

# Development of policies for organic agriculture

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## ABSTRACT

Since the late 1980s, policies to support organic farming have become widespread in Europe, in particular in the context of agri-environmental and rural development measures. Policies, originally focused on supporting conversion to and continued production, have been modified to recognise the need for the integration of marketing and information activities, in some cases delivered through national or regional action plans, examples of which are considered. The need for a strategic action plan at the European level has been identified and is under development. The outcome of this and the development of post Agenda 2000 organic farming policies to embrace an enlarged European Union is the subject of a new research programme due to begin in 2002.

*Keywords: organic farming, agricultural policy, action plans, European Union*

## INTRODUCTION

Organic farming in Europe has expanded rapidly in recent years to over 3% of agricultural land area (4 Mha on 145,000 holdings) in the EU at the end of 2000. While most countries have experienced periods of rapid growth followed by consolidation, the overall growth rate in Europe has been relatively constant at 20-25% per annum, with Germany and Central and Eastern European (CEE) countries creating current centres of growth. On the basis of historical growth rates, organic farming could account for 10-20% of European agriculture by 2010, depending on developments in the economic, marketing, legislative and policy environment that has provided the basis for recent growth, particularly since the mid 1990s.

Policy makers are interested in supporting organic agriculture for two main reasons (Dabbert *et al.* in MFAF, 2001). Firstly, as a public good, where organic farming is recognised as delivering environmental and other benefits to society that are not, or only partly, paid for through the normal price of food. Secondly, as an infant industry, support for which can be justified in terms of expanding consumer choice and allowing the industry to develop to a point at which it is able to be independent and compete in established markets and make a positive contribution to rural development. Although both justifications can be seen to be utilised in most countries, the first is more typical of some Scandinavian and Central European countries (e.g. Sweden, Finland, Austria) while the second approach is reflected in the Dutch focus on supply chain initiatives (MLNV, 2000) and the UK's unwillingness historically to support farms beyond the initial conversion phase (Lampkin *et al.*, 1999).

These main justifications for supporting organic farming can be seen to be linked to the general issue of market failure, although unlike other agri-environmental policy measures, organic farming has developed a strong reliance on markets

and consumer willingness to pay in support of its broader objectives. In recent years, it can be argued that this strategy has been so successful that there may be significant risks associated with the market for organic products becoming an end in itself, rather than a means to achieve broader goals of benefit to society as a whole. The challenge to policy makers is to develop a mix of policies that can make effective use of the market, while at the same time allowing organic agriculture to remain true to its original aims, thus maximising the broader benefits to society. This paper reviews initiatives, in particular action plans, to achieve this.

## RESULTS

Specific policies for organic farming in Europe implemented between 1987 and 1997 are reviewed by Lampkin *et al.* (1999). This review identifies a wide range of approaches as part of the EU agri-environment programme (EC Reg. 2078/92), which is now part of the rural development programme (EU Reg. 1257/1999). The variation in scheme requirements, eligibility conditions and payment rates between and within countries can conflict with objectives of other regulations (e.g. EC Reg. 2092/91) to create a level playing field for organic farming. In some cases, there is also conflict with mainstream support and other agri-environment measures. The focus on supply-side (push) policies to encourage conversion is seen also as potentially conflicting with the need to ensure stable market development, leading to an increased emphasis on demand-led (pull) policies.

Some countries (Denmark, Finland, Sweden, Netherlands, Norway, France, Germany and Wales) have developed integrated action plans to achieve a better policy mix (Lampkin *et al.*, 1999). These normally include targets for adoption (typically 5-10% by 2000/2005 or 10-20% by 2010) and a combination of specific measures including: direct support through the agri-environment/rural development programmes; marketing and processing support; producer information initiatives; consumer education and infrastructure support. The more detailed plans contain evaluations of the current situation and specific recommendations to address issues identified, including measures to ameliorate conflicts between different policy measures.

**Denmark** has the longest history of policy support for organic farming, with the first measures introduced in 1987. The first Danish Action Plan of 1995 covered the period until 1999. Its 7% by 2000 target was almost achieved, with 6% of agricultural land in Denmark certified in 2000. Action Plan II (MFAF, 1999) aims for an increase of 150,000 ha, ca. 12% of agricultural land, by 2003. The plan was drawn up by the Danish Council for Organic Agriculture, a partnership between government, organic producer organisations, conventional farming groups, trade unions, consumer and environmental groups. It is characterised by an in-depth analysis of the situation in Denmark and represents the best developed example of the action plan approach, containing 85 recommendations targeting demand and supply, consumption and sales, primary production, quality and health, export opportunities as well as institutional and commercial catering. The plan has a specific focus on public goods and policy issues, with recommendations aimed at further improving the performance of organic agriculture with respect to environmental and animal health and welfare goals, including research and development initiatives, administrative streamlining and policy development.

The situation in **Germany** has a more overtly political basis. The fall-out from the BSE crisis in Germany in 2000 led to a goal of 20% of by 2010. This was heavily criticised by farming unions and agricultural economists, in part because of the absence of specific

measures to achieve the goal. However, the rates of payment for the federal German organic farming scheme were increased and a unified symbol for organic products introduced (following the failure of private sector initiatives to achieve a similar goal). Marketing and processing support initiatives continue through the rural development plan. The proposed German action plan (BMVEL, 2001) does not aim to integrate or modify policy measures that are already in place, but seeks instead to create a new information programme targeting all elements of the supply chain, from the input suppliers through producers, distributors, processors and retailers to consumers. Substantial funding (70m EUR in 2002/2003) is directed at the key elements, including web-based information resources, training and demonstration activities, with the major share of funding targeted at consumer information campaigns. Technology development/transfer and associated research are also envisaged.

In contrast to the mixed approach in Denmark with an emphasis on both market development and the delivery of public goods and the dominant information focus of the German action plan, the most recent action plan in the **Netherlands** (MLNV, 2000) '*An organic market to conquer*' reflects the very strong demand/supply chain focus of Dutch policy, which targets 10% by 2010. The plan aims to improve the functioning and efficiency of the supply chain, to reach new, less ideological consumers, and to retain consumer confidence through effective certification procedures, but it also recognises the need for continuing research and information dissemination initiatives. In contrast to other countries, the policy includes the phasing out of supply measures including direct payments, with support for conversion available for the last time in 2002.

Within the **United Kingdom**, there are no nationally agreed targets or action plans, although an action plan has been produced in Wales (WAFP, 1999) and action plans are at various stages of development in other parts of the UK. The Organic Targets Campaign has published an outline action plan for England (OTC, 2001) in association with its campaign for a legislative target of 30% by 2010. The Welsh action plan, published in 1999, aims for 10% of Welsh agriculture to be organic by 2005 and for organic farming to play a key role in agricultural/environmental policies as well as exploiting market opportunities at home and abroad. This is to be achieved by increasing the supply of organic products from Wales, developing markets for Welsh organic products, and addressing specific bottlenecks that might occur. An integrated approach combining three main types of activities was envisaged: effective utilisation of existing measures and development of new policy initiatives; marketing measures (including market analysis and development, marketing and processing/RDP grants, and related training and business advice; and information measures, involving a co-ordinated information strategy and the establishment of Organic Centre Wales.

## CONCLUSION

A key problem facing policy-makers is the balancing of supply (push) and demand (pull) initiatives to achieve sustainable development of organic agriculture in support of environmental and rural development goals. Integrated action plans provide one route to achieve this and are being applied with varying degrees of success and ambition in different countries. The range of approaches adopted, however, illustrates the problems, and the political pressures, inherent in achieving this.

At the European level, a strategic focus for policy support for organic agriculture is needed, given its potential significance in coming years. The development of a European action plan for organic farming is now the subject of study by the EU Commission as part of the mid-term review of Agenda 2000, a process initiated by the European conference on organic farming held in Copenhagen in May 2001 (MFAF, 2001), and subsequently supported by the Council of Agricultural Ministers in June 2001.

Longer term, the Agenda 2000 package will be replaced by new policy measures from 2007, reflecting the substantial enlargement of the European Union from 15 to 25-28 countries and the outcomes of the current WTO round. A new international policy research project, funded by the EU and starting in 2002, will conduct a detailed comparative evaluation of existing and previous organic farming policies and their impact on the development of organic agriculture and the achievement of policy goals, with the aim of developing new organic farming policies for the period after Agenda 2000. This project involves researchers from Germany, Switzerland, Italy, Czech Republic, Poland and Slovenia and will be co-ordinated by the Institute of Rural Studies at Aberystwyth.

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