actors. The expert workshops in Austria, Denmark and Germany stressed that similar to the function of organic area payments for organic supply, the EU organic certification system is crucial for the development of the organic market.

In this context it needs to be stressed that one factor influences negatively organic market development. In Austria and in the United Kingdom, non-organic trademarks that guarantee that food products are, for example, environmentally friendly, GMO free or pesticide free, without being organic compete with organic products in the market place. The emerging relevance of such trademarks counteracts the development of the organic market in these countries. Domestic demand for organic produce goes in line with the fact that consumers are aware of organic labels and it is possible for them to easily recognise organic products in the market place. This also means the need for a clear distinction between organic and non-organic labels. Halfway house approaches and the general greening of the non-organic sector (half way labels) as well as local food initiatives make it difficult to explain the differences to the consumer and a general dilution of organic through non-organic trademarks might occur.

Apart from area payments and action plans, very few public policy organic market support measures are seen as contributing to organic market development in the case study countries. But where implemented these public policy measures contribute positively to organic market development. For example, rural development programme (RDP) measures for supply chain development were implemented in four countries and considered important in three of them. Support to organic farming organisation was implemented in five countries but considered important only in two of them, but levels and type of support may be very different in the five case study countries.

Apart from those already mentioned, there is a large set of context factors which show a high contribution to organic market development in all case study countries: 'Domestic consumer demand for organic products', 'Role of large conventional retail chains in the organic market', 'Availability of organic products for consumers', 'Functioning of the organic supply chain' (not in Denmark), 'Farmers' access to organic market channels', 'Perceived profitability of organic processing and retailing', and 'Public attention towards organic farming'.

Domestic consumer demand for organic products is regarded as one key factor for organic market development in all case study countries. However, this factor is closely linked to policy factors and other context factors mentioned to be important: the role of retailers, the availability of organic products to consumers, public attention towards organic farming and the clarity of labelling as discussed above.

Conventional retail chains were a driving force for organic market development in all case study countries. In the Czech Republic, the role of retail chains was considered to be very important as the majority of organic sales are made in conventional retail chains. But the expert workshop made clear that retail chains do not actively develop organic markets. In Austria and Denmark, the role of retailers in developing the organic market was considered to be crucial, whereas building up the organic markets in Denmark happened to a large extent within the frame of state intervention. It was the national policy strategy to develop organic farming as a business minded approach focusing on developing the sector as a well-functioning competitive industry. Public policies set the basis for market development and initiated collaboration and capacity building. Thus, private initiatives in combination with state support have functioned as a driver for the organic market development.

Figure 2.7 Estimated contribution of context and policy factors to the development of the organic market in the case study countries between 2000 and 2011

	DE	AT	DK	UK	IT	CZ
<b>Support measures implemented</b>						
Organic area payments						
Support organic farming associations					n. i.	
Organic action plan				n. i.		
OF extension support (regional support; RDP measure 111)					n. i.	
Support of organic farming research						
OF competence centre support		n. i.	n. i.		n. i.	n. i.
OF marketing support (national support, RDP measure 124, 133)					n. i.	n. i.
Adding value to agricultural and forestry products (RDP measure 123)				n. i.		
Reimbursement of organic certification costs (Measure 132)						n. i.
Support of consumer communication						
Modernisation of holdings and buildings (RDP measure 121)				n. i.	n. i.	
Support to improve quality of olive oil (Art. 68)	n. i.	n. i.	n. i.	n. i.		n. i.
Tax foundation for supporting organic sector development	n. i.	n. i.		n. i.	n. i.	n. i.
<b>Policy relevant factors</b>						
Commitment of government towards organic farming						
Collaboration between organic actors and government						
<b>Context factors</b>						
Perceived profitability of organic processing and retailing						
Perceived profitability of organic farms						
Farmers' access to organic market channels						
Functioning of the organic supply chain						
Availability of organic products for consumers						
Clarity of organic labelling						
Role of large conventional retail chains in the organic market						
Domestic consumer demand for organic products						
Availability of non-organic trademarks competing organic products						
Public attention towards organic farming						
Activities of organic farming interest groups						
Activities of mainstream farming interest groups						
OF = organic farming	Very positive contribution		Negative contribution		Impact factor not considered as relevant	
	Strong positive contribution		n. i.		Support measure not implemented	
	Positive contribution					
Source: Own presentation						

## 2.5 Factors influencing the effectiveness and efficiency of support measures

So far the analysis focused very much on the contribution of individual public support measures to the development of the organic production in the case study countries. The expert workshops conducted in the case study countries, however, very much stressed that it is not the individual policy measure which is relevant but the mix of instruments or measures, and how this combination of support measures affect different areas (e.g. supply and demand) in the organic sector. Against this background the result of the qualitative analysis, showing for the other public support measure

such as extension support, marketing support or setting up young farmers a lower extent of contribution to organic sector development, are put in another context: there is a high interdependency between the individual public support measures. This interaction between the measures seems to be decisive for the development of the organic production in a specific area. For example, the significant expansion of organic fruit production in the German region 'Altes Land' (in Lower Saxony, South of Hamburg) is the result of a successful interplay of area support, organic research support, support for advisory services, and bundling of competencies. Thus, one way to increase the effectiveness and efficiency of public support measures for organic farming is to organise organic farming support as a bundle of measures.

#### *Policy mix targeted to the regional situation*

Is there a definite or optimal mix of organic farming support measures? From the analysis of the six case study countries, it is possible to identify elements of a policy mix which may contribute to organic sector development depending on the specific regional situation in a country rather than to deduce distinct patterns of optimal policy mixes. Such elements are can be:

- *Area support for conversion to and maintenance of organic farming* is the fundament of policy support and the expert analysis has given it a central place for the previous and future development of organic farming. Area support payments stimulate at initial stages of the development of organic production and with a time lag also organic market development. Continuous area support can be considered as the basis upon which other measures for the support of organic farming (production, marketing, and demand) rest and become effective. So, for example, the Federal Organic Farming Scheme (BÖL) in Germany with its emphasis on communication and research measures is not likely to be effective as a single measure without the existing area support of the German regions.
- *Marketing support measures* were not implemented to the same level in all case study countries and therefore did not feature to the same extent in the analysis. They appear to be a means to develop domestic markets in countries where organic farming emerges or where organic exports have been the main market channel.
- *Knowledge provision* through public extension services for famers is considered to be a catalyser for organic production.
- Support measures like *training and research* for organic farming might be underestimated giving only a snap shot on the sectors. These measures do not show short-term impacts but are important in the long run. A functioning transfer of scientific knowledge transfer is perceived, among other things, to be very significant for sustainable organic sector development.
- *Setting up young farmers* is a successful support measure in the Czech Republic and attracted young farmers to start organic businesses.
- In absence of strong private logos, the *EU label or national labels* for organic farming signify credibility and reliability and make organic products easily identifiable for consumers.

For designing the most effective policy mix it is crucial to base the mix of policy measures on an analysis on the strengths and weaknesses of the regional or national organic sector. This is to be able to address really the sector's needs. Such an analysis should consider site conditions, farm structure, relative competitiveness of organic business, market and processing opportunities and the social milieu. In this respect there are five points of importance:

1. Effectiveness and efficiency is highly influenced by a suitable framework which in turn is a result of the context factors. But context factors also cannot be considered to be isolated from policy and other context factors. It is the combination of such factors that plays a

significant role in shaping the organic sector. Context factors can often be influenced through policy; not necessarily in terms of financial support but policy can take the role of moderation, initiation and information. The effectiveness of policy support measures is also influenced by the way it is presented to the public.

2. To be effective, the policy mix requires a strategic framework which integrates single measures to a consistent policy package. Action plans or similar strategic plans are required to govern a policy toolbox for organic farming. Further analysis of the policy strategy of the case study countries is presented in Chapter 4.
3. Policies may be less effective when addressees do not trust in the long-term persistence, i.e. the reliability and continuity of governmental support. Investing in organic businesses (farms as well as companies involved in processing and retailing) requires a reliable perspective to reduce risk. Therefore, it is of central importance, that governments express what role organic farming plays in their agricultural policy concept and that they are a reliable partner for the farmers, processors and retailers. Action plans can be an instrument to document government's commitment and reliability towards organic farming. But more importantly it is the action itself that governments take rather than the action plan document which express reliability and commitment.
4. Public policies are ineffective and inefficient when the concept supported is not economically viable. Thus, organic farming policies should be guided by a business minded approach focussing on developing the organic sector as a well-functioning competitive industry.
5. Organic farming is a complex measure. Given its dual role of contributing to the provision of public goods and responding to market opportunity and due to the fact that the organic movement is the actual owner of the organic principles, there are a lot of different stakeholders active and relevant for the organic sector development. Nowadays, stakeholder participation is quite common in many policy development processes. However, Denmark went one step further and initiated a process of collaboration between the organic sector actors and the government. The experiences from Denmark show that collaboration between the government and the organic sector can considerably improve the effectiveness of public support measures and can help choose the right measures.

#### *Other policies affect organic farming development*

The public support of renewable energy in Germany is one example how public policies from other areas may negatively affect organic farming. Apart from conflicts with other non-organic support measures, there may also be examples for synergies. The example from Germany underlines that not only organic farming policy matters for organic sector development; also policies from other areas may influence the effectiveness of organic farming support measures.

## **2.6 Summary and conclusions**

Policy matters – a lot. The quantitative and qualitative analysis showed that public support for the organic sector is the major driver for the organic sector development and the development of the organic sector had happened within the framework of state intervention.

However, it became also obvious that public support measures in the absence of favourable context factors may have little impact. Indeed, organic businesses are economically viable and represent a well-functioning competitive industry, where the public is positive towards organic, where there is a positive market environment so that organic operators see market prospects, and where all actors

investing in organic business have confidence in policies. This shows that not only implementing organic farming support measures matters but also the reliability of public support that creates confidence. These factors considerably influence the development of the organic sector.

Area support payments and organic action plans are the most relevant support measures which strongly contributed to organic sector development. Conversion payments are an incentive for new organic farmers to convert the farm and thus are able to boost organic farming while continuous area support can be considered as the basis upon which other support measures for organic farming (production, marketing, and demand) rest and become effective. Thus, even though the role of organic area payments seems to change during different stages in the development of organic sectors, their central role persists. This applies for both the development of organic production and the development of organic markets.

Organic action plans do not necessarily involve financial incentives. Action plans are rather an instrument to make the strategic role of organic farming within the general organic farming policy more visible and to design the best possible policy mixes and policy links to further develop organic farming. They stabilise the system but also work as a supportive factor that help farmers to take the “right decision” towards organic. The issue of collaboration between the organic sector and the government takes the same line as do reliable policies. The entire organic sector development benefits from stable and reliable framework conditions. The presence and coherence of policy strategies is further analysed in Chapter 4.

While public support for producers were so far more widely discussed as a driver for fostering organic production, the analysis showed that domestic demand – also recognised to be a very important driver - cannot be isolated from public support measures. Private initiatives in combination with state support have functioned as a driver for the organic market development.

Even though it is essential to highlight the important role of area payments and organic action plans, the organic sector development is not the result of a single policy support measure or of a single external non-policy factor. It is the combination of public support and external factors that plays a significant role in shaping the organic sector. Designing public support for organic agriculture needs to recognise that a high interdependency between single public support measures exists. This interaction of measures seems to be decisive for the development of the organic sector. There is no definite or optimal mix of measures. The regional situation of organic farming development varies and this should be considered for designing the most effective policy mix.

Finally, there were two factors which emerged as detrimental to organic farming development in the case study countries: Support for the provision of renewable energy through biogas plants on German farms influences considerably conventional prices for e.g. maize and increases the relative competitiveness of conventional farms compared to organic. And, halfway house approaches of non-organic labels and trademarks competing with organic products in the market place counteract the development of the organic market. The fact that consumers can easily and absolutely certain recognise organic labels is a prerequisite for the organic market. This also means the need for a clear distinction to non-organic labels. Thus, the rules of labelling and the use of logos are central for fair competition.

It can be concluded that following issues should be considered to make public support measures for organic farming more effective and efficient:

- A policy mix of supportive measures to the “big two measures” area payments and organic action plan allows a better targeting of public support to the regional frame work conditions of organic farming.
- To be effective, policy mix for organic farming support requires a strategic framework which integrates single measures to a consistent policy package.
- Communication and collaboration between decision makers and actors of the organic farming community is a means to better target support policies. This however requires capacities of both the government and e.g. organic farming associations.
- Effectiveness and efficiency is highly influenced by a suitable framework which in turn is a result of context factors. Context factors can often be influenced through policy when policy takes the role of moderation, initiation and information.
- Policies may be less effective when addressees (farmers, processors, retailers) do not trust in the long-term persistence, i.e. the reliability and continuity of governmental support.
- Public policies are ineffective and inefficient when the concept supported is not economically viable. Thus, organic farming policies should be guided by a business minded approach focussing on developing the organic sector as a well-functioning competitive industry.
- When organic farming schemes are closed either for a review or due to financial constraints, a backlog of interest can build up which may result in very large numbers of producers converting at the same time when the scheme reopens. Such administrative disruptions of organic farming schemes may lead to a rapidly rising increase in organic supply resulting in a supply and demand imbalance.



## Chapter 3

# Links between national/regional support package and the European Action Plan for Organic Food and Farming

Susanne Padel, Nic Lampkin and Carolyn Foster

### 3.1 Introduction

In 2004, the European Action Plan for Organic Food and Farming (EOAP) was published. With it the European Commission wanted to lay down the basis for policy development in support of the organic sector in the coming years, based on an analysis of the EU organic sector, and thereby provide an overall strategic vision for organic farming's contribution to the Common Agricultural Policy (CAP).

In designing a global policy concept for organic farming, the action plan recognises the dual societal role of organic farming of (1) marketing organic food in response to consumers demand and (2) the delivery of primarily, but not only, environmental public goods.

With regard to (1), the Commission states that the development of organic farming will, in this respect, be governed by market rules. Alongside a focus on safeguarding the integrity of the inspection system, the Commission's analysis showed that greater emphasis should be put on facilitating the development of the market. More focus on consumer expectations and better consumer information on the principles and objectives of organic farming as well as its positive impacts, for example, on the environment are mentioned.

In relation to (2), it is recognised that in addition to environmental benefits organic farming can also contribute to rural development and improved animal welfare, which justifies society driving forward the development of the sector.

The EOAP sees organic farming as an important instrument to attain the objectives of the 2003 CAP reform to promote production that supports environmentally friendly quality products. The European Organic Action Plan states that the 2003 CAP reform provided a useful framework for the future development of organic farming and has made a range of instruments available to Member States. Apart from receiving, like other producers, support under Pillar 1, organic farming is fully integrated in rural development policy in the second pillar of the CAP and has a prominent place in the agri-environmental measures.

The action plan aims to make public support for organic farming more effective by encouraging Member States to make a more coherent and greater use of the different rural development measures. Action 4 of the EOAP recommends that Member States be able to top-up with aids the EU support devoted to producer organisations in the fruit and vegetable sector involved in organic production. Action 6 of the plan specifically addresses this. It strongly recommends that Member States make full use within their rural development programmes of the instruments available to support organic farming, for example by developing national or regional action plans focussing on:

- stimulating the demand side by using the new quality schemes;
- actions to preserve the benefits for the environment and nature protection in the long term;
- developing incentives for whole farm conversion;
- organic farmers having the same possibilities for receiving investment support as non-organic farmers;
- developing incentives to facilitate the distribution and marketing by integrating the production chain;
- support to extension services;
- training and education for all operators in the organic sector;
- targeting organic farming as the preferred management option in environmentally sensitive areas (without restricting organic farming to these areas).

This recommendation is reflected in the Regulation (EC) 1698/2005 (consolidated version) which refers to organic farming in relation to investment aid (in recital 21) and in Annex II) as types of operations under the priorities water management, biodiversity and measures to accompany restructuring of the dairy sector, but provides no further detail as to how specific measures supporting organic farming should be laid out. In the Annex it refers to the area of organic farming as one potential indicator for environmental impact.

The Community Strategic Guidelines for Rural Development (CSG)<sup>23</sup> refer to organic farming in three places: (i) under the Section 2.1 (CAP and Rural Development), where organic farming is cited as contributing to the CAP's sustainable development goals; (ii) under Section 3.5 (Consistency of Programming) which recommends that Member States take other EU-level strategies such as the Action Plan for Organic Food and Farming into account when designing national strategies; and (iii) under Section 3.2 (Improving the Environment and Countryside) which states that "*Member States are encouraged to focus support on key actions. Such key actions could include... [among others] ... consolidating the contribution of organic farming. Organic farming represents a holistic approach to sustainable and agriculture. In this respect, its contribution to environmental and animal welfare objectives could be further reinforced*" (CSG, p. 26).

Against this background, this chapter aims to analyse the **links between national support package - consisting of rural development programmes (RDPs) and national or regional organic action plans/support programmes – and the European Action Plan for Organic Food and Farming (EOAP)**. The analysis also identifies direct references to the EOAP and summarises activities in relation to each Action 6 point (see above) in the six Member States.

This chapter is structured as follows:

- Section 3.2 sets out the approach used to analyse the links between national/regional support package (RDPs, national/regional organic action plans, similar support schemes) and the European Organic Action Plan (EOAP) by means of a structured document analysis.

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<sup>23</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:055:0020:0029:EN:PDF>

- The analysis of links presented in Section 3.3 builds on the summary of national provisions for organic farming in the RDPs and through national action plans presented in Chapter 1. It considers to what extent the case study countries have followed the Commission's recommendation in Action 6 of the European Organic Action Plan to make full use within their RDPs of the land management and other instruments available to support organic farming. It also includes the coverage of such measures in mid-term evaluations.
- Section 3.4 presents conclusions from this analysis.

The question of how far Member States have integrated the provisions of the RDP with national action plans is considered in Chapter 4 on the development of policy strategies and their coherence.

## **3.2 Approach**

The approach to analyse linkages between the RDPs in the nine programming regions and the European Organic Action Plan, as well as the analysis of policy strategies presented in Chapter 4, was mainly based on structured analysis of documents. A fixed structure ensured that similar information was provided from all countries thus facilitating a cross-national/regional comparison to contrast the policy development in the six different case study countries.

The document analysis approach was developed with reference to the MEANS/Evalsed<sup>24</sup> evaluation frameworks as it has been applied specifically to organic farming action plan and policy evaluation in Section B2 of ORGAPET (Lampkin et al., 2008)<sup>25</sup>. Three different categories of documents were analysed: i) RDP related documents, ii) specific organic farming policy documents such as organic action plans and iii) other documents related to the policy development in agriculture and rural development. A detailed set of guidelines and a reporting template for all parts of the document analysis has been developed. The template included questions about the main focus of the RDP and its intervention logic, the representation of organic farming in the RDP including all measures implemented and any specific targets, linkages to the activities to support organic sector development mentioned in Action 6 of European Organic Action Plan, mentioning of organic farming measures and organic sector in mid-term and other evaluation reports. Key results of the documentary analysis are summarised in Annex 4.

The RDP document analysis considered the following documents:

- Rural development plans for the country/region (2007-2013) (RDP) and national strategies for rural development (country/region) as referred to in the EC Strategic Guidelines;
- Ex-ante analysis for current RDP (which is often integrated into the RDP);
- Mid Term Evaluation (MTE) of RDP 2007-2013;
- Ex-post final evaluation of previous RDP (2000 to 2006)<sup>26</sup> if relevant.

The analysis of RDP documents provided a list of measures that include specific provisions for organic farming (cross checked with the information presented in Part A), a policy 'narrative' and effects diagrams of the different RDPs (see overview of RPD measures used in the case study regions in Chapter 1). A summary of the evaluation of organic farming related measures in Mid Term Evaluations and other relevant evaluation reports was produced. Information on the national policy

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<sup>24</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/evalsed/index\\_en.htm](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/evalsed/index_en.htm)

<sup>25</sup> <http://www.orgap.org/orgapet>

<sup>26</sup> [http://ec.europa.eu/agriculture/rur/countries/index\\_en.htm](http://ec.europa.eu/agriculture/rur/countries/index_en.htm)

frameworks for policy support in response to Action 6 of the EOAP was provided by looking for direct references to the plan. In addition, support measures that are in line with the aims stated in Action 6 are considered for all case study countries/regions, even where no direct references exist. The results for each country are summarised in Annex 4.

Organic farming documents analysed included (national/regional) organic action plans or other policy support programmes specifically aimed at the organic sector. Also considered were any other documents about organic food/farming strategy or policy fora (e.g. terms of reference of stakeholder groups or documents setting out specific targets for the organic sector if not covered in the RDP). The approach builds on the results of Stolz and Stolze (2006) who collated information about action plans and evaluations in the Czech Republic, Denmark, Germany, Italy and the UK (England) by updating the information about action plans in all cases and including information about Austria and Wales that had not been covered previously. (see overview of action plans in the case study countries/regions in Chapter 1). The document analysis also analysed how action plan activities contribute to the issues raised in Action 6 and looked for links and direct references to the EOAP.

### **3.3 Analysis of links between the national/regional support package and the European Action Plan for Organic Food and Farming**

The analysis of links between the national support package consisting of rural development programmes and national/regional organic action plans (or similar support schemes) and the European Action Plan for Organic Food and Farming (EOAP) focuses on the areas (Action 6 EOAP) that Member States are encouraged to make use of for the support of the organic sector in their RDPs and national action plans (see 3.1 Introduction). Table 3.1 provides an overview of national provision which corresponds to the recommended areas of support mentioned in Action 6. It also outlines which Member States have directly referred to the EOAP either in their RDP or national action plan.

The following discussion of each area considers the provisions in each country as well as relevant observations from the mid-term evaluations (MTEs) of those measures. This is particularly the case for measures that address organic farming specifically. Where measures do not particularly address organic farming it is more difficult, if not impossible, to obtain any information from a document analysis. In this case uptake by organic operators is frequently not monitored separately and thus not considered in the mid-term or other evaluation reports. However, it is important to note that this does not in any way imply that the measures are not suitable for organic farmers or have not been used by them.

#### **3.3.1 Direct references to the European Organic Action Plan (EOAP)**

The first question examined was to find out whether the RDP and national action plans make and explicit reference to the EU Organic Action Plan of 2004. Table 3.1 shows that direct references were found only in four of the nine national/regional RDPs and action plans. Only two countries (Austria and Denmark) use the EOAP as justification for RDP support. In Austria, the RDP is considered an important instrument in support of Action 6 of EOAP and the National Strategy Plans of 2007 and 2009 both refer directly to the EOAP. Austria uses the RDP to address nearly all the issues referred to in Action 6 of the EOAP. In the revised version of the Danish RDP (2010), the food quality measure refers directly to the EOAP in support of this measure. The two German regions refer to the EOAP in their RDP but do not use it to justify support. In the Czech and Italian case the national action plans rather than the RDP refer to the EOAP, but the document reference maps for each country confirms the low referencing of the EOAP (see Annex 4).

Action 6 of the EOAP suggests that Member States make full use of a range of instruments (listed in the introduction to this chapter) in their RPDs or national action plans (to be implemented through RDPs or national action plans) to make public support for organic farming more effective. Table 3.1 provides an overview of which of those support instruments the case study countries have made use of, regardless of whether direct reference to the action plan has been made. The instrument are grouped under the headings of land management, demand oriented, capital support and knowledge and information measures. The provision in the case study countries and regions are described in more detail under these headings in the following sections.

Table 3.1 Overview of support instruments (RDP and national action plans) in the case study countries addressing issues mentioned in Action 6 of the EOAP

	AT	CZ	DK	DE		IT		UK	
				BAV	LowSax	MAR	APU	ENG	WAL
<b>General</b>									
Action Plan used to justify RDP support	✓		✓						
Action plan referred to in RPD	✓		✓	✓	✓				
Action plan referred to in nat. action plan		✓					✓		
<b>Land management (Axis 2)</b>									
Preserve the benefits for the environment and nature protection	✓	✓	✓	✓	✓	✓	✓	✓	✓
Target organic farming as the preferred management option in environmentally sensitive areas									
Encourage organic farmers to convert the whole farm	✓	✓		✓	✓	✓	✓		(✓)
<b>Demand oriented measure</b>									
Stimulate demand for organic products by using the new quality schemes	✓		✓			✓	✓		(✓)
Provide incentives to producers to facilitate distribution and marketing & supply chain integration	(✓)	✓	(✓)	✓	(✓)	(✓)	(✓)		✓
<b>Capital support</b>									
Provide (same) or better possibilities to receive investment support as non-organic farmers	✓	✓	(✓)	✓	(✓)	(✓)	(✓)	(✓)	(✓)
<b>Knowledge and information</b>									
Support extension services	(✓)	(✓)	(✓)		(✓)	(✓)	(✓)		(✓)
Provide training and education for all operators in organic farming	(✓)		(✓)			(✓)	(✓)	(✓)	(✓)

Note: For further details see relevant sections of the case-study monograph (Annex 3)

✓ = Addressed through special provisions or partly special provisions for organic farming in the RDP

(✓) = Addressed through the RDP without special provisions or through national measures

### 3.3.2 Case study country activities addressing land management issues

Action 6 of the European Organic Action Plan encourages Member States to develop actions to preserve the benefits of organic farming for the environment and nature production in the long term, to develop incentives to encourage whole farm conversion and to target organic farming as the preferred management option in environmentally sensitive areas.

All nine case study regions use the RDP agri-environmental measures to provide support for organic farming, making agri-environmental schemes by far the most widely used measure to support the

development of the organic sector in the case study regions (see Chapter 2 Part A and Annex 1 for details of payment rates and conditions of each scheme). Scheme targets and coverage in mid-term evaluation reports are discussed below.

Six of the nine countries/regions use RDP instruments to encourage whole farm conversion, mostly by making it an eligibility requirement for support under Measure 214 (e.g. Austria, Bavaria, Lower-Saxony, Apulia and Marche). In the Czech Republic a higher rate of support is paid for grassland if the whole farm is under organic management. Whole farm conversion is also encouraged by giving higher points if the whole farm or more than 50 % is managed organically. In Wales, the government is keen to encourage a whole farm approach as part of agri-environmental support, but concerns about farmers staging conversions and of farmers taking on additional land have meant that some flexibility was retained.

None of the nine countries/regions have taken up the European Action Plan's recommendation to target organic farming as the preferred management option in environmentally sensitive areas, but the Danish Organic Vision intends to evaluate the possibility for future action.

### **Targets for land management schemes**

In the majority of case study countries/regions, specific targets for organic land area are stated in the RDP or have been set at departmental level (see Table 3.2). Where possible, the area targets have been compared with the organic area for the same region in 2006, i.e. prior to the current rural development programming period. This gives an indication of the nation/region's intent in terms of developing the organic sector. The table shows that some regions appear to aim to maintain rather than develop the organic sector by setting targets that are similar to 2006 land area or even below, which would imply a decline. It was not possible to obtain the necessary information for all regions. Organic farming is a particular focus (with more than 50 % of the budget set aside for it) in both Italian regions studied.

In the case of England (UK), the target shown is an internal departmental one for the purpose of budgeting rather than a 'political' target. Expert comments from England indicated that because of the absence of a publicised target the implementing authority was not encouraged to promote the uptake of the organic scheme.

Where targets are stated in the RDP, the MTE provides a comparison of the target with the land area supported under the organic measure in 2009. In Austria, the Czech Republic, Bavaria and Apulia the targets for the organic schemes had already been met by 2009, and in Lower Saxony and England, 75.% of the target had been achieved. In Wales, the budget target was exceeded from the outset and particularly in 2007–2008 when very large numbers of producers entered the scheme. In Denmark, an RDP target was set for conversion. In the Green Growth agreements a target of doubling the area compared to 2007, i.e. an increase to 15 % of total UAA by 2020, is envisaged and funds to the area-based grants will be increased so that they can support an annual growth in the organic sector up to 18,000 ha. The original conversion target had already been met by 2009.

Table 3.2 Targets and budgets for organic farming measures under Axis 2

	Unit	AT	CZ	DK	DE		IT		UK	
					BAV	LowSax	MAR	APU	ENG	WAL
<b>Targets in RDP</b>										
Area organic	000 ha	390	283	290	150 <sup>1</sup>	60	96	76	340 <sup>2</sup>	n.a.
In conversion area	000 ha			27				33		
No of operators target	N				4,956	1,300	4,500			
Organic land area in 2006	000 ha	361	255	140	148	66	(67) <sup>3</sup>	(94) <sup>3</sup>	296	78
RDP target relative to organic area in 2006	%	121 <sup>4</sup>	111	206	101	90	na	na	115	
<b>Archivemnts in 2009 relative to target</b>										
Land area	%	99	141		100	87	68	117	78	
New conversion	%			161						
No of operators	%			124	100	82	58			
<b>Budgets</b>										
For organic farming (Axis 2 only)	mil EUR	637	263	16 <sup>5</sup>	260		97	355		28
As % of Axis 2	%	17.5	14	n.a.	15		52	61		

<sup>1</sup> Twice the area of 2007 as stated in Green Growth programme of 2009

<sup>2</sup> The trget is an internal operational target of the department and not a headline target. A headline target exists only for combination of scl

<sup>3</sup> These are 2008 data as no regional data for 2006 have been supplied

<sup>4</sup> Figure as provided in MTE

<sup>5</sup> 116 million DKK, actual spend reported as 174,2 million DKK exceeding the budget

n.a. not available

Source: National sources as supplied by sub-contractors

The fact that in seven out of the nine regions the targets had already been met to at least 75 % in 2009 confirms that either organic land area targets had been conservatively set or the sector has grown considerably faster than expected. In view of low prioritisation of organic farming in some rural development programmes, it can be assumed that in several cases the targets were set conservatively. Where overall budget restrictions apply and budgets are not flexible enough to be moved between schemes it is likely that conservative targets for the organic land area scheme could have a negative impact on sector development.

### Impact of Axis 2 (agri-environment) Measures according to Mid Term Evaluations (MTE)

The evaluation reports cover the likely contribution of land area schemes supporting organic farming in relation to factors such as bio-diversity, water quality, soil quality and landscape value. The MTEs of individual regions or countries also comment on issues such as uptake among particular farm types, customer satisfaction, farm structure and running costs. A summary is provided here on a country-by-country basis.

The Austrian MTE asserts that the decline in emissions from the agricultural sector can in part be attributed to the increased number of conversions to organic farming because of the likely impact on closing nutrient cycles and careful management of soil. The ex-post evaluation recognises the impact of organic farming on the soil whereby the required diverse crop rotations with fertility building lead to a reduction of erosion and reduction of fertiliser input. As a result, it specifically mentions the need to maintain a high level of organic farms. The ex-post evaluation further highlighted that raising

the share of organic farming in the arable crops sector to 60,000 ha was part of the previous RDP's target for soil protection.

The Czech MTE draws particular attention to farm types. It observes the low uptake among arable farmers and organic fruit and wine growers. This is in spite of the specific focus on these land types through higher area payments. It also comments on a synergy between organic farming and LFA payments, by noting that organic area supported under Measures 211/212 (LFA) has increased from 15.8 % in 2007 to 38.3 % (17.9 % of operators) in 2009.

The Danish MTE comments on the attractiveness of the organic support scheme. A survey among organic farmers indicated that 90 % of farmers found the support arrangements relevant and 78 % found them an incentive. Only 34 % of participants answered that they would engage in the same activity without financial support indicating that grant aid remains an important factor motivating farmers to become and to stay organic.

According to the MTE for Bavaria, the share of organic farms in the total number of agricultural holdings supported is now higher than the German average in several municipalities in southern Bavaria. Previous documents had remarked on the fact that the share of organic area in Bavaria as a whole was lower than the German national average (as still was the case in 2009). The MTE states generally that organic support payments are an important incentive for the conversion of conventional farms.

The MTE for Lower Saxony recommends that support for organic farming should continue because of its valuable contribution to the protection of abiotic resources. The ex-post evaluation comments on the structure of the sector, stating that on average the supported organic farms in Lower Saxony are larger than in Germany as a whole (55 ha compared to the country average of 46 ha in 2010) and tend to be found in more disadvantaged areas. Furthermore, organic farming support measures are recognised as having a better cost-efficiency ratio than measures to protect areas against soil erosion, to protect water and to protect the environment.

The MTEs of the two Italian regions (Apulia and Marche) only comment on the achievement of organic farming targets already covered in Section 3.3.2 above.

The MTE for England considers all Environmental Stewardship Schemes offered under Measure 214 in aggregate form and does not provide any specific information on the performance of the organic scheme (OELS). According to the delivery body, Natural England, the organic scheme is considered to contribute to improvements in biodiversity, water quality, soil quality and landscape. The MTE also refers to a body of secondary literature concerning the environmental benefits of organic farming and concludes from this that by supporting organic farming the OELS scheme is likely to have achieved environmental benefits. It further notes that the scheme has benefited larger farms more than smaller farms, especially in the beef and dairy sectors. Farmers appear happy with the quality of service provided by Natural England in administering the scheme. However, the number of new applicants has been decreasing, and about half of the farmers requesting application packs have not gone on to apply. The most common reasons given were that the scheme's rules and regulations were considered too complex (39 %), or that organic farming was not financially viable (23 %).

Drawing on evidence presented in other reports and a sample survey of producers participating in the agri-environment schemes, the MTE for Wales concludes that of all schemes, the organic scheme is most likely to have induced management change in participating farms. Along with the whole Farming Connect scheme (Measure 111), an element of which is organic, the Organic Farming



Scheme (OFS) was found to be the main contributor to restructuring and modernisation of the agricultural sector and a contributing factor to participants remaining in farming.

The MTE for Wales comments also on the relatively low running costs of the organic farming scheme. It makes a recommendation to the Welsh Government to monitor running costs of all schemes. In this context it refers to the running costs of the previous English scheme concluding that the costs for running the organic farming scheme at 12.1 % were the second lowest after the Hill Farm Allowance (1 %) and compared favourably with an average of 18.5 %. A report on organic scheme in England quotes processing costs as a proportion of total scheme costs as 17 % for the first year (2005-06) and 5 % to 6 % for the following years of the scheme (NAO 2010).

### **3.3.3 Activities in the case study regions aimed at stimulating demand and developing the market**

Action 6 of the EOAP encourages Member States to make full use of the rural development measures to stimulate the demand by using the new quality schemes. This section summarises the provision in Member States, information about the coverage of organic elements of schemes under Axis 1 and 3 is presented in section 3.3.6.

Two countries (Austria and Denmark) and three regions (Apulia, Marche and Wales) use the RDP to stimulate demand for organic products through the EU quality schemes.

Austria has addressed organic farming specifically under Measure 132 (Food quality schemes) to refund organic inspection and certification costs where a higher level of support is offered to organic producers supported under this measure and 92 % of approved applications in 2007 to 2009 were from organic farms (see Table 2.3 Part A), the MTE refers to 74 % (see below). Organic farmers can also benefit from Measure 133 (Supporting producer group information & promotion).

In Denmark, certification for organic producers is carried out by the state and is free of charge to the operators. The revised RDP of 2010 is used to stimulate demand by using the quality food scheme to support information/marketing, a mobile task force (to supply information), and investment in new technologies. An annual budget of DKK 27 million for 'organic' in the Quality Food Programme is guaranteed (as part of "organic package") but no further details have been obtained. A particularly innovative element of this programme is 'conversion check-ups' which provide a one-stop-shop overview to conventional farmers about conversion, group advice for converting farmers and mobile advisory teams to be placed by companies.

In Marche, the RDP refer to the EU quality schemes mentioning in particular geographical indication. Organic farmers receive funding for inspection and certification costs under Measure 132 and in the whole of Italy 86 % of approved applications were from organic farms (see Table 2.3 Part A).

In Wales (UK) Measure 132 is offered for organic farms since 2010 in conjunction with the agri-environment measure. In Lower Saxony and Bavaria, Czech Republic and England, Measure 132 is not used. In Germany, the reason is that certification and inspection costs are granted as a separate certification support payment under the organic farming support schemes.

The EOAP also encourages Member States to develop incentives to producers to facilitate distribution and marketing by integrating the production chain by (contractual) arrangements

between actors. Three countries/regions (Czech Republic, Bavaria, Wales) have used the RDP to provide additional incentives to improve distribution and marketing and supply chain integration.

In the Czech Republic, applications from organic farmers to the combined Measure 123 (Increasing Added Value) and 124 (Supply Chain Cooperation) are more likely to receive funding through the points system where organic applicants are awarded additional points and nearly 30 % of approved applications were from organic farmers (see Table 2.2 Part A) in 2007 to 2009. In Bavaria organic producers can receive higher grant aid through Measure 123 for investments that increase the added value of agricultural products and 29 % of approved applications came from organic farms in the 2007/09 period (see Table 2.2 Part A) – the scheme closed however in 2010. In addition, for organic grant applications the minimum investment amount is also reduced. In Wales, the Better Organic Business Links project (BOBL) supports a range of activities to improve supply chain efficiency through Measure 124 (Supply chain cooperation) and various food initiatives (Food Festivals and True Taste Awards) include organic farming. Directories of all producers and business supplying organic food directly to consumers and into the food service and catering sectors have proved to be very popular in the past but the contractor has now been informed that it is deemed to be ‘advertising’ and thus not permitted under the funding rules.

In Austria, Lower Saxony, and the two Italian regions, these measures are open to and used by organic farmers and have some impact (see Section 3.3.6 below), but they do not specifically address the organic sector. In Denmark, support is provided outside the RDP framework.

In the Czech Republic, applications from organic farmers relating to Measure 311 (Diversification into non-agricultural activities) and Measure 313 (Encouragement of tourism activities) are awarded higher points, but no further information about uptake is available at this stage.

### **3.3.4 Providing access to capital support in the case study regions**

The EOAP makes specific reference to organic farmers having the same access to investment aid as non-organic farmers. In all nine countries/regions, organic farmers have the same opportunities to access investment support as non-organic. Three regions prioritise organic farmers.

In Austria, organic farmers can receive an additional 5% for investments relating to animal husbandry through Measure 121 (Modernisation of agricultural holdings).

Until 2010, similar provisions existed also in Bavaria, where a higher grant was given to organic farmers as well as livestock farmers improving animal welfare. The Bavarian RDP states that 7 % of projects funded under Measure 121 should be related to organic farming. In Austria about 20 % of approved applications were from organic farms in the 2007/09 period and in Bavaria about 5 % (see Table 2.1 Part A<sup>27</sup>).

As with Measure 112 (Setting up of young farmers), applications for investment aid (121) from organic farmers in the Czech Republic are also awarded more points. In the Czech Republic, applications from organic farmers and 21 % of approved applications under 121 were from organic farms in 2007/09.

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<sup>27</sup> Data on uptake in the programming regions were provided by the EC Commission and are shown in aggregated form for each country in Table 2.1 Part A.

### **3.3.5 Support for extension services and training in the case study regions**

The EOAP encourages Member States to make use of the rural development programme to support extension services and training for all organic operators. None of the nine regions/countries has targeted RDP measures specifically to support extension services for organic farming, but six countries support extension/advice for organic farming alongside other advisory or training schemes.

Among the case study regions, one example of a Measure 111 (Vocational Training) used to support organic farmers was found in Wales. Here, the Farming Connect Organic Development Programme is administered jointly with Measure 114/115 (see below). In Denmark organic farmers are also mentioned as a target group for Measure 111 qualifying for the same support as others. In the Czech Republic, organic farming is also mentioned under advisory support (Measure 114) alongside other agri-environmental measures, but there were no special provisions and there is no information available as to how many organic applications were considered under this measure. Even where organic farmers are not explicitly mentioned as target groups, vocational training initiatives for organic farming may have been funded under the RDP in the other regions, but it is more difficult to obtain information about this as organic activities are not separately identified.

Non-RDP funded extension services for organic producers exist in several cases namely Austria, Czech Republic, Denmark, Bavaria, Lower Saxony, Italy (both regions) and in Wales. Training opportunities for organic operators are provided in Austria, Germany (both regions), Italy (both regions) and the UK (both regions), again non-RDP funded. Denmark has well-established advisory support for organic farming, but this is funded outside the framework of the RDP. The 'conversion check-ups' for producers included in the food quality programme are a knowledge-related measure and illustrate the need to think beyond the axis/measure. In England (UK), no RDP-funded advisory support for organic farming exists and the state-aided Organic Conversion Information Scheme has now closed. In Wales (UK), the Organic Development Programme mentioned above provides organic advice (Measure 114) jointly with training with the intention of mainstreaming advice on opportunities for organic farming. In Wales, a state-aided conversion information scheme exists that closely interacts with Measure 214.

So, although not all case study countries have made use of the RDP measures, all have some advisory support for organic farming. It is not possible from the documents to make any comment on whether these advisory and training programmes fulfil the function of informing about the funding opportunities under the organic land management schemes, providing advice on managing an organic holding and certification requirements or helping operators to identify marketing opportunities for their organic product. It is also not possible to judge whether the programmes only target farmers or also other operators in the supply chain.

### **3.3.6 Impact of Axis 1 and Axis 3 measures according to Mid Term Evaluations (MTE)**

The coverage of organic farming under Axis 1 schemes (vocational training, capital investment and market development activities) and of Axis 3 rural diversification and Axis 4 LEADER activities in the mid-term evaluations was very limited, because organic activities are not recorded separately from other activities under the same measures. The following summarises the available data regarding investment and market development as well as extension measures.

Regarding market development measures, no target was set for Measure 123 (Adding value), but the Austrian MTE reported that the average share of organic raw material in examined processing enterprises increased through the projects supported. The only projects funded under Measure 124a

happen to be organic although the measure did not offer specific provision for organic farming. The MTE comments that despite low number of projects, the target of 2,300 participating enterprises has already been exceeded. The first project was the installation of a vertical supply chain partnership for organic pig production with online-quality-management, and the second project targeted the marketing of regional organic products of high quality with system to increase traceability and transparency concerning the “carbon-footprint” of the single product (label “prüf nach”). In total, 13.% of all Austrian organic farms take part in these two nationwide projects at a cost of EUR 1.76 million (or 42 % of the budget for 124a to date). The Austrian MTE reports that 74 % of the total 16,652 enterprises participating in the Measure 132 (Quality schemes) during the evaluation period 2007-2009 were organic.

In the Czech Republic, organic farmers were well represented in Measures 112 (Setting up of young farmers) and 121 (both with special provisions) resulting in a significant increase in the number of organic farms (a 47 % increase between 2007-2008 and a further 40 % between 2008-2009). However, the Czech MTE is critical of the point evaluation system. It recommends a reduction of the points for these measures with a view to discouraging operators from becoming organic in order to qualify for grant aid and reverting to non-organic farming once the commitment is over. An alternative suggestion is to restrict preferential treatment to those organic farmers whose farms are wholly converted or who market their product as organic or are willing to do so should their application be successful.

The analysis of secondary data through the Czech Payment Agency (IS SAIF) shows an increasing share of organic farmers among successful applicants concerning Measure 121, which also implies an increase in funding for organic farmers. The volume of organic farmers’ funding identified in “round 9” (took place in 2010) came to approximately 20 % of the total funding volume which represents a doubling compared to the 10.4 % share of UAA being farmed organically.

Regarding Measure 313 (Encouragement of tourism activities), the Czech MTE states that until 18/05/2010 in total 109 projects have been executed and of those approximately 20 % applied to environmental (including organic) farmers. Funded projects focused predominantly on accommodation, boarding or sports facilities. Encouraging tourism is considered as improving the knowledge of the public of agriculture and the relationship with the countryside.

There is no target for quality food programmes in the Danish RDP, but it is estimated that up to 135 projects could be supported. According to the MTE, 35 projects have been implemented and all relate to information and marketing, and only 75 % of the budget had been used. The report also comments on difficulty in measuring the long term impact.

In Bavaria, the MTE reports that Measures 123 (Adding value) had a positive impact on the organic market and supported projects were able to increase the value of their sales by 44 % (the scheme closed in 2010).

Support for extension services for organic farmers is mostly provided alongside mainstream advisory services and as such not covered by MTEs. A report on the English agri-environmental scheme commented on the lack of advisory provision for organic farming under the RDP funded ETIP (ELS Training and Information Programme), which seeks to encourage farmers to renew their agreements and to take up the most suitable environmental options. Furthermore, the Axis 1 and 3 implementation plans for two English regions recognise the importance of two regional organic centres funded under the previous RDP (the North West Organic Centre and Organic South West) in supporting organic farming development in their regions. According to one expert, changes in the

design of the English Rural Development Programme from one programming period to the next and delays in its implementation resulted in such centres no longer being funded.

### **3.3.7 Seeking cross axis synergies**

In the Community Strategic Guidelines, Member States are encouraged to seek synergies between the axes in developing their support for organic farming. Wales is the only region that mentions this specifically. The MTE picks up on this and identifies successful examples of synergy between Axis 1 and 2, resulting from increased participation in the Axis 2 Organic Farming Scheme, and which has consequently increased demand for training and advice. Organic Centre Wales (OCW), which is part-funded through the RDP and is responsible for the organic elements of Measures 111, 114 and 124, is seen as having played a crucial role in making those connections and maximising synergy. The MTE concludes, however, that it is not evident that *“full advantage has been taken of the opportunities offered by organic production, mainly because it is not clear what full advantage would look like and whether it refers to environmental attributes, economic attributes or some combination of the two”*. It identifies a need to develop the demand side as well as the supply side and commends OCW's efforts to ensure that producers become more market-oriented and not wholly subsidy driven.

No further examples of countries or regions actively seeking synergies between the different aspects of supporting the sector were identified in the documents. However, it is worth mentioning that the Danish RDP devotes one chapter to organic farming support and actively seeks to build synergies between different schemes, as illustrated, for example, by the 'conversion check-up' scheme which is part of the food quality programme, but also has clear relevance to the agri-environment and knowledge/information areas. As part of the analysis of policy strategy and coherence in the following chapter, the question of emphasis on demand and supply-oriented measures and the integration between national action plans and RDPs is further considered.

## **3.4 Summary and conclusions**

This section analyses the links between the national or regional rural development programmes and other policy support and the European Organic Action Plan (EOAP) of 2004. The aim is to explore the impact of the EOAP strategic vision in shaping policy development in the case study regions.

### *Direct references*

Four of the nine programming regions have directly referred to the EOAP in their rural development programmes (Austria, Denmark, Bavaria and Lower Saxony), two of which use it to justify support (Austria and Denmark). Two other countries (Czech Republic and Italy) refer to the EOAP in their national action plans. Judged by the formal level of cross-referencing, the links between the EOAP and the rural development programmes and national organic action plans are not particularly strong with several regions not formally referring at all to the EOAP in their national RDPs, despite the recommendation to Member States to consider it in the Community Strategic Guidelines (CSG) of 2006.

However, to achieve some of the EOAP strategic aims it is not essential that the rural development programmes or national action plans make specific reference to the EOAP, but rather that they respond to the actions set out that are relevant to them.

### *Land management*

All six countries (all nine regions) have acted on the CSG recommendation to encourage “environmentally sustainable production methods, including organic production” by offering an organic farming support scheme as one measure among other agri-environment measures. Among the case study countries there are some well-established and consistent support schemes that encourage farmers to become and more importantly to stay organic. A majority has used the scheme requirements as an incentive to encourage whole farm conversion, in line with Action 6 of the EOAP. However, the example of Wales illustrates that the issue of particularly large farms wishing to stage the conversion and thus minimise the risk must be considered.

Considerable variation in payment rates and eligibility conditions exists, as demonstrated elsewhere in this report. This maybe an outcome of limited guidance on the support framework (e.g. payment rates, indicators, special reporting on organic farming) at EU level. Regulation (EC) 1698/2006 and the CSG only mention that organic farming support can be offered, but do not provide any further specific guidance apart from what is stated for all agri-environment schemes. Countries therefore do not necessarily have accurate information about the budgets and uptake of the organic measure. Also there may be a need to vary payment rates in light of structural issues (dominant farm type in region).

The analysis of targets for the uptake of the organic measure under Axis 2 showed that in seven out of the nine regions the targets had already been met to at least 75 % in 2009. It appears that several of the case study regions had set conservative targets aiming for steady rather than significant increases in organic land area in the RDP period between 2006 and 2013. This may be a reflection of a low prioritisation of organic farming in some of the rural development programmes.

None of the nine regions has targeted organic farming as the preferred management option in environmentally-sensitive or high-nature-value areas, which is also specifically mentioned in the EOAP (although this is intended in Denmark in the future). Also none of the regions has considered organic as part of other land management measures or made special provisions for organic farming under measure 215 (animal welfare).

In conclusion, the RDPs in all nine regions recognise the provision of environmental public goods and in several countries there appears to be continuity of organic farming support schemes from the previous programming period.

### *Market support*

Less use has been made of the RDP instruments to stimulate organic demand, facilitate distribution and marketing or to promote organic participation in food quality schemes. Four programming regions (Austria, Denmark, Marche and Wales) offer some support to organic farming as one of the EU’s quality schemes, but only one country reference to organic specifically as an instrument to improve the competitiveness of agriculture. There appears to be a tendency to forget about organic as one of the quality measures, despite the existence of EU organic regulations, with activities focussing on the protected geographical indications measures only. Only three programming regions (Czech Republic, Bavaria and Wales) make use of RDP instruments in the context of improving distribution, marketing and supply chain integration.

### *Capital support*

All regions provide the same and two programming regions (Austria, Czech Republic) provide better possibilities for organic farmers to receive investment support as non-organic farmers. Similar provisions existed until 2010 also in Bavaria, where a higher grant was given to organic as well as livestock farmers improving animal welfare. Austria and Bavaria have referred to organic farming specifically as an instrument to improve animal welfare in the context of investment aid.

### *Knowledge and information*

Very few programming regions have used the RDP for specialist organic provisions to support knowledge, extension and information. Three programming regions (Czech Republic, Denmark and Wales) provide RPD funded training or advice. However, in most cases support for organic training and advisory and investment activities can be applied for as part of general measures on the same basis as other applicants and several countries have information related measures in their national programmes.

### *Cross axis synergies*

Only one region made specific reference to organic farming in cross axis synergies of the RDP. The need for a balancing between supply and demand oriented measures also mentioned in the EOAP will be further investigated in Chapter 4 considering both RDP based and national support schemes.

### *RDP evaluation*

Apart from land management targets, a number of themes related to organic farming were covered in the Mid Term Evaluation reports in the case study regions. These include aspects of environmental impact, uptake among particular farm types, farm structure, customer satisfaction, running costs and synergies between Axes. Where Mid Term Evaluations address these questions, they tend to rely on secondary data, thereby 'recycling' a limited number of impact studies, or on data from participant surveys. This illustrates the difficulty of assessing the environmental and other public good impacts of whole farm, multi-objective schemes like organic farming, particularly where there is limited possibility and high transaction costs associated with gathering primary data on a sufficiently large sample of farms. Clearly there is a need to continuously develop and maintain the evidence base regarding the impact of organic farming in line with the reporting guidelines.

There are significant limitations to the potential of the MTEs and other agri-environment monitoring frameworks to capture specifically the effects of organic farming policies. This is partly due to lack of data, but also because of the complexity of organic systems. The complex, multi-functional nature of organic farm systems, delivering to several public policy goals on a wide range of farm types and geographical locations, makes it very difficult to quantify precisely distinct outputs, results and impacts. A monitoring programme to quantify these effects would only be possible at significant transaction cost. Most MTEs have only been able to address this to a limited extent, and as a result their conclusions cannot be considered to be comprehensive. Therefore there is a need to consider alternative means for determining what the organic agri-environment schemes actually deliver. One option would be to carry out research on samples of farms to provide results that are representative for farms of that type. However, there is a need to carry out such research at intervals to determine whether continued progress is being made, and to identify opportunities for further improvements. In addition, it is likely that smaller countries would not be able to commission research of this type on a regular basis, and that there could be significant duplication of effort between countries, so that there is a strong case for co-ordination of research at a European level. There might also be a case for the identification of monitor farms, typical of particular farm types and regions, which could be used for detailed monitoring of progress over longer time periods, with appropriate compensation to such producers for their engagement.

As far as other RDP support is concerned, at present the statistical data available relating to Axis 1 vocational training, capital investment and market development activities, as well as Axis 3 and 4 activities, are extremely limited, because organic activities are not recorded separately from other activities under the same measures. Where RDP have made special provisions for organic farmers under Axis 1, these are evaluated mainly positively in the midterm evaluations with one exception in the case of the Czech Republic where the MTE is critical of the high advantage given that appears to encourage farmers to become organic just to qualify for capital support. To be able to evaluate these projects in more detail, there is a need to identify them specifically so the relevant data sub-sets can be extracted and analysed separately.

#### *Concluding remarks*

The analysis shows that across all regions rural development plans recognise the potential for organic farming to provide environmental public goods, mostly as one among other schemes, but place much less emphasis on supporting organic farming in recognition of the potential to provide other public goods and in facilitating the development of the organic market.

The European Organic Action Plan has had only limited impact in making public support for organic farming more effective and has encouraged only some of the Member States to make a more coherent and greater use of the different rural development measures. Only two of the activities mentioned in Action 6 of European Organic Action Plan have been taken up by all nine regions. All regions offer measures to preserve the benefits for the environment and nature protection in the long term, although in several cases the emphasis is on maintaining existing organic land area of 2006 rather than significantly growing the sector. The second action common to all the case study regions is that organic farmers have the same possibilities for receiving investment support as non-organic farmers in so far as none of the regions excludes organic applications.

The stated aim of the EOAP was to provide a strategic vision for organic farming's contribution to the CAP in recognition of the dual role of organic farming in response to consumer demand as well as the provision of public goods. However, many of the EOAP action points are specific to the work of revising and implementing the organic regulations and only one action was specifically focused on RDP implementation issues. In this sense it is understandable that Member States have not latched onto it as a strategic document as there was limited specific detail to get hold of.

It has to be concluded that only moderate links exist between the European Organic Action Plan and the support policies for organic farming in the case study countries. The plan's strategic vision for organic farming's contribution to rural development policy goals has had some impact in shaping the rural development support policies of some but not all of the case study regions. The interaction between RDP support and national policy instruments such as Action Plan to develop a support strategy and the coherence of that strategy will be further analysed in Chapter 4.



## Chapter 4

# Analysis of support strategy and policy coherence to develop organic farming

Susanne Padel, Nic Lampkin, and Carolyn Foster

### 4.1 Introduction

This chapter analyses to **what extent the six case study countries have developed an overall strategy to develop organic farming, what type of strategy this is and how the presence of the strategy has manifested itself**. It explores the strengths and weaknesses of strategies considering the continuity and coherence of policy support.

In the context of this study a policy strategy is considered to be a development of policy with a clear set of objectives that underpin the range of measures implemented. This requires a more purposeful development of policies than simply a mix of policies to support the sector such as those reviewed for the EU 27 in Part A - and described and analysed for the case study countries in previous chapters of this volume.

Policy coherence has been defined as *“the synergic and systematic support towards the achievement of common objectives within and across individual policies”* (Den Hertog and Stroß, 2011). This is in line with the earlier definition put forward defining as *coherent a policy whose objectives, within a given policy framework, are internally consistent and attuned to the objectives pursued within other policy frameworks of the system* (Forster and Stocke, 1999, p 23-24).

Following these definitions a coherent support strategy for the organic sector would be one that states its aims, i.e. sets out the reasons why organic farming is supported with reference to wider agricultural, rural development and societal policy goals and sets out how different policy measures complement each other to achieve the specified objectives.

To assess policy coherence in the organic context, not only the integration of specific organic policies in the form of action plans, but also the rural development framework and the direct support measures of the Common Agricultural Policy (Pillar 1) at European and at national/regional level are important. At European level the Community Strategic Guidelines and the 2004 European Action Plan for Organic Food and Farming (EOAP) both recommend that Member States use the Rural Development Framework to consolidate the contribution of organic farming and to seek synergies between the different areas under which support can be offered (see also Chapter 3).

According to Stolze and Lampkin (2009) public intervention in the context of organic agriculture in the European Union addresses the following aims: (i) correction of previous government intervention, (ii) imperfect competition, (iii) lack of information and transparency as well as (iv) market failure with respect to public goods. The Community Strategic Guidelines place particular emphasis on reinforcing the *“contribution of organic farming to environmental and animal welfare objectives”* (CSG 3.2.iv, p. 26). The European Organic Action Plan (EOAP) of 2004 and the EU Regulation for organic food of 2007 highlight the dual societal role that organic farming plays in delivering public goods contributing to the protection of the environment, animal welfare and rural

development (Regulation (EC) 834/2007) and operating in specific market in response to consumer demand and the EOAP highlights specifically the need to balance supply- and demand-led measures. This interaction between public goods delivered by organic land management and production for the market for organic food in response to consumer demand is an important issue and a particular challenge for policy makers.

In this Chapter:

- Section 4.2 sets out the research approach.
- Section 4.3 provides a description of the policy context and organic sector support strategy in each country, building on the initial description of policies implemented in Chapter 1. This section considers organic sector support strategies set out either in national action plans or in other policy documents.
- Section 4.4 provides the analysis of policy strategies and coherence, looking at the impact on sector development through key indicators of organic sector development and the balance between supply and demand oriented measures.
- Section 4.5 presents some conclusions on overall policy strategy and coherence.

## **4.2 Approach**

The analysis of policy strategy and coherence relied to a large extent on a structured document analysis (see approach in Chapter 3).

To analyse the extent to which Member States and regions had developed specific strategies for the development of organic food and farming, evidence of a process of setting objectives for sector development supported were identified where appropriate by an analysis of existing bottlenecks. Evidence for this was obtained from the analysis of national action plans and RDP documents as well as the description of the various organic farming measures. The chosen approach of a document analysis revealed written policy strategies as well as policy ‘narratives’. In most cases a policy strategy to support the organic sector will manifest itself in a formal policy document either about the organic sector, or about general agriculture or rural development. A strategy may, however, also exist only informally and some insights into less formalised thinking behind policy development could be gained through expert judgements in the national workshops.

The issue of coherence of the policy strategy and framework has been analysed by:

- contrasting the intervention logic of organic farming support strategies with that of other policies and with reference to wider societal and policy goals – questions in the reporting template were used to support the development of an effects diagram for RDP and organic policy frameworks in each region;
- an analysis of the cross-referencing between documents as an indication of ‘attunement’ within the policy framework – this analysis, a modification of the traditional network analysis of policy actor networks, identified the links between different policy documents dealing with public support for organic farming at the national/regional and EU levels;
- using cross impact matrices to assess the positive and negative synergies between the various national/regional and EU supported organic policy measures – national experts scored each interaction between pairs of policies on a five point scale from ‘-2’ for highly negative synergies (or conflicts) to ‘+ 2’ for highly positive synergies and 0 for no interaction; and

- using expert judgements obtained through the national stakeholder workshops where preliminary results and conclusion for each Member State were discussed.

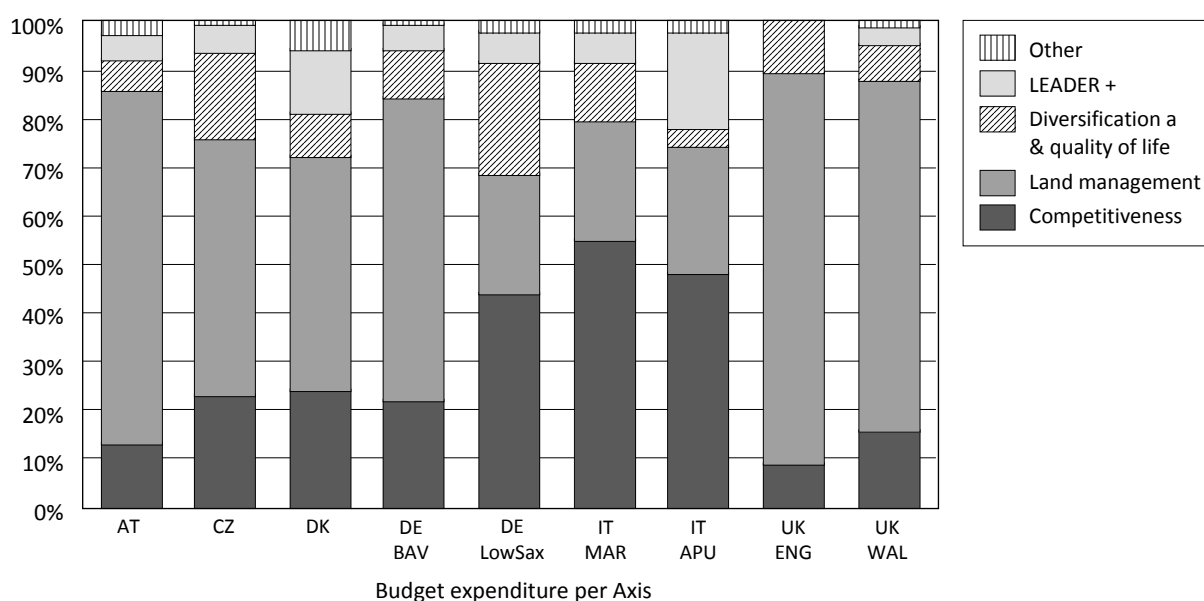
The detailed results of the documentary analysis and other steps of the analysis for policy strategy and coherence for each case study country are presented in Annex 4 with a summary provided in this chapter.

### 4.3 Policy strategies and combined policy instruments in the case study countries

The case study countries differ in the visibility of a policy strategy supporting the organic sector. This can be explicit, either in setting out aims for support in the national organic action plan or similar policy document, or in specific mentioning of the aims of supporting the organic sector in the rural development programme. In some cases no explicit strategy could be identified, but an implicit one can be inferred from the choice of instruments for the support of the organic sector. The following section briefly describes the support strategies for rural development and establishes in what way a support strategy for the organic sector manifests itself (in the form of a national action plan and/or within the RDP framework). The role of stakeholder involvement in the process is also summarised.

The context for a strategic approach to organic policies is set by the rural development programming priorities. The case study regions varied in the priorities and funding that was allocated to the four Axes of their rural development programmes: improving competitiveness (Axis 1), improving land management and the environment (Axis 2), improving the quality of life and encouraging diversification of rural areas (Axis 3) and the LEADER + approach of Axis 4. This is illustrated in Figure 4.1.

Figure 4.1 Priorities of rural development programmes in nine case study regions illustrated through the total budget allocations (in % of total RDP budget for the whole period)



Source: Rural development plans of case study regions as supplied by sub-contractors

### **4.3.1 Austria**

The rural development plan of Austria is part of an integrated policy for rural areas. The most important priorities for the RDP are strengthening the competitiveness of the agricultural and forestry sectors, sustainable use of natural resources and landscape conservation, conservation and development of attractive and vital rural areas, complemented by the methodological objective of setting-up integrated regional networks. The agri-environmental programme is a well-established instrument for the 'Greening' of rural areas and main focus of the RDP. Axis 2 is the most important one in financial terms and takes up nearly 80 % of the total rural development budget.

Since 2001 a national organic action plan is in place which has frequently been revised and updated. The most recent published version from 2009 (covering the period from 2008 to 2010) aims for Austria to remain one of the leading players in organic farming in Europe. A new plan for the period until 2013 is currently under development.

The National Organic Action Plan is designed to complement RDP activities and together they represent the support strategy that covers both supply and demand-led measures. A land area target of 20 % share of total land area has almost been reached. The market-related target of selling all organic products as organic indicates that demand and supply have not developed hand in hand for some sectors, in particular grassland-based meat production. The second market-related target aims to increase the organic share to 10 % of all food sales by 2020. Actions also relate to several EU initiatives, such as the CORE organic research ERANET, EDU-net and Leonardo. A new organic action plan exists in draft form, but has not yet been published.

The RDP aims for consolidation of organic farming agri-environmental measures, investment assistance and training and education. Land management support has contributed to making Austria one of the leading countries in terms of the organic share of total land area, and is the main activity to reach the land area target of the action plan. The organic option is well established, payment rates are relatively high compared to other Member States, with identical rates for conversion and maintaining organic production. Organic farming support takes up about 12 % of the Axis 2 budgets, but other, some potentially competing, agri-environmental measures exist. Three Axis 1 measures also address organic through (partly) specific provisions and there is high organic participation in some other schemes.

Stakeholders were actively involved in the development of the Action plan and the organic option of the RDP, where the interests of the organic sector were represented through Bio-Austria and environmental non-governmental organisations (NGOs).

### **4.3.2 Czech Republic**

The RDP of the Czech Republic combines several goals including: developing rural areas according to the principles of sustainable development; environmental protection and reduction of the negative impact of intensive agriculture; increasing the competitiveness of the Czech Republic in basic food commodities; and supporting and expanding the diversification of economic activities in the countryside. This range of goals is reflected in the budget where the most important areas of support are Axis 2 (53 % of the RDP budget) followed by Axis 1 (23 %). Within Axis 2 the highest amount of funding is allocated to disadvantaged areas and agri-environment payments.

The 2<sup>nd</sup> Czech Action Plan for organic farming is seen as a strategic policy document, setting out a vision for organic agriculture to 2020: *“Organic agriculture will be a fully developed agricultural sector with all appropriate characteristics such as a stable market, services and state policy supported provision of public goods incl. aspects relating to the environment and animal welfare”* (Action Plan 2011-2015). It aims to develop the production base (competitive, but in line with principles of organic agriculture), to develop the infrastructure for the organic sector and to build effective linkages between production and processing, also for non-food products. Actions are designed to supplement support given through the RDP rather than integrating the existing RDP measures for organic farming within the plan. The national action plan also contains a more ambitious land area target than the RDP, possibly indicating a lack of co-ordination between the two different policy areas of the RDP and action plan, but also reflecting the more recent start date for the action plan. The action plan also recognises the need to further develop the market. The Czech organic market is one of the strongest of the new Member States but domestic consumption remains low with an average annual spend of about EUR 7 per head. The first action plan was evaluated in preparation of the second one.

In the RDP organic farming is specifically targeted in several measures in all three main Axes. The organic agri-environment scheme uses about 14 % of the Axis 2 budget and has been successful in so far as the Czech Republic, with 10.6 % of total land area farmed organically in 2010, is clearly above the EU average. Payment rates are at a level similar to the EU average, horticulture and orchards are specifically targeted with above average payments rates, but this has not resulted in greater uptake in these areas. Organic applicants are given “organic” points within several other measures, such as setting up of young farmers (Measure 112) and farm modernisation (Measure 121). The Czech Republic is the only case study country that also has special provisions for organic farms also in Axis 3 measures (diversification (Measure 311) and tourism (Measure 313)).

Organic stakeholders participated actively in the axis working groups involved in the preparation of the Czech Rural Development Programme. For example, the proposal for bonus points for organic farmers in selected measures in Axes 1 and 3 was based on the recommendation of a group of experts set up for the first organic action plan. Several organic stakeholders representing all key institutions in the sector also participated in the design of the action plan, alongside representatives from the Ministry of Agriculture, advisory groups and research institutes.

### **4.3.3 Denmark**

The overall objective of the Danish RDP is to promote sustainable and coherent rural development, as the instrument to implement the objectives of the national Grøn Vækst [Green Growth] programme in rural areas. Green Growth aims for economic growth in Denmark going hand in hand with nature conservation and environmental protection and objectives include a target for doubling organic land farming by 2020.

Specific aims of the RDP include strengthening the competitiveness of the agricultural, food and forestry sectors, adapting to a growing demand for quality food products (including organic), investment in environmentally friendly technology, reinforcing the complementarity between agriculture/forestry and environment and making rural areas more attractive places to live and work through supporting job creation as well as better access to cultural activities. The majority of the budget is allocated to Axis 2 measures.

Supporting organic farming is a strategic element of the Danish RDP with a specific chapter setting out the strategy of supporting organic farming both under the food quality and agri-environmental programmes. The strategy to support the sector is also expressed in the Organic Vision document of

2011, which is in many ways similar to an organic action plan. Organic Vision is owned by the Ministry of Food, Agriculture and Fishery, but stakeholder participation in its development was high. During 2010, the Ministry of Food, Agriculture and Fishery established an interactive homepage to support the development of the vision in cooperation with Organic Denmark<sup>28</sup>. The vision includes 18 new initiatives to promote competitiveness, conversion, exports and knowledge transfer and information. Market support is seen as important in creating a balance between domestic consumption and production. Other national policies cover research, product innovation and agricultural funds and the research programme is periodically evaluated.

Under the RDP, rather than being offered a specific organic land management scheme, organic farmers can apply for the Environmental Farming Scheme. This is open to all farmers who do not use pesticides and less than 140 kg N/ha or 75 % of the allowed N quota, but organic applications are given priority. Because the scheme is open to other farmers, no specific budget for organic farming has been reported. Payments rates are below or similar to the EU average, but there is a separate conversion scheme with higher payment rates. The RDP contains a specific target of supporting 1,000 farms under the conversion scheme between 2007 and 2009 which was reached.

Organic Denmark - an important stakeholder of the sector - has been heavily involved in developing both policies, vision document and the representation of organic farming in the RDP. Extensive engagement over two years resulted in the agreement on the "organic package" which guarantees to maintain the organic conversion scheme and established the priority to organic farmers in accessing environmental support schemes. Organic Denmark also plays a vital role in the implementation of the RDP measures, in particular the Quality Food Programme.

#### **4.3.4 Germany (with a focus on Bavaria and Lower Saxony)**

The Federal Republic of Germany implements its rural development policy at the regional level. A national framework programme contains a menu of measures and actions in accordance with Regulation (EC) 1698/2005 for which the regional ministries can obtain additional co-financing through the Federal State within the framework of the 'Joint Task for Improvement of Agricultural Structure and Coastal Protection (GAK, Gemeinschaftsaufgabe Verbesserung der Agrarstruktur und des Küstenschutzes). In Bavaria, the design of the RDP tries to accommodate both intensive and competitive agricultural production in the lowlands and more ecologically friendly agricultural production in less favoured areas and/or areas with high ecological value. The RDP of Bavaria places a strong emphasis on environmental protection and improved sustainability of the agricultural and forestry sectors, with Axis 2 (agri-environment) the most important axis in financial terms. The RDP strategy of Lower Saxony centres on improving the economic situation and living conditions in rural areas. Strong emphasis is placed on the modernisation of agriculture, taking account of the various environmental effects of agriculture and forestry and responding to the particular geographic and topological situation and to the demands of society. The RDPs' main focus is on competitiveness, whereas Axis 2 support is low.

Support for the organic sector at federal level consists mainly of the federal programme for organic farming that supports information (for producers, processors, traders, marketers and consumers)

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<sup>28</sup> Organic Denmark was established in 2002 as a merger between several organic organizations and represents the whole organic sector. Organic farmer members are organized commodity-sector groups. Since 2003 the organization offers on-farm advice in collaboration with the regional advisory organizations. Members also include different organic and conventional food companies represented by a Committee of Food Companies. The organization is highly professionalized and by 2008 had a staff of 36 (Halpin et al. 2011).

and research (production, processing, marketing). The scope of the programme is limited and it cannot be considered as full national organic sector support strategy. Some policy documents analysed state that organic farming should co-exist together with other forms of agriculture and organic producers should have similar (but not preferred) access to policy support.

Support strategies for organic sector at the regional level vary. Bavaria claims to provide more support for organic farming than any other part of Germany (StMELF, 2010a). In the RDP, organic farming is recognised as a resource-preserving land management system that plays an important role for the protection of biotic and a-biotic resources. Specific payments for organic farming are a strategic support instrument under Axis 2. Land area payments are relatively high compared to other Member States and other federal states in Germany and some targeting of organic producers exists in the competitiveness area (Axis 1).

In contrast, despite the high emphasis on competitiveness measures in Lower Saxony, the only scheme with special provisions for organic farming specifically is an agri-environmental one. No specific policy strategy for the support of the organic sector could be identified. Payment rates are middle of the range compared to other EU Member States and to other federal states in Germany and uptake of only 2.8 % of land area is lower than in other German regions. The absence of specific targeting of organic farming under the 'competitiveness' measures could be seen as prioritising conventional farming but this may not be intentional.

In both German regions, the RDP organic measures were developed with involvement of stakeholders from the organic sector. Also the federal support programme has had strong representation from the organic sector (in particular for research) during development, and holds regular consultation events and has a stakeholder committee that advises the ministry of agriculture on questions of implementation. A partial evaluation of the federal programme was carried out in 2004, an evaluations of both parts (research and information) have been commissioned in 2010/11 but have not yet been completed.

Both Bavaria and Lower Saxony have other regional support policies for organic farmers, such as supporting organic advice, some promotional activities and applied regional research on plant production (e.g. variety testing) and animal husbandry and well supporting the teaching of organic farming.

#### **4.3.5 Italy (with a focus on Marche and Apulia)**

Italy's National Strategy Plan for rural development is based around a classification of four different types of regions and the challenges they face. Implementation of the rural development programme is the responsibility of the regions.

The strategic objectives of Marche's RDP are to strengthen competitiveness in the agricultural and forestry sectors; promote sustainable use of natural resources and conservation of the landscape; and, promote diversification of the rural economy and quality of life in rural areas. As in Lower Saxony the main focus of resources is Axis 1. Approximately 55.% of the overall RDP budget in Marche is allocated to Axis 1 with Axis 2 taking a further 25 %.

Regional-specific objectives of Apulia's RDP include promoting the modernisation in the agri-food sector; sustainable agricultural development, to safeguard forestry and increase its surface land area and improving the effectiveness of local governance aimed at developing strategies to increase local

employment, to implement diversification and to improve services in less favoured rural areas (LFAs). Again, like Lower Saxony and Marche, Apulia's RDP targets resources on Axis1 over Axis 2.

There is a national action plan to support organic farming since 2005 which has been regularly revised (the most recent specific programme for 2008-2009) but not formally evaluated. It contains no specific targets for the sector, but a range of objectives including strengthening Italy's role as an organic player in Europe and in the Mediterranean region (including CEE countries); improving supply chains; better integration of the different production areas; developing animal husbandry; increasing domestic consumption; prioritising organic food in public procurement; improving environmental sustainability on organic farms and developing the organic non-food sector.

No specific policy strategy for the support of the organic sector could be identified in either of the two regions studied (Marche and Apulia). The competitiveness axis in the RDPs does not address organic farming. Organic farming is a very important measure under Axis 2, recognising the positive effects for enhancement of bio-diversity, resource use and protecting regional landscapes through increasing the organic land area and using between 50 and 60 % of the Axis 2 budgets. Payment rates are middle of the range for arable and grassland compared to other countries, but above average for some specialist farm types. Uptake of organic farming in Italy averaged 8.7 % of land area in 2009, with higher uptake in the South (including Apulia) than in the North (including Marche), and with more processors located in the North.

In Marche, a Partnership Board has been set up to guarantee and promote the participation of different actors involved in the development of rural areas in the region. There is no information about the involvement of organic stakeholders in the development of the RDP in Apulia. Organic stakeholders were actively involved in the development of the national action plan.

#### **4.3.6 United Kingdom (with a focus on England and Wales)**

Agricultural and rural development policies, including organic farming support, are the responsibility of the four devolved administrations (England, Scotland, Wales and Northern Ireland). There is no national strategy for the support of the organic sector and the measures implemented vary between the regions.

England's rural areas are seen as largely competitive and economically fairly well developed. The main focus of the RDP is Axis 2, aiming to support farmers and foresters in delivering environmentally beneficial land management practices. All activities related to the English Organic Action Plan of 2002 ceased in 2007 and it was therefore no longer considered relevant for this analysis. No new policy documents setting out a support strategy for the organic sector other than its mention in the RDP could be identified.

The main support instrument for the organic sector is the organic option as part of the Entry Level Agri-Environment schemes. Payment rates for maintenance are very low compared to other countries with higher rates applying in the first two years of conversion. The scheme has experienced few changes since it opened in the last programming period. Uptake of organic farming at 4.4 % of land area is similar to the EU average. There is no special focus on the organic sector in any other RDP measure. DEFRA also supports some research including participation in CORE organic ERA-NET and is the competent authority for the UK. A scheme to support information for converting producers was closed in March 2011. There is organic stakeholder engagement in the development of the organic agri-environmental measures but not in other aspects of the English RDP.



The Welsh RDP is aimed at contributing to a national policy strategy for Wales. The main objectives are stimulating a dynamic and innovative agriculture sector, encouraging sustainable production methods with a view to improving the environment, improving the quality of life in rural areas, encouraging diversification of the rural economy and build capacity and innovation in rural areas. The Welsh RDP emphasises environmental measures (Axis 2) over competitiveness (Axis 1).

The 2<sup>nd</sup> Welsh Organic Action Plan from 2005 aimed for an increase in organic land area to 10-15 % by 2010, but this target has not quite been achieved (reaching 8.5 %). The plan had quite a wide range of actions, such as developing new marketing and processing opportunities, public education, contribution to public health as well as supporting research and market intelligence, but no specific budget lines for actions outside the RDP. A partial evaluation was carried out in 2011.

The organic farming schemes payment rates for conversion are middle of the EU range with maintenance payments at the low end of the range. The review of all land management grants including organic farming created uncertainty about the continuity of support, but in July 2011 the decision was taken to extend the existing schemes until 2014. The Farming Connect Organic Development Programme (under Axis 1) provides for training and advice with the intention of mainstreaming advice on opportunities for organic farming and one large project to support organic supply chain development is under way. In the RDP, organic food and farming is also identified as one of three cross-cutting themes, although it is not clear whether this has resulted in any specific activities.

The Organic Strategy Group (one of several Food Strategy Groups) was established in 1999 and had a role in implementing the action plan. All Food Strategy groups were in October 2011. Organic Centre Wales, established in 2000 as part of the first action plan, played a significant role in the development and implementation of the 2nd Action Plan.

It is worth mentioning that in the UK has an industry-led national promotion campaign for organic food co-funded by the European Union. This did not receive any match funding from any UK government or levy bodies.

#### **4.4 Assessment of organic sector support strategy and coherence**

This section provides an assessment of the national/regional strategies to support the organic sector and considers the coherence of the policies implemented.

The impact of the support strategies is assessed with reference

- to the objectives specified, in particular land area and market growth targets, and
- to the balance between the dual public good and market roles of organic farming.

Policy coherence is analysed by

- contrasting the intervention logic of organic farming support strategies with that of other policies and with reference to wider societal and policy goals considering the impact of geographical conditions;
- an analysis of the cross-referencing between documents as an indication of ‘attunement’ with the wider policy framework;
- means of cross impact matrices of the various organic policy measures; and
- expert judgement from the national policy workshops held in each case study country.

#### **4.4.1 Impact of the policy support strategies on sector development**

The case study countries vary in strategies and goals for sector development, in the targets that they set and in the instruments they use. According to policy evaluation methodology, each strategy should be evaluated against the achievement of its aims. However, unlike other rural development policies where the European framework regulation requires regular evaluations to be carried out (see for Chapter 3.3 for the evaluation of organic farming elements in the RDP), there is no requirement for governments to carry out and publish evaluations of organic action plans or policy programmes, although a supportive framework exists as a result of the EU-funded ORGAP research project ([www.orgap.org](http://www.orgap.org)).

Some of the national organic support policies have been evaluated: for example the 1<sup>st</sup> Action Plan of the Czech Republic was evaluated when the second Action Plan was drawn up; a partial evaluation of the German Organic Farming Scheme (BÖL) was carried out in 2004 (with a fuller evaluation of the two elements currently under way); an evaluation of the 2<sup>nd</sup> Welsh Action Plan has been produced in 2011; but no evaluations of the Austrian, Danish, and Italian action plans have been reported. It was outside the scope of this study to carry out full evaluations of the national action plans and policy strategies, but key policy goals were identified and effects models developed by the national experts (see Annex 4 for the document for each of the six case study countries) and the interactions between different support measures analysed through cross impact matrix.

Most Action Plans state growth of the organic sector as a target, in some cases only referring to land area, and in other cases also to the growth of demand or retail sales of organic food. For this reason growth of the sector was used (assessed by some key indicators) as one way to evaluate the success of the different support strategies implemented on a comparable basis.

The indicators used for development of organic production in 2009 are the organic share of total utilisable agricultural area (UAA) and the share of policy supported organic area in total certified organic land area (see Table 4.1). Because the main focus of the analysis is the current rural development period, we have also considered the development of land area between 2006 and 2009, i.e. growth in the first three year period of the period. For the development of the demand side, per capita consumption of organic food in 2009 and the development of retail sales values between 2006 and 2009 are shown. This gives only a very crude evaluation of the policy strategy impact, as the sector development is likely to have been influenced by other factors outside the control of policy and, where policy support has been in place for longer, high periods of uptake in earlier periods (see Chapter 2 for a more detailed discussion).

Table 4.1 also illustrates the balance between supply and demand measures through a simple categorisation (high, medium, low) of relevant measures specifically or partly addressing the organic sector. The information in the table is a qualitative judgement considering targeted RPD and national measures. Most of the supply and demand measures are described in more detail in previous chapters of this report. This is not the case for public procurement measures in national policies that aim to increase awareness and demand for organic products by encouraging their use in catering for the public sector, such as canteens, schools and hospitals. Good examples of such policies are provided in Denmark, where the 'Organic Vision' programme includes activities for providing information on opportunities to use organic products in schools and kinder gardens and also to strengthen certification in canteens and restaurants. Research and information about public procurement opportunities and practicalities was a topic in the German support programme and public procurement is mentioned in national policies in the Czech Republic, in Marche and in Wales.

Based on these rough indicators, the most successful examples of policy strategies by way of encouraging uptake among farmers in the current programming period are found in the Czech Republic and Wales, where organic land area grew by nearly 50 % between 2006 and 2009. Both countries have only middle of the range payment levels, but also have some other policy activities to support the sector. However, the stakeholders at the UK workshop were of the opinion that the main reason for the higher uptake in Wales (as compared to England) are differences in dominant farm-type, i.e. more extensive grassland which is easier to convert, rather than differences in the support strategy. Austria, Denmark, England and both regions of Germany experienced moderate growth in organic land area of approximately 10 % to 30 % between 2006 and 2009, and area declined in Italy (a regional breakdown was not identified). This confirms the results of analysis presented in Chapter 2 that area payments are important, but that current payment levels alone do not explain uptake with other factors also being important.

Table 4.1 Areas of policy activity to support the organic sector and impact between 2006 and 2009 in the case study countries

	Unit	AT	CZ	DK	DE		IT		UK	
					BAV	LowSax	MAR	APU	ENG	WAL
<b>Organic sector in 2009</b>										
Share of organic land area in 2009	% of UAA	18.5	9.4	5.9	5.0	2.8	8.7		4.4	8.0
Change in organic land area 2006 to 09 (2006 = 100 %)	%	9	47	13	25	12	-3		28	59
Share of total organic area supported under 214	%	75	50	77	71		84		nd	
Organic consumption in 2009	EUR/head	97	6.6	132	71		25		33	
Change in the market value 2006 to 09 (2006 = 100 %)	%	64	133 <sup>2</sup>	76	26		20		6 <sup>2</sup>	
<b>Documented policy strategy</b>		✓	✓	✓	✓	(✓)	(✓)			✓
<b>Supply side instruments</b>										
Typical payment rates (2011) <sup>1</sup>		high	med	med	high	med	med	med	low	low
Maintenance, arable	EUR/ha	285	155	101	200	137	90-250	96	69	69
Maintenance, grassland	EUR/ha	110-240	71-89	101	200	137			9-35	12-46
Conversion, arable	EUR/ha	285	155	165	285	262	110-280	96	271	185-404
Conversion, grassland	EUR/ha	110-240	71-89	165	285	262			9-35	14-127
Capital schemes		✓	✓		✓					
Advice & training		✓	✓	✓	✓	✓	✓	✓		✓
<b>Demand side policies</b>										
Consumer information & promotion		high		high				✓		✓
Market infrastructure		✓	✓	✓	✓	✓		✓		✓
Quality schemes		✓		✓	✓					
Public procurement		✓	✓	✓		✓ <sup>3</sup>		✓		✓
<b>Other</b>										
Regulation & control		✓		✓				✓	✓	
Research		✓	✓	✓		✓ <sup>3</sup>		✓	✓	

<sup>1</sup> In 2011 compared to other Member States (see Part A for details). <sup>2</sup> Based on national currency values. <sup>3</sup> Refers to BOELN measures.

Sources: Own data, data supplied by the Commission, Eurostat and Willer und Kilcher (2011 and previous editions).

The impact of policies on market development cannot be judged in the programming regions, because market estimates exist only at national level and the accuracy and reliability of time series data over the years remains very questionable. Market values vary substantially between Member States ranging from EUR 5.8 billion total sales value in Germany to EUR 68 million in the Czech Republic in 2009, and from EUR 132 consumption per head of the population in Denmark to EUR 6.6 in the Czech Republic.

Highest market growth occurred in the Czech Republic where consumption per head increased by 130 %<sup>29</sup> to EUR 6.6 per head, but consumption is low compared to other countries. Market growth in Austria and Denmark, at 64 % and 76 % respectively over the three year period, is also remarkable. Both countries are among those with more than EUR 100 per capita consumption of organic food and both implemented a range of policy initiatives aimed at market development and consumer information as well as supply side policies. Moderate growth occurred in Germany and Italy, both with some market-led measures at regional and some at national level (in Italy as part of the Action Plan and in German through the Federal Organic Farming Scheme providing consumer information at national level). In contrast, the UK market grew by only 6 % between 2006 and 2009. This includes the beginning of a period of declining sales between 2008 and 2011. England has no demand-oriented measures in place and will most strongly influence UK consumption figures because of its higher share of the population. Based on these very crude indicators it appears as if growth of the market development can be related to the presence of demand-led policies, with stronger market growth occurring in those countries that have both supply and demand side policies in place. It is necessary to remember the limitations relating to the low reliability of the market data over time. Also, market development is also strongly influenced by other contextual factors including the beginning of the financial crisis fell into this period that has impacted on some markets.

Based on this analysis it appears as if the support strategies that include medium to high presence of demand side measure (as well as supply measures) are more successful in stimulating growth of supply as well as demand compared to those strategies that rely mainly on supply side measures.

#### **4.4.2 Intervention logic to support the organic sector compared to the rural development plans programmes considering the geographical conditions**

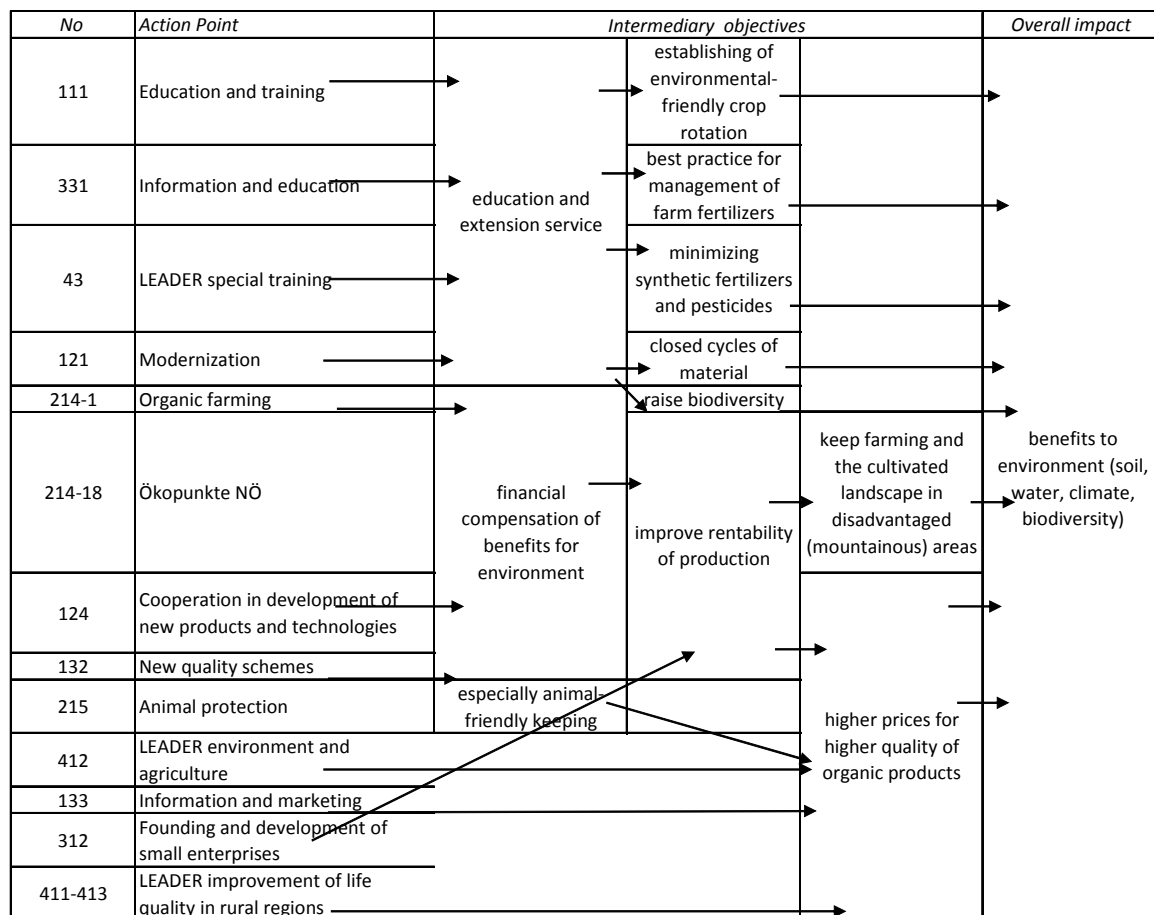
The analysis of the intervention logic for supporting organic farming in rural development programmes and in national organic action plans provides some insight to the extent to which support strategies for the organic sector are embedded in the overall policy framework for agriculture and rural development of each region and country.

The intervention logic can be illustrated by means of effects diagrams, which have been prepared for each country with respect to their RDPs and organic action plans (see Annex 4). Each figure shows on the left measures or activities and on the far right goals for overall societal impact with several levels of intermediate goals in the middle columns. In general terms, the RDP effects diagrams for the different regions are quite similar, reflecting the common approach underpinning the rural development programming process at EU level. Figure 4.2 illustrates the example for Austria. With rare exceptions, specific objectives or strategies relating to organic food and farming do not feature in the high level RDP diagrams, reflecting in part a relatively low emphasis given to organic support, or at least to its integration with the main RDP objectives and measures. A notable exception would be Denmark, with its organic chapter integrating policies within the RDP framework.

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<sup>29</sup> The calculation is based on market values in national currency to avoid distortion through exchange rate changes

Figure 4.2 Effects diagram for Austrian RDP, showing role of the organic farming measure 214-1, but not featuring the Austrian organic action plan.



Source: Own presentation

The effects diagrams for the organic action plans in different regions also share some common ground, but reflect the different priorities and targeting of local needs that the action plan process should encourage. The Austrian example (Figure 4.3) illustrates the importance of information measures to professionalise and improve the performance of the organic sector with a view to increasing supply, but with no specific reference to societal level goals. The core RDP measures, in particular the organic conversion and maintenance payments, are not an integral part of the action plan, with the action plan seen as complementing the RDP. By contrast, in the Welsh case (Figure 4.4) RDP measures are more directly integrated (although the action plan pre-dates the RDP), and the societal level goals are more explicit. However, in general terms, the effects diagrams indicate a logical consistency in the development of action plans, with specific actions designed to improve/increase the size of the organic sector using a combination of supply-push and demand-pull measures, with a consequential impact on the delivery of environmental and other societal goals.

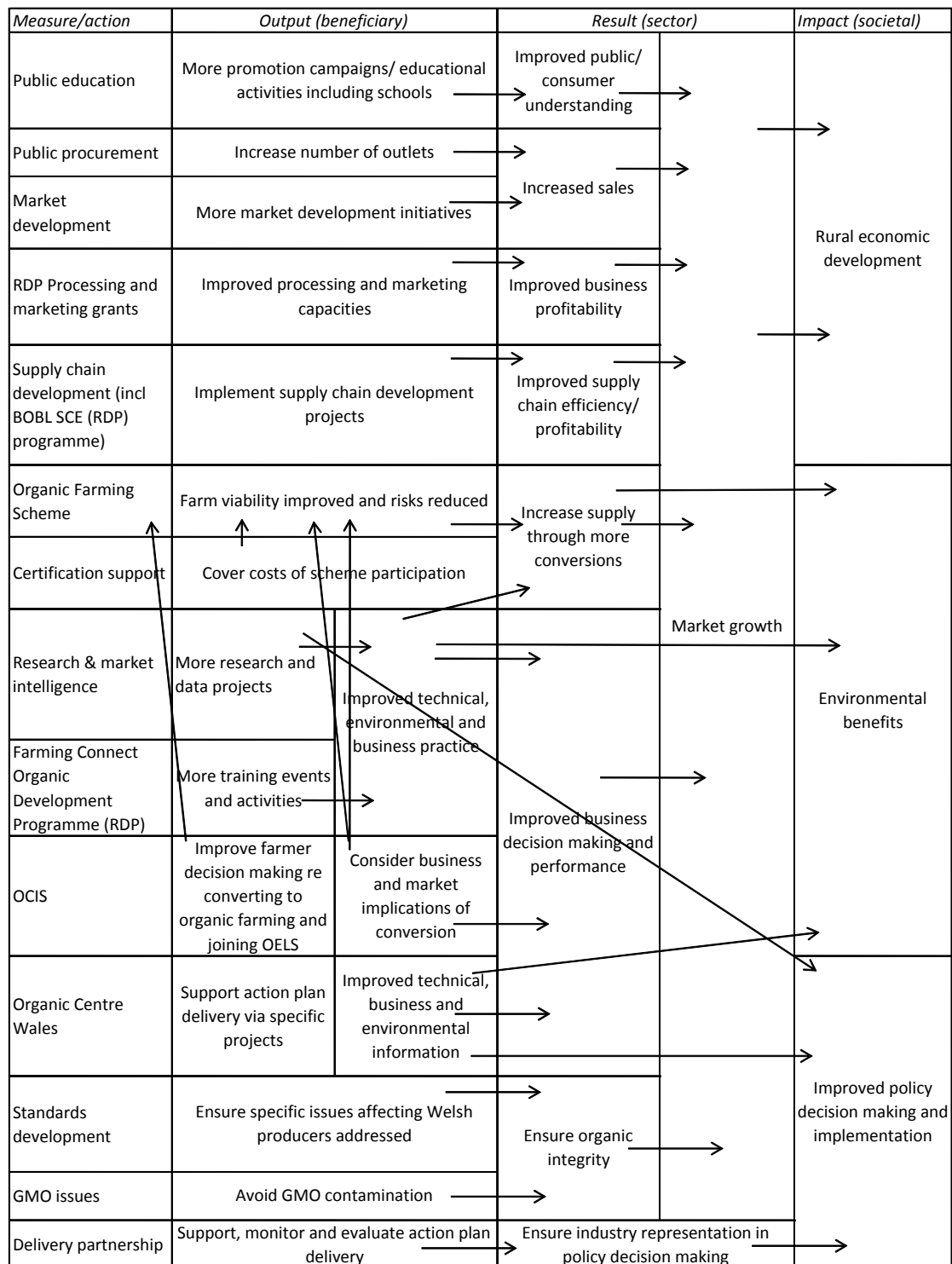
Figure 4.3 Effects diagram for Austrian organic action plan, 2009-2011

No	Action Point	Intermediary objectives	Societal impact
1	leonardo cerorganic	"train the trainer" (further education and exchange of know-how of extension service personnel and teachers)	professionalization
2	organic edunet		
3	special courses in organic farming		
4	research (ERA-NET CORE Organic, production technology)		
5	elaborate extension service material	information education and training for farmers	improve efficiency and profitability of production
6	Bio Austria farmers' days		
7	standard database		
8	Bionet extension service on choice of variety		
9	business- and education-plan	all organically produced goods should be marketed organically	increase supply of organic products (number of farms, acreage exceeding 20 per cent)
10	working-group-extension service		
11	competence for entrepreneurship in schools		
12	promotion of investments		
13	promotion for covering control costs	marketing development	increase share of OF-products at food-retailers
14	promotion of quality management and certification		
15	information material on organic farming for (farmers- and primary-)schools, kindergarden, gastronomy		
16	public relation (AMA, Bio Austria, Agricultural Chambers, Ministry)		
17	keeping out GMO	better information of consumers	increase demand for organic products
18	cooperation with ADA		
		promotion of OF in developing countries	

No specific societal goals are stated.

Source: Own presentation

Figure 4.4 Effects diagram for Welsh RDP



Source: Own presentation

Full detail of this analysis is presented in case study monographs (Annex 4), with key highlights only summarised here.

In **Austria**, the national action plan aims to support the organic sector but does not relate this to societal goals. Its main aims are to grow supply of and demand for organic products, in support of the wider societal goals stated in RDP of maintaining agriculture and its landscapes in the disadvantaged areas with benefits to the environment and natural resources and achieving high prices for high quality products. Austria organic farming support is part of the greening strategy for the rural areas as well as a 'quality' instruments including promotion of the 'organic brand' both through national and private initiatives.

Similarly, the **Czech** Organic Action Plan states developing the organic sector as the primary goal and sets targets for both land area and the market in recognition of potential of providing public goods, if the right support is in place. The Czech Republic is characterised by about half of its agricultural area classified as disadvantaged. The main aims of the RDP are to create a strong and dynamic agricultural and food sector that is multifunctional and brings benefits to the environment and well as creating diversified jobs and growth in rural areas and organic farming is considered as contributing to these objectives and supported under all three main axis.

In **Denmark**, support for the organic sector is well embedded in national green growth policy for rural area focussing both on the environmental impact and on competitiveness by improving the quality of Danish Agricultural products. This dual focus strategy has been in place for many years and is reflected in the most recent 'Organic Vision' document setting out an ambitious target (doubling the area by 2020) and support actions for the organic sector.

**Bavaria** also has a high share of agricultural area classed as LFA and has several support instruments in place for the organic sector. It appears influenced by its neighbour Austria in aiming to be the leader in organic farming support at least in Germany (with Austria aiming for European leadership). Under the overall aims of sustainability, environmental and animal protection, and the well-being of the population, organic farming is supported as a land management system that plays an important role for the protection of biotic and a-biotic resources and to a lesser extent in relation to improved competitiveness.

In **Lower Saxony**, the emphasis on environmental schemes for organic farming stands in contrast to the strong focus of the RDP as a whole on competitiveness and no specific support strategy for the organic sector is documented, apart from offering agri-environmental support although a number of other policies are in place.

There is a similar situation in both **Italian** regions, which support organic for environmental reasons, whereas the main focus of the RDP is on Axis 1 competitiveness measures. However in contrast to Lower Saxony, organic farming support is a very prominent agri-environmental scheme in both regions, in the case of Apulia it appears to be the only one offered. In both regions no documented support strategy was identified. The national action plan does not appear to act as a strategic framework for the regions.

**Wales** recognised the potential of organic farming for cross axis synergies inside the RDP. 80 % of the land area is classed as LFA and this is reflected in the main goals of the RDP of maintaining agriculture in disadvantaged areas. The main aim of the organic action plan was to grow the organic sector both through land area targets and actions to support sustainable development of the market for Welsh organic products.

In **England**, there is no documented strategy to support the organic sector apart from supporting organic farming as part of entry-level agri-environment schemes although a range of support polices



were in place, but Axis 2 is also by far the most important overall RDP area. The devolution of responsibility for Axis 1 and 3 measures to English regional development agencies resulted in these parts of support for the organic sector to be very fragmented.

#### *Influence of geographical and structural conditions*

It appears that the propensity of countries/regions to engage with developing a strategy to support the organic sector is influenced at least to some extent by the geographical and structural conditions of the agricultural sector (see Chapter 1 for some more detail of each country/region). For example, Austria, the Czech Republic and Wales are all heavily influenced by mountain or upland areas with extensive grazing and have a high share of the agricultural area in LFAs. The LFAs consist of grassland-based farms that are relatively easy to convert and the RDPs have a commitment to increasing value added, quality schemes and food culture. All three have a documented strategy to support the organic sector.

In contrast, in Denmark, Lower Saxony and England, arable production is more prevalent, a farm type that is more difficult to convert, and at least some farming sectors are very market and/or export oriented. England and Lower Saxony support organic farming mainly with environmental measures and have no documented support strategy for the sector. The Bavarian RDP which makes specific reference to having to balance the needs of a market-oriented agriculture in the lowlands with those of the more disadvantaged upland regions.

In the English case, the old organic action plan (2002-2007) had a market target (of reducing reliance on imports) albeit supported by an environmental justification. The decision not to provide maintenance support when the Organic Aid Scheme was first introduced in the 1990s reflected a view that, once converted, organic farms should be able to survive on the basis of the market price premia alone. Some stakeholders also strongly believe that the market should be left alone (“leave the market to the market”) and that conversion payments can distort the supply base. Other examples of a similar market-focused strategy outside the case study regions are the Netherlands, where no Axis 2 support has been implemented, and Scotland, where engagement with the organic market was a criterion for entry to the competitive points-based maintenance scheme.

Among the case study countries there are also several examples (notably Austria and the Czech Republic) that support market development to underpin the agri-environmental measures and support the delivery of public goods. This illustrates that policy strategies approach the duality of organic farming identified in the EU action plan very differently, with most countries leaning clearly in either one direction or the other.

Countries with a high share of extensive agriculture appear more committed to developing a range of support strategies for the organic sector than those with a more market-oriented agricultural sector. However, the odd one out is Denmark with an export-oriented agriculture. The well established support strategy has featured organic farming under both food quality and agri-environmental policy goals. There are also countries in the EU (not considered as case studies) that have a large share of extensive, grassland based agriculture but have so far only a very low share of organic farming, such as the Republic of Ireland. Both examples illustrate that the structure of the agricultural sector is one, but not the only, variable that explains the propensity of a country or region to develop a support strategy.

### 4.4.3 Cross referencing between policy documents

The analysis of policy coherence between rural development and organic programmes was supported through investigating the frequency with which documents are referenced in form of a document network. This analysis considered the key documents analysed in the document analysis (RDP, MTE, organic action plan and other national/regional organic farming and rural development policy documents including documents outlining the general policy strategy of a country. Using the tools of traditional actor network theory (see Annex to Section B3 of ORGAPET for one example of network analysis by Moschitz and Stolze (2009) as part of the EU-funded EU-CEE-OFP research project), the cross-referencing between various policy documents were summarised and visualised in the form of maps.

The analysis focused on the references that are made in one document to other documents, as well as common references to possible frameworks documents (such as the EU Organic Action Plan and EU Rural Development Regulation). A high degree of cross-referencing was taken as one indicator of a coherent strategy as this signals that other relevant measures and policy documents have been consulted. In this way, it was possible to map how well embedded public support measures for organic farming are, how they relate to rural development policy and wider agricultural and other policies and to identify the most important points of (cross)-reference (i.e. the central documents to which frequent reference is made).

The results show the density of the network, i.e. how many references exist between documents and how much a network is centred on one (or more) central document(s) that is most frequently referenced, as well as the number of links at various levels. Table 4.2 summarises the results of the document network analysis for the case study countries/regions. The maps for each country are given in Annex 4.<sup>30</sup>

Table 4.2 Comparison of key figures from the document network analysis

	AT	CZ	DK	DE		IT		UK	
				BAV	LowSax	APU	MAR	ENG	WAL
Docs considered	13	19	20	19	16	15	14	14	13
Density (%)	30	16	9	16	20	16	19	13	17
Indegree centralization	48.6	30.6	24.1	36.4	36.0	21.4	21.3	27.2	26.4
Document referred to most frequently	RDP 2007–2013	RDP CZ 2007–2013	Grøn Vækst	Strategy Conference	Strategy Conference	EC 1698/2005	EC 1698/2005	Organic Entry Level Scheme	Wales: A better country

**Density:** Indicates how much the documents relate to each other; general overview figure.

**Indegree centralization:** Indicates how much a network is centred around one document. The maximum level would be 100%, and would be reached if all documents related only to one central document, which would not relate back (“star graph”).

**Standardized indegree:** In the figures for each country, the documents are ranked according to their standardized indegree. This is the indegree value related to max. possible value.

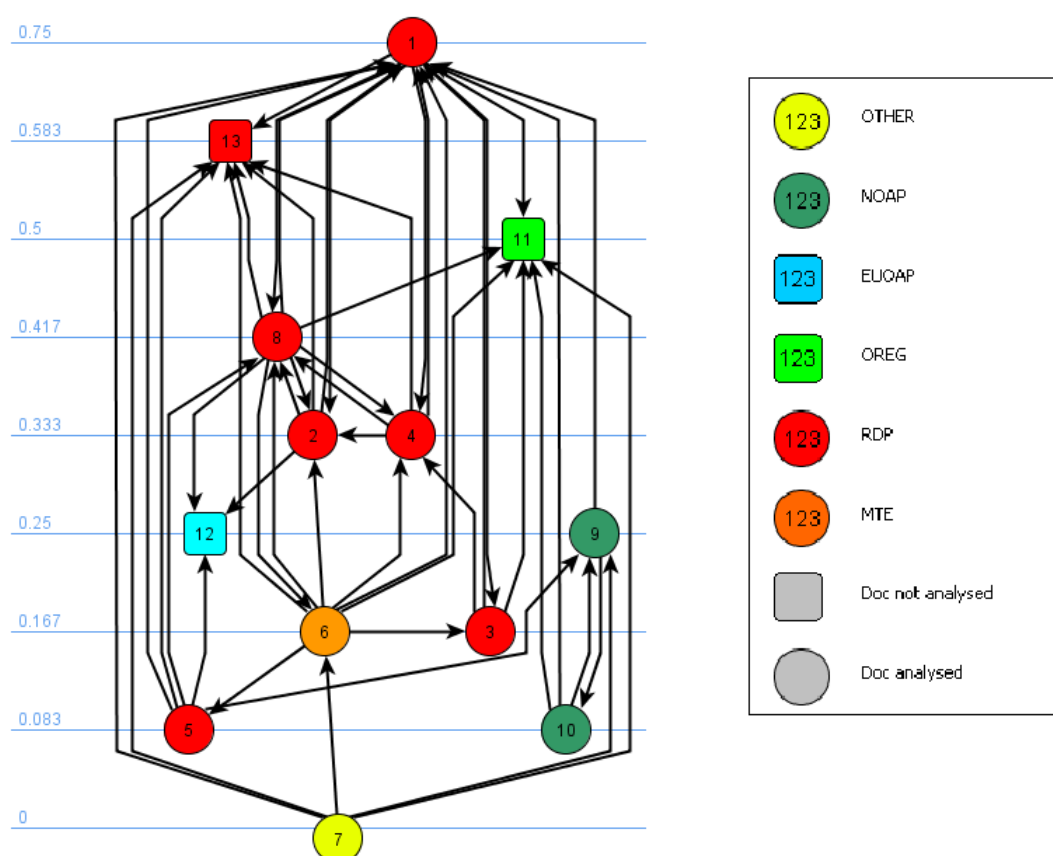
**Example:** in AT, 13 documents are in the network. Each could theoretically be referred to by 12 (self-referencing was excluded as an option). Thus, the maximum possible indegree value is 12. Document Nr.6 has been referred to by 6 other documents; indegree = 6. The standardized indegree of this document is  $6/12 = 0.5$ .

Source: Own presentation

<sup>30</sup>

The document network analysis shown here was carried out by Heidrun Moschitz from FiBL.

Figure 4.5 Document network map for Austria



Doc.	Short name	Long name	Type
<b>analysed</b>			
1	RDP	<b>Österreichisches Programm für die Entwicklung des Ländlichen Raums 2007-2013</b>	RDP
2	RDP_national strategy_2007	Ländliche Entwicklung 2007 – 2013 Nationaler Strategieplan Österreichs für die Entwicklung des ländlichen Raums 2007 - 2013	RDP
3	RDP_ex post_revision_2008	Evaluierungsbericht 2008 Ex-post-Evaluierung des Österreichischen Programms für die Entwicklung des ländlichen Raums	RDP
4	RDP_ex ante	Anlage III Ex-ante Evaluierung gemäß VO (EG) Nr. 1698/2005 Art. 85 (this is Annex III to RDP)	RDP
5	RDP_national strategy_revision_2009	Ländliche Entwicklung 2007 – 2013 Nationaler Strategieplan Österreichs für die Entwicklung des ländlichen Raums 2007 - 2013	RDP
6	MTE	Evaluierungsbericht 2010 Halbzeitbewertung des Österreichischen Programms für die Entwicklung des ländlichen Raums (parts A,B,C1,C2)	MTE
7	GB_2010	Grüner Bericht 2010 Bericht über die Situation der österreichischen Land- und Forstwirtschaft	OTHER
8	RDP_umweltbericht	Österreichisches Programm für die Ländliche Entwicklung 2007 – 2013 Umweltbericht im Rahmen der Strategischen Umweltprüfung gem. RL 2001/42/EG (this is Annex IVa to RDP)	RDP
9	OAP_08-10	Aktionsprogramm Biologische Landwirtschaft 2008-2010	NOAP
10	OAP_11-13	5. Aktionsprogramm Biologische Landwirtschaft 2011-2013	NOAP
<b>Not analysed, but considered for referencing</b>			
11	EC 2092/91 resp. 834/2007	EC 2092/91 resp. 834/2007	OREG
12	EU Organic Action Plan	EU Organic Action Plan	EUOAP
13	EU 1698/2005	EU 1698/2005	RDP

Source: Own presentation

The highest network density (most cross-referencing found) is seen in Austria (see Table 4.3 and Figure 4.5). The lowest density was found in Denmark with six documents that refer to others, but are not referred to and several other documents that are only referred to once. (This could, however, be related to the relatively large number of documents considered in Denmark). Overall the analysis found very little formal cross-referencing to the European Organic Action Plan (see Chapter 3).

In Austria, the document network centres around one document, the Rural Development Programme (see Figure 4.5), which is also the most frequently referred to document in the Czech Republic, confirming in both cases a strong embedding of the organic policies in the RDP framework. This contrasts with England, where in the absence of any national strategy to support the organic sector, the most widely referenced text is the documentation for the OELS scheme and the EU Rural Development Regulation (RDR), but the overall density is low with very limited linkages between the RDR and organic policies.

The most central document in Denmark's case is the national Green Growth Strategy which again confirms this policy's central importance for the support strategy of organic sector. In both Italian regions, the most often referred to document is the RDR. In both German regions the two most frequently referred to documents are RDR and Federal German policy framework. Both examples indicate how the European framework shapes rural development plan. In Wales, the central document is the Welsh national policy vision (Wales: A Better Country) and the Sustainable Development Action Plan, neither of which mention organic farming. This can be seen as an indication of weak embedding of organic farming policy support in the wider policy context.

#### **4.4.4 Analysis of coherence between various organic support measures**

Policy coherence in each country was also assessed through a cross-impact matrix of all support measures that specifically target the organic sector. This was carried out with a focus on interactions between pairs of policies in either direction – i.e. policy A has a positive impact on policy B and/or policy B has a positive impact on policy A. An example is shown for Denmark (Figure 4.6) with similar matrices presented for each region in the case study monographs (Annex 4).

The focus was on all measures supporting the development of the organic sector and only considered RDP measures where organic was a focus. It therefore did not consider the interactions between non-organic and organic farming policies, e.g. support for integrated farming systems or biofuels, where conflicts might have been more obvious. Also, Pillar 1 policies that largely do not specifically address the organic sector (see Part A) do not feature in the analysis. This situation is likely to change in future under the new Pillar 1 greening proposals.

The synergy scores allocated were 2 for high, 1 for moderate and 0 for none, with negative values for negative synergies or conflicts. For each country/region, a coherence score is calculated on the basis of dividing the total value of the positive scores by the number of policy combinations achieving a positive score multiplied by two. This has the effect of creating a range of score values from 0 to 1, where 0 would be achieved if no policy combinations exhibited any synergy, 0.5 would be achieved if all scored 1 or half scored 2 and half scored 0 (or proportional combinations of the three), and a coherence value of 1 would be achieved if all policy combinations scored 2. It should be noted that these scores are independent of the total number of policy combinations analysed, so a case with only a few policy combinations could end up with a high score as easily as a case with a large number of combinations.

Figure 4.6: Cross-impact matrix for Danish organic support policies (see text for explanation)

No	Policy measure/action point	RDP	RDP	RDP	RDP	Green Growth	Other	Other	Other	Other	Other	RDP	Other	OAP
		Conversion support	Environmental production support	Quality Food	Adoption of new technologies	Organic RDD (R&D)	FØJO 3 Research 2004-2010	Product and technology development (innovation law)	Agricultural funds market development/advising and technologies	Fund for organic agriculture support to R &D + consumer campaigns	Support for marketing activities at Organic Denmark	Marketing and information activities	GUDP	Organic Vision
RDP	Conversion support													
RDP	Environmental production support	2												
RDP	Quality Food	1	1											
RDP	Adoption of new technologies	0	0	1										
Green Growth	Organic RDD (R&D)	0	0	1	1									
Other	FØJO 3 Research 2004-2010	0	0	1	1	2								
Other	Product and technology development (innovation law)	0	0	2	2	2	1							
Other	Agricultural funds market development/advising and technologies	0	0	2	2	2	0	1						
Other	Fund for organic agriculture support to R &D + consumer campaigns	0	0	2	2	2	2	2	2					
Other	Support for marketing activities at Organic Denmark	0	0	1	0	0	0	0	2	0				
RDP	Marketing and information activities	0	0	1	0	0	0	0	1	0	1			
Other	GUDP	0	0	2	2	2	2	2	1	1	2	2		
OAP	Organic Vision	2	0	2	2	2	2	2	2	2	2	2	2	

+ 2= strong synergy; +1 = weak synergy; 0 = no interaction; -1 = weak conflict; -2 = strong conflict

Source: Own presentation

The results of the cross impact analysis are summarised in Table 4.3 together with the total number of measures considered and relevant comments from the analysis. The coherence indicated refers to the coherence within organic policy frameworks, not within the whole agricultural/RDP policy framework with respect to organic food and farming.

Keeping the above health warnings in mind, it is interesting to note that in virtually all cases, no negative synergies (conflicts) were identified between organic policies, with the exception of three policy pairs in the Czech Republic (see Table 4.3). Denmark emerges as a country with good coherence, followed by the Czech Republic, whereas England appears to have a fewer positive synergies between measures.

Table 4.3 Overall coherence of all organic support policies (RDP and national instruments) based on cross impact matrix

Country/region (No of measures considered)	Cross impact score*	Comments
<b>Denmark</b> (13)	0.844	Very good coherence and high proportion of 2 in relation to organic vision (considered as one measure).
<b>Czech Republic</b> (28)	0.754	Good coherence with many opportunities to support the sector from RDP and Action Plan. Potentially negative interactions are identified between regional sales and the agri-environmental programme, economic sustainability and environmental benefits, and finally economic sustainability and animal welfare.
<b>Lower Saxony (DE)</b> (6)	0.679	Although a more limited range of RDP and other measures than most other case study regions is used, the score indicates strong synergy between them
<b>Austria</b> (33)	0.667	Good coherence using many measures, strong synergies in relation to extension and training measures.
<b>Marche (IT)</b> (27)	0.656	Cross impact matrix for both regions considers all actions of the national action plan.
<b>Apulia (IT)</b> (20)	0.645	Good coherence between several measures, but also several with no positive cross- impact.
<b>Bayern (DE)</b> (8)	0.636	Lower synergy score, despite using more RDP measures, relating to a low synergy between Axis 1 measures and the information measures in the Federal Organic Farming Scheme.
<b>Wales (UK)</b> (14)	0.617	Reasonable coherence between measures.
<b>England (UK)</b> (6)	0.5625	Low score, only one 2 was given in relation to the now closed organic conversion information scheme.

\*The relative rankings may to an extent reflect the different scoring approaches of the individuals in the different countries who completed the matrices.

Source: Own data

#### **4.4.5 Expert judgement of strengths and weaknesses of organic policy strategy and policy coherence**

A national workshop was held in each country where preliminary conclusions from the analysis of the policy strategy and coherence were presented to the participants (see Chapter 2 for further details of the workshops). Table 4.4 summarises the main strengths and weaknesses of the policy support strategy that were identified by the participating experts.

Table 4.4 Summary of assessment of policy coherence and strengths and weaknesses of policy support in the case study countries

Country	Strengths	Weaknesses
<b>Denmark</b>  Policy coherence: excellent	<ul style="list-style-type: none"> <li>– Embedding in national policy goals</li> <li>– Constant dual focus on supply and long standing supporting for demand</li> <li>– Good institutional representation of organic interests and stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>– Lack of coherence with climate policies and public procurement</li> <li>– Lack of co-ordination between national RDP and regional programmes</li> </ul>
<b>Austria</b>  Policy coherence: good	<ul style="list-style-type: none"> <li>– Continuity of support framework over several programming periods giving policy security</li> <li>– Embedding of organic farming support policies in wider political landscape in particular for extensive regions</li> <li>– High public engagement with “bio”</li> </ul>	<ul style="list-style-type: none"> <li>– Not utilising more RDP funding streams to support organic action plan targets</li> <li>– Potential competition from less demanding agri-environment schemes</li> <li>– Lack of regular interaction with and involvement of stakeholders</li> </ul>
<b>Czech Republic</b>  Policy coherence: good	<ul style="list-style-type: none"> <li>– Supporting organic farming is a well accepted instrument in the national policy mix</li> <li>– Good organic stakeholder participation in the development of both RDP and national action plan.</li> </ul>	<ul style="list-style-type: none"> <li>– Lack of specific integration of supply and demand side policies</li> <li>– Lack of co-ordination between different policy domains (e.g. land area targets)</li> <li>– No established stakeholder forum thus vulnerable to reduced influence in future</li> </ul>
<b>Germany</b>  Policy coherence: moderate to good (regional variations)	<ul style="list-style-type: none"> <li>– National support scheme for research and information to all supply-chain actors</li> <li>– Acceptance of organic stakeholders in wider debate</li> <li>– Bavaria: stable support for maintaining and converting</li> <li>– Lower Saxony: Organic competence centre for applied research and knowledge transfer</li> </ul>	<ul style="list-style-type: none"> <li>– Competing support for biomass-generated renewable energy,</li> <li>– Support does not act as an incentive for more intensive farm types that are important in some regions.</li> <li>– No strong and integrated support strategy for the whole country.</li> </ul>
<b>Italy</b>  Policy coherence: Poor	<ul style="list-style-type: none"> <li>– National action plan</li> <li>– Emphasis on public procurement</li> </ul>	<ul style="list-style-type: none"> <li>– Lack of coordination between regions resulting in contradicting policy support</li> <li>– Lack of co-ordination between the organic action plan (national level) and RDPs (regional level),</li> <li>– Lack of stakeholder representation in the RDP development</li> </ul>
<b>United Kingdom</b>  Policy coherence: poor to moderate (regional variations)	<ul style="list-style-type: none"> <li>– Wales: variety of measures implemented</li> <li>– Organic Centre Wales as focal point for sector development</li> <li>– England: stable support for maintenance of and conversion to organic production</li> </ul>	<ul style="list-style-type: none"> <li>– No national support strategy in UK</li> <li>– Wales: lack of continuity, disruption to schemes</li> <li>– England: Lack of strategic vision recognising the potential contribution</li> <li>– Below average payment rates</li> <li>– Closure of several schemes</li> </ul>

Source: Own presentation



## **4.5 Summary and conclusions**

In all cases, the support package for the organic sector represents a combination of RDP and national or regional measures or national organic action plans, but these are not in all cases fully integrated with each other. Although specific details/action points vary, there are a number of common elements:

- On the supply side, the range of instruments used includes area-based policy support and research and information to improve farm productivity and viability, thereby improving competitiveness, increasing conversion and number of holdings/land area under organic management, and hence the contribution to top-level environmental, public health, rural economic development and (in some cases) animal welfare goals.
- On the demand side, the use of marketing and processing aids, supply chain programmes, market development and public information/promotion campaigns to stimulate consumer confidence, demand and market growth, creating a better environment for producers/conversion leading to increased land area and delivery of top level goals.

While other RDP measures can also be used to support organic businesses, in many cases the organic sector is not specifically mentioned or prioritised (vocational training and processing/marketing grants are most likely to feature an organic element - see above for further details).

In some cases, there appears to be a level of ‘mainstreaming’ or active integration of organic farming policies in rural development plans or national policies. The most prominent example is Denmark where organic farming has a strong mainstream role in the RDP as well as in the general policy strategy document (Green Growth), which contains an ambitious target to double the organic area by 2020, built on the recognition that organic farming not only contributes to environmental goals but also increases the competitiveness of Danish agriculture. Relatively strong mainstreaming of organic farming can also be seen in Austria, where organic farming is viewed as contributing to the general policy of greening of rural areas and agriculture, but the main focus stays environmental.

In some cases (Italy, Czech Republic and also the Austrian organic action plan), the top level wider societal goals are not very explicitly stated, which in part reflects the duality of organic policy (land management for sustainability/public goods and specialist market providing rural development opportunities), but also the tension between developing the organic sector for its own sake and supporting its development as a means to deliver wider societal ends. It may also reflect that the broader societal context is taken as a given, particularly in the Austrian case.

They also vary in the extent to which organic stakeholders have been consulted in policy development. In all cases there appears to be good representation of organic stakeholders in development and implementation of the organic land management schemes and, where they exist, in the development of national action plans. However, organic stakeholders appear to be less involved in the overall development of wider rural development policies. In the case of England, the devolution of RDP responsibility to the regions for the more market-oriented measures has resulted in organic farming support being fragmented.

### *Assessment of policy coherence*

In the introduction a coherent support strategy for the organic sector was defined as one that states its aims, i.e. sets out the reasons why organic farming is supported with reference to wider agricultural, rural development and societal policy goals and sets out how different policy measures complement each other to achieve the specified objectives.

It can be concluded that the case study countries vary in the extent to which they have developed an overall coherent policy strategy to develop organic farming. Some countries have clearly stated strategies with the aim of supporting organic farming as a key measure to promote sustainability of agriculture and/or rural development and as an instrument to improve the quality of food. Other countries have no documented strategy, offering low levels of organic farming support mainly for its environmental benefits and because existing consumer demand should be met but with no intention to grow the demand.

In the context of RDPs, organic farming is widely recognised and supported for its environmental goods, mainly through Axis 2 instruments, whereas recognition of its potential contribution to competitiveness and other rural development goals is far more limited (especially in Axes 3 and 4).

National action plans or similar organic policies demonstrate strategic thinking by setting targets for the development of the organic sector and defining action points to achieve those targets. In several countries, these action plans have been in place over a longer period and regular mechanisms to consult stakeholders are in place, although in some cases they are not well established making them vulnerable to change of governments or key persons.

Several of the national action plans do not carry a specific budget, and rely entirely on other funding streams (in particular the RDP) to reach the targets. There is also some evidence that rural development programmes do not fully take account of targets set in national organic action plans, suggesting a lack of integration between these two policy domains. In future, national action plans should consider how the range of rural development measures (in particular the less widely targeted skills, market development and competitiveness measures as well as diversification measures) can be used to support the goals and reach the targets. Similarly, rural development programmes should consider the goals and targets of national action organic plans. A further weakness in terms of coherence relates to the absence of strategic thinking on how organic support contributes and relates to wider policy goals. There is sometimes a disconnect between policies for agriculture and the environment in general, and policies for the organic sector specifically, as if organic farming remains an isolated topic for some policy makers. (An example of such isolation is the lack of coverage of organic issues in the Welsh strategy documents for the future of agriculture or the environment).

#### *Concluding remark*

In conclusion, the case study Member States or regions with action plans or similar documents have a written strategy for organic farming and in the Danish case also in the form of a specific chapter in the RDP. The strongest and most coherent support programmes exist where links between organic farming and wider policy goals have been successfully established and the whole framework of the RDP has been used for a balanced support strategy of the sector, considering both demand-side and supply-side measures. In most other cases policy makers appear to struggle in balancing the environmental and market aspects of organic farming. Several regions (e.g. England and Lower Saxony) have no on-going strategic vision, and some are struggling to sustain current levels of RDP support for the organic sector.

In most cases there is a need for better integration of national/regional organic action plans with rural development plans, including both target setting and allocation of resources. One way in which this might be encouraged is by the inclusion of specific chapters or sections about organic farming support in national rural development plans that reflect the national action plans and draw on the different RDP measures/Axes in a coherent and integrated way. This could also help to achieve a better balance between the environmental, public good and market elements of organic farming support.

## Chapter 5

# Improving the policy framework for a further development of organic farming – some conclusions

Jörn Sanders, Matthias Stolze, Susanne Padel and Nic Lampkin

Under the CAP, organic farming has developed very differently in individual Member States. There are countries such as Austria, the Czech Republic, Estonia and Sweden, in which the share of organic area in total UAA is above 10 %. On the other hand, there are several Member States, in which organic farming is still a niche production with a share of less than 2 %. This is for example the case in Bulgaria, Malta and Ireland. The large differences in the development of the organic sector are in part due to differences in the policy environment. As the description and review of public support policies addressing organic farming pointed out (see Part A of this study) the degree and the type of support for organic farming differs substantially between EU countries and regions.

Most Member States have implemented specific area payments for organic farming to compensate for additional costs or income foregone resulting from organic management. Payments have been implemented under Measure 214 of the RDP (agri-environmental payments) or under Article 68 of Council Regulation 73/2009 (specific support to farmers). A large number of Member States or regions have also implemented specific support for organic farming under RDP measure 121 (Modernisation of agricultural holdings) and RDP measure 123 (Adding value to agricultural and forestry products) and RDP measure 132 (Participation of farmers in food quality schemes) – although in most cases without or only partly special provisions for organic farming. In very few cases, organic farming is also addressed under RDP measure of Axis 3. Besides the number of measures addressing organic farming in RDPs, Member States also differ regarding the way how organic farming is addressed in these measures. There are many variations ranging from merely mentioning organic farming as one reason among other for intervention to policy measures that are only open to organic farmers or where the aid intensity is higher for organic farmers. In addition, there are measures which do not address or mention organic farming but which are used to finance projects or sub-programmes that are specifically related to organic farming, for example RDP measure 111 (Vocational training and information actions).

Besides RDP measures, a wide range of other national or regional public policy instruments exist, such as financial support for producing, processing and marketing organic products, a range of training, advice and information policies as well as research support for projects related to organic farming. In some EU countries, organic farms may also benefit from (partly) special provisions in the framework of quality support programmes under Article 68 of Council Regulation 73/2009 as well as from contributions to producer organisations under the Common Market Organisation (CMO) for fruit and vegetables.

## **Contributions of public organic support policies to the development of the organic sector**

To understand the contribution of public organic support policies to the development of the organic sector, it is however not enough to consider only the degree and the type of support for organic farming. The results of the case study analysis have shown that the role of organic support policies is very complex (see Chapter 2 of Part B). Special attention needs to be given to the following three aspects:

- *The contribution of single policy measures addressing organic farming depends not only on the aid intensity but also on the size of the sector and/or the stage of the sector development.*

Organic area payments have, for example, a very important role in initiating the development of the supply side. They can dynamically influence the organic sector development at an early stage. This is, for example, the case currently in the Czech Republic. In more developed organic sectors like in Austria, Denmark and Germany, area support plays a different role. There it can be considered as an indicator whether a government is in principle supportive or not supportive to organic agriculture and thus is an indicator for the policy climate toward organic farming. Furthermore, area payments are important for existing organic farmers, since the economic performance depends on the compensation of additional costs resulting from organic management. However, in countries with developed organic sectors, the availability of organic area support is on its own mostly not enough to attract a large number of conventional farmers to enter into organic production and thereby to stimulate significant further growth of the supply side. Market signals and confidence in future market opportunities are also important factor.

Another example in this context are support measures for encouraging the formation of producer groups, in order to establish professional supply-chain links. This kind of support is particularly relevant in countries with developing organic sectors, when professional marketing structures usually do not exist. In countries, in which the organic sector is well developed, the contribution of this measure to the development of organic farming may be rather limited. For competitiveness reasons, some market actors in developed situations would indeed rather prefer not to have any interference with the way the market functions.

- *There is a high interdependency between single policy measures addressing organic farming. Policy packages are more relevant than the sum of individual policy measures and appear more effective if they are embedded in the general policy environment, contain strategic goals and consider directly the needs of the sector.*

Area support for organic farming plays an important role in the economic performance of organic farmers and for the development of the organic sector. It can be considered as the foundation upon which other measures for the support of organic farming (production, marketing, and demand) can build and become effective. The high interdependency between area payments and other support instruments can be illustrated by the Federal Organic Farming Scheme in Germany. This scheme, with its emphasis on information and research measures, would have a rather low effect without the existing (area) support of the federal states.

The interdependency of individual instruments is also illustrated by the finding of this study that area payments are a continuing and reliable measure for organic market development and therefore a basis for specific market-oriented measures (see Chapter 2). Thus it is more useful to explore the contribution of policy mixes, ideally integrated in action plans, than single policy measures to the development of the organic sector.

- *The effectiveness and efficiency of organic support measures or policy mixes is influenced by various framework conditions.*

Context factors such as the role of large conventional retail chains in the organic market, farmers' attitudes towards organic farming or general agricultural support have a high influence on the effectiveness and efficiency of organic support policies. For example, general agricultural policies may have a negative impact on the conversion rate, if they result in organic farming schemes being less attractive than conventional ones. Furthermore not only implementing organic farming support measures matters, but also reliability and confidence in the future prospects of the sector. This is due to the fact that for producers and processors the decision to start an organic business may involve financial investments and risks. It is obvious that the willingness to take these risks is higher if there is confidence in the market which in turn is influenced by a reliable supportive climate towards organic agriculture from the government side (i.e. the government is effectively a risk-sharing partner). Thus, organic sector development is not the result of a single policy support or a mix of policies. It is rather the combination of public support and external factors that plays a significant role in shaping and developing the organic sector.

What lessons can be learned from this? In view of different regional situations a first key conclusion is that there is no definite or ideal mix of measures to support organic farming. A second conclusion is therefore that organic support strategies should be based on an in-depth analysis of

- the relevant bottlenecks for further development in a region or country (both on the side of production and on the side of demand),
- the specific economic, environmental and societal potentials of organic farming,
- the interplay of different organic support policies,
- a balance of different instruments in recognition of the dual societal role (provision of public goods and organic food) of organic farming, and
- the potential impact of other (contradictory) policies measures or policy strategies.

Furthermore, there is a need for clearly stating development objectives taking into account that relevant stakeholders of the organic-supply chain as well as policy-makers/Ministries of Agriculture might have different objectives.

### **Limitations of the current policy framework**

Some Member States have carried out such strategic analyses in the course of planning their organic action plans or programmes. Where they exist, action plans often address some of the development needs of the organic sector although, but not in all cases is the implementation clear and very few national action plans have been evaluated. The main suggestions for improvement of these strategies arising from the analysis of this study as outlined in Chapter 3 and 4 of Part B are:

- including clear statements about the potential of organic farming to contribute to food quality and rural development policies goals in addition to environmental objectives and
- strong embedding the support for organic farming in the rural development or general agricultural and environmental policies and as well as
- reconciling trade-offs between different policy goals.

These suggestions reflect the fact that support for organic farming is often seen as one option among others to achieve agricultural policy goals. The absence of a clear development strategy in other cases indicates that for some Member States organic farming is purely a means to deliver

environmental ends. In these countries, the development of the organic sector is mainly left to the market. Both can be seen as a barrier for a further expansion of organic farming in the EU. Furthermore, as long as organic farming plays different roles in the agricultural policy strategy of Member States, resulting in very different opportunities for organic operators to access grant funding, adverse conditions of competition for organic farmers in some EU states compared to organic farmers in other EU states cannot be excluded.

It can be questioned whether the wide differences in support strategies across the EU lead always to a full exploitation of organic farming's potential contribution to the Europe 2020 strategy or Goteborg Strategy. In order to establish a framework for a common growth strategy, more central guidance for Member States would be needed. The existing initiatives, e.g. the European Organic Action Plan or the Community Strategic Guidelines for Rural Development, are apparently not enough to achieve this.

The stated aim of the *European Action Plan for Organic Food and Farming (EOAP)* was to provide a strategic vision for organic farming's contribution to the CAP in recognition of the dual role of organic farming in response to consumer demand as well as the provision of public goods. However, many of the EOAP action points are specific to the work of revising and implementing the organic regulations and only one action was specifically focused on RDP implementation issues. Furthermore, there is no consideration of the interaction of organic farming with the main parts of the CAP. Against this background, it is understandable, that Member States have not taken the EOAP more into account for the programme planning of their RDPs.

Furthermore the *Community Strategic Guidelines for Rural Development* (as well as *Regulation (EC) 1698/2005*) provide very little guidance on specific conditions of the support schemes for organic farming (other than those stated for all agri-environment schemes). Organic farming is however unique among other voluntary agri-environment schemes in so far as it not only aims to provide environmental public goods but also responds to a consumer demand, which is and should be governed by rules of the market. Governed by EU regulations defining organic food, the market for organic food clearly operates on a European level, and the Regulation (EC) 834/2007 states as one of its aims '*ensuring the effective functioning of the internal market [for organic product], guaranteeing fair competition*', as well as ensuring consumer confidence and protecting consumer interests (Article 1.1 of Regulation (EC) 834/2007). The wide variation in organic agri-environment schemes and the substantial differences in utilising other RDP and national instruments in support the development of the organic sector (see Part A of this report) have the potential to undermine the organic regulation's goal of fair competition. While it could be argued this is true for other products supported by rural development programmes and the issue is one for individual Member States to address, trade in organic products between Member States now takes place on large scale and there is an increasing conflict with the broader goals of a single market.

### **Towards an improved policy framework**

The question arises what more the Commission could do to encourage strategic thinking at Member State level about the potential of organic farming to deliver policy goals and to encourage greater consistency of scheme availability and scheme requirements. Based on the results of this study, the following three approaches are possibilities how the policy framework could be improved or amended: i) developing common organic sector development principles, and ii) an improved monitoring.

A first possibility would be to discuss and agree on clear **common organic sector development principles**. Integrated in the Rural Development Framework for 2014 to 2020, and in particular the strategic guidelines and implementation rules relating to the proposed specific organic farming measure, they could be used by Member States to develop a more coherent support strategy. Possible principles, and related specific legislative provisions (recognising the importance of Member State subsidiarity in the development of rural development plans), could include:

*1. Specifying a strategic vision for the development of organic farming*

Building on the vision in the 2004 EU Organic Action Plan, the Commission could set out its vision for the contribution that organic farming can make to the European model of agriculture and to its policy goals for the 2014-2020 period, and could encourage programming regions to do similarly. This should encompass not just the current state of organic farming, but also its potential for further development, including enhanced public good delivery as a result of further research and innovation, knowledge transfer and adoption of best practices by producers and market actors. In this process, the Commission could take the role of the moderator and the initiator of a dialogue between Member States, stakeholders and the Commission to induce a process of policy learning rather than providing strict rules or guidelines to the Member States. This could be achieved by:

- Establishing an Organic Policy Task Force to specify a vision for the development of organic farming together with relevant actors. This group could comprise of representatives of the Commission and EU Member States as well as possibly of organic stakeholders (see below). The Organic Task Force could also be used to exchange experiences on organic support systems in different Member States.

*2. Recognising the dual role of organic farming in delivering environmental benefits and products for the market place*

As part of the development of a strategic vision and organic policy implementation plans, the dual roles referred to in the current EU organic action plan of i) organic land management delivering environmental and other public goods and of ii) the specialist organic market and organic certification subject to the EU organic regulations delivering consumer choice/meeting consumer demands while also supporting the financial viability of organic land management should be explicitly recognised. The development of RDP and other support measures for organic food and farming should seek to support both roles, achieving more or less a balance that does not exclude or undermine one role in disproportionate favour of the other. For example, care should be taken to ensure that organic land management payments do not boost supply excessively, distorting markets for organic food at the expense of existing producers. At the same time market considerations should not be used to prevent further conversion of land to organic, creating a barrier to entry and closed shop for existing producers and the loss of the potential societal benefits to be derived from increasing organic land management.

*3. Contributing to fair competition between producers in different Member States*

Care should be taken to contributing to more comparable competition conditions between organic producers from different Member States. The wide variations in payment rates for organic land management, with some regions having very low or no support payments has the potential to get at least indirectly in conflict with the overall objective of the EU organic regulation (Reg. (EG) No. 834/2007) of ensuring fair competition between organic producers. Also, organic farming is the only agri-environment scheme in which producers also rely significantly on returns from the market for profitability.

This could be achieved by:

- Providing guidance to programming regions on minimum payment levels as a supplement to the maximum co-financing limits contained in the proposed RDP regulation.
- Considering making implementation of the proposed RDP organic farming measure mandatory, consistent with other agri-environment measures.
- Considering making the proposed organic farming measure a priority for higher levels (80-90.%) of co-financing, to reduce the potential for budgetary pressures in individual Member States to result in low, or even no, support payments for organic farming.

4. *Acknowledging that premium prices and the market benefits of certification reflect the entrepreneurial activities of farmers in response to consumer demand*

Given that it is unrealistic (and inequitable) to expect that the minority of consumers who buy significant amounts of organic food should pay for the benefits accruing to society as a whole, and given that not all producers who manage land organically will be able to market their products as organic, the premium price paid by organic food consumers should be seen as a return to the entrepreneurial activities of producers and other market actors in response to consumer demand for organic products, thus resulting from their engagement with and development of the organic market. It should therefore not be over-emphasised in the income foregone calculations for organic land management schemes. In addition, and in particular with respect to those producers who do not market their products as organic and thus do not benefit from premium prices, where organic certification/compliance with EU organic regulations is required as a condition of access to organic farming support, and used as a mechanism for ensuring scheme compliance, the certification costs should be considered as a transaction cost incurred by farmers and compensated as such.

5. *Ensuring continuity of organic land management schemes*

Because of the potential for market disruption, care should be taken to ensure continuity of organic land management schemes, so that the market can develop against a stable policy background. Breaks in availability, whether due to administrative problems, financial constraints, or periodic review procedures, can undermine producer confidence in conversion to or remaining organic and lead to a backlog of producers waiting to enter a scheme when it reopens, causing market disruption when large numbers of producers achieve organic status simultaneously. Similarly, closures of maintenance schemes have the potential to disrupt continuity of organic supply

6. *Acknowledging the role of innovation, knowledge exchange and advisory programmes*

The relevance of innovation, knowledge exchange and advisory programmes as a means of improving the technical, environmental and business performance of organic farms and other supply chain actors should not be underestimated, contributing both to increased delivery of benefits with respect to the resources invested in organic land management schemes, and to the long-term sustainability of organic businesses as well as the continuity of organic land management and the consequential delivery of public benefits.

7. *Exploiting synergies between policy measures*

Where possible, synergies between RDP and other policy measures should be exploited, in particular (but not exclusively) between the following measures: agri-environment/organic farming, Natura 2000 and water framework directive, areas facing natural and specific



constraints, animal welfare, quality schemes, investment in physical assets, farm and business development, establishment of agro-forestry systems, setting up of producer groups, co-operation, knowledge transfer and information actions, farm advisory services, LEADER measures, as well as research, public procurement, promotion and other non-RDP measures. Examples of possible measures – besides organic area payments – could include:

- Vocational training: Emphasis should be given to develop provisions and provide operators better access to it. This could include a requirement for vocational training as a pre-condition for organic conversion support.
- Advisory services: The setting up and improving access to advisory services that provide information and advice about organic principles and scheme and certification requirements to new entrants, as well as information on improving husbandry and environmental practices of converted producers. This could include a requirement for conversion planning as a pre-condition for organic conversion support.
- Quality schemes: Support for the fixed cost of organic certification aimed at farmers and also other SME operators contribute to capacity building in relation to value adding, although in situations where certification is being required as a scheme entry condition, the transaction cost nature of this requirement should be recognised.
- Investments in physical assets: This could make conversion to organic farming more attractive to more specialist farms that require greater re-organisation and is also attractive help with the development of infrastructure for processing and marketing.
- Farm business development: aimed at diversification of organic business into non-agricultural activities, for example tourism, gastronomy or food service, which have the potential to make use of the products of organic farming.

The process of integrating the use of different RDP measures could be encouraged by:

- Requesting Member States to provide as part of their rural development plans an organic sector development plan outlining how the different RDP activities will be used to support (or could inhibit) further growth of organic farming, and which targets are aimed to be achieved; or
- Encouraging Member States to develop national/regional actions plans for organic farming, building on RDP and other support measures including research and promotion.

#### *8. Engaging stakeholders from various organic sector businesses and the general public*

The engagement of stakeholders in policy development, implementation and evaluation has been increasingly emphasised in EU policy-making. In the case of organic farming, this is particularly important given the role that stakeholders have had in developing organic farming ideas and standards, leading to an 'open source' ownership model for the organic concept. The fact that the organic farming concept has become increasingly institutionalised, through the regulatory framework for organic standards and policy support for organic farming on the one hand, and increased corporate involvement in organic marketing and processing on the other, makes it more important still that stakeholder engagement is effective to maintain a dynamic and evolutionary approach to the development of the organic concept for sustainable food systems. Effective stakeholder engagement and collaboration can also contribute to addressing the conflicts that are sometimes perceived because the prescriptions for organic schemes have not been defined by government officials, as is the case for most agri-environment schemes, but by external parties who developed the original organic standards and regulations.

Specific support or special provisions for organic farming needs to be justified by clear evidence of their benefits. This is particularly true if competing claims on the funding resources are becoming louder. For this reason, an **improved monitoring** of the effectiveness and efficiency of organic farming support policies would be useful which addresses the following elements:

- Currently, monitoring data on organic farming is limited. This is particularly true for expenditure figures which are a key parameter for evaluating public support. Establishing a better database could be a first step to overcome existing data problems. For measures which are not specifically targeted at organic producers, including vocational training, marketing and processing grants, it would be useful to identify organic projects separately (as it is already practice for the number of organic applications of some RDP measures).
- The complex, multi-functional nature of organic farm systems, delivering to several public policy goals on a wide range of farm types and geographical locations, makes it very difficult to quantify precisely distinct outputs, results and impacts within the framework of mid-term or ex-post evaluations. Indeed, it appears that the most of the mid-term evaluations rely on secondary research data to reach their conclusions and have not have gathered primary data. To overcome this problem one option could be to gather comprehensive data on samples of farms (including individual monitor farms potentially compensated for their effort) and study at regular intervals whether there is continuous progress. Also, it could be explored whether more specific information could be gathered from organic certification, a requirements of the agri-environment schemes in most countries.
- Given the problem of assembling sufficient evidence in some Member States, it would make sense for research evidence to be collated on an EU-wide basis and used to support the verification of organic farming measures at national/regional level. Such evidence would also make it easier to communicate the wider environmental objectives in the market place. Evidence of organic farming's public good delivery should be appropriately disaggregated by farm types and geographical areas. Greater emphasis could also be placed on supporting research and advisory measures that can then enhance delivery of organic farming in relation to the range of the public goods.

In the following two years, the RDP framework for 2014–2020 including the implementing rules will be finalised and the Commission needs to define new strategic guidelines for the development of national or regional RDPs of this period. This process could be used to discuss or integrate some of the issues addressed here. A revision of the European Organic Action Plan, potentially linked to the CAP reform 2014-2020 framework, could provide another possibility to raise awareness for defined organic sector development principles and to discuss with Member States and organic farming stakeholders how EU framework conditions can be improved to enable a further development of organic farming in the EU.

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