# The development and the impact of Organic Farming Policy in the European Regions (1998-2003)

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***Abstract* – In this paper we present a summary of the results of the regional analysis of the EU-funded project "Further development of organic farming policy, with particular emphasis on EU-enlargement (EU-CEEOFP)". The research focused on the regional changes in organic farming growth based on a comparison of production data between two time periods: pre and post implementation of measures under EU Agenda 2000. Some policy conclusions can be drawn, albeit the availability of good regional data didn't allow a detailed impact analysis of EU policies[1]**

## INTRODUCTION

In 2003, almost 5 million hectares in the European Union (EU-15) were managed organically. Organic farming is, however, spread unevenly throughout Europe and shows pronounced regional concentrations (Olmos and Lampkin, 2004). This paper summarises the regional analysis part of the EU-CEEOFP project. It aims to investigate the possible effects that location factors may have in organic farming uptake, and measures regional changes in organic farming growth based on a comparison of land use data between two time periods from pre and post implementation of measures under the EU Agenda 2000 (1998 – 2001 and 2001 - 2003). This paper is articulated around the following basic questions (Bichler et al., 2006):

1. Are there structural factors influencing organic farming uptake? In particular, the influence of factors like rural areas and spatial dependency will be taken into consideration.
2. Does the regional crop structure have an effect on organic farming distribution and growth across EU?
3. Do national/regional agro-environmental policies significantly influence Organic Utilisable Agricultural Area (UAA) distribution?

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## METHODOLOGY

The questions mentioned above should be answered by using different tools in order to measure the spatial and temporal effects of policy on organic farming development: specialisation indexes, barycentre analysis, Shift-Share analysis, autoregressive models.

## DATA

It was possible to collect data on NUTS I or II for most of the European countries for organic as well as for conventional farming for the years 1998 - 2003. Difficulties were experienced to make the organic data from different countries uniform in terms of aggregation of crops, territorial breakdown and single years. Extra data has been collected in an effort to provide information on the possible relationships among organic farming distribution and uptake across EU countries and through time, and structural and policy factors.

## RESULTS

The results are presented following the basic questions mentioned above:

1. Rural areas, LFA , marginal farming areas and peripheral areas are strongly correlated with the share of organically managed land per region. A connection among these types of area classification and organic farming seems to exist, but with some important exceptions that do not allow for a general assertion that organic farming is higher in these types of regions. For example, there seems to be a relationship between the share of LFA and the share of organically managed land within a country. Countries with a very high share of LFAs (FI, GR, PT, AT, CH) are either countries with an already well established organic sector, or countries with a low share of organic farming but with high rates of organic uptake.

Analysing the effect of spatial dependency requires data at a very detailed territorial scale. Data for organic farming on NUTS III were available for Germany, Switzerland and France, for which in depth case studies have been performed with Autoregressive Models. Basic results are that the spatial dependency is an important factor to be taken into consideration when analysing organic farming distribution in Germany and France. However, the results for Switzerland are not significant. Spatial distribu-

tion, together with other structural indicators, has also been tested for Germany, and confirms the importance of the spatial dependency factor, showing the important role of other structural indicators, particularly of natural factors, measured by the soil-climate index.

2. The structure of organic farming has undergone considerable changes in recent years. Concentrating on an overall period of 6 years, from 1998 to 2003, two sub-periods have been analysed: 1998-2001 (pre Agenda 2000) and 2001 –2003 (post Agenda 2000). The overall period is characterised by an increase in hectares converted to organic farming in all European countries (except Belgium). The first period considered (1998–2001) reflects a growth in organic UAA in all European countries. In this period, the existence of organic farming schemes and associated support payments, the poor performance of the conventional agriculture sector, the availability of price premia and BSE were identified by country experts as being the key drivers to organic farming uptake. The focus pre-Agenda 2000 on supply push policies, such as the establishment of organic farming schemes, was successful in terms of increasing organic farming uptake in the short term. However for some products (e.g. organic milk in the UK and Denmark) this supply push was not balanced with market development, resulting in oversupply, loss of price premia and consequently the exit of some organic farmers from the industry. The second sub-period of reference differs from the first in that the growth rates are more balanced, with a slowing down in most European countries. In this period, a wider range of drivers was responsible for the uptake of organic farming, and both supply push and demand pull policy measures were implemented. New organic farming schemes began, or existing ones re-opened (sometimes with increased support payments), additional investment from governments for market development, research and information specifically for organic was made to stimulate demand and improve production efficiency, and organic organisations and labelling were established to aid in the marketing of organic products.

The results of the Shift and Share Analysis show that the periods under investigation are characterised by a growth differential determined above all by factors of territorial competitiveness, since the structural component, which is an expression of the internal capacity for development in the organic sector, is of marginal importance. This is particularly evident in the Mediterranean countries.

3. From the analysis, there is no positive relationship between the level of per ha payment for organic farming and the share of organically managed land. However, for some cases like IT and AT, there is actually both a high share of organically managed land and a high level of per ha organic payment, but BE, FR, GR show high payments and low organic farming share. The analysis of the ratio of per ha payments for organic farming and for agro-environmental measures, and the share of organic farming aims to investigate if proportionally higher payments for organic farming affect the share of organic farming. However, also in this case, no clear relationship has emerged between the two variables, with the exception of AT, showing a proportionally high value of payments for organic and a high share of organic farming.

## Conclusions

Data constraints limited the methodology to be applied. However, the database on organic and conventional agriculture on regional level, established within this project, is the best database available so far.

The results of the Shift and Share Analysis applied to the overall period 1998-2003 show very different trends in the two sub-periods: the first (1998 – 2001) is characterised by greater growth, the second (2001-2003) by slowing down. This alternation is perhaps a consequence of the application of the new Agenda 2000 and new policies to support organic farming after 2001. The first period can therefore be considered as characterised by growth differentials which were faster in some countries, above all Mediterranean ones, where organic farming had a greater boost and greater development. The positive trend in organic farming may be mainly attributed to territorial and political factors, outside the sector itself, rather than to its own competitive ability and the organisation of production.

The small importance of absolute and relative payments for organic farming does not provide a sufficient explanation for the different degree of organic farming adoption across EU. Other aspects should be investigated, based on the analysis of overall producer support for the conventional and organic cases. Also, the integration of policies for organic farming with the actual market and structural conditions may be another aspect strongly affecting organic farming adoption. In this framework, availability and actual access to funding has emerged as a relevant factor.

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