

Use and efficiency of public support measures addressing organic farming

draft version

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Executive Summary



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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 effective¹. 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

¹ 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.