

# **Farming That Works: Reforms for Sustainable Agriculture and Rural Development in the EU and US**

Background Paper to a transatlantic workshop  
"Sharing Responsibility for Promoting Sustainable Agriculture and  
Rural Development:  
The Role of EU and US Stakeholders"

(Revised version)  
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**Prepared by Bill Vorley,  
International Institute for Environment and Development (IIED) London**

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The views expressed here are those of the author and not necessarily those of the organisers or sponsoring institutions.

Comments are welcome, and should be sent to [bill.vorley@iied.org](mailto:bill.vorley@iied.org) and [eupe@glo.be](mailto:eupe@glo.be).

## Forward

The *New Transatlantic Agenda* (NTA) agreed between the United States (US) and the European Union (EU) in December 1995 was established with the aim of “making swifter and more effective progress towards the political, economic and security goals which the US and EU first set for themselves in the Transatlantic Declaration of 1990.” From the beginning, it was recognised that the Agenda should be shaped and driven not only by governments, but also with the full participation of people from all walks of life. *Building bridges between different communities on either side of the Atlantic* has therefore been one of the four fundamental aims of the NTA. Businesspeople, parliamentarians, scientists, academics, trade unionists and a broad range of citizens’ groups were encouraged “to reinforce links with their transatlantic counterparts, to share their experiences on the challenges that they face and to make their own input to pursuing our shared aims.”

Starting with the Transatlantic Business Dialogue (TABD) in 1995, the US and EU have officially encouraged and funded meetings of interest groups from both sides of the Atlantic. These meetings facilitate information exchange on issues important to industry, labour, consumers, environmentalists, and other groups. But the more important function is to allow interest groups to *reach common positions on various issues that they can take to governments and press for in ongoing bilateral negotiations*. The evolving dialogues on business, labour, the environment, and consumer issues are sponsored by the governments for the express purpose of obtaining *policy advice* towards more effective intergovernmental policymaking. Government relations with the Dialogues were agreed at the EU-US Summit in December 1999. Complete information on the NTA and the different dialogues is available at <http://tiesweb.org/nta/default.html>.

The first substantive event among several NTA dialogues addressed the subject of *sustainable agriculture and rural development* (SARD) and was hosted by the Luso-American Foundation in Lisbon on January 24-26 2001. The focus of the workshop was the *role of EU and US stakeholders in promoting sustainable agriculture and rural development* and the *importance and impact of EU-US relations in this field, both domestically and globally*.

The workshop and this background paper draw on an appreciation that governments alone cannot achieve sustainable development, and that sustainability is a social quest rather than a scientific blueprint.<sup>1</sup> It therefore requires the active commitment and participation of all sectors of society, and inclusive processes that allow wider society to have access to decision-making processes of government, the private sector, international organisations and other key institutions.

This paper builds on the work of the Food and Agriculture Working group of the Transatlantic Environmental Dialogue (TAED), who developed a statement on *World Trade, Food Production and Multifunctionality* around 6 key objectives (see Appendix)<sup>2</sup>.

This paper has greatly benefited from discussions with Ron Kingham, David Baldock, Pete Hardstaff and Richard Perkins, and comments of Raymond von Ermen, Chris Fisher, Aileen Kwa, Steve Light, Sophia Murphy and Wouter van der Weijden on earlier versions, under very tight time pressure.

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<sup>1</sup> Arie van der Brand, pers comm.

<sup>2</sup> Available at [http://www.tiesweb.org/taed/wg/agriculture/world\\_trade\\_food\\_prod.htm](http://www.tiesweb.org/taed/wg/agriculture/world_trade_food_prod.htm)

## Executive Summary

Sustainable agriculture and rural development (SARD) are policy priorities in both the US and EU. But the substance of policy is diverging between the two trading blocks, into a *productivist* interpretation in the US ('more food and income with less harm'), and a *multifunctional* interpretation ('more public goods') in the EU. This reflects very different agricultural heritages, which have profoundly influenced the evolution of rural demography, trade priorities and public scrutiny on each side of the Atlantic. The result is severe trade friction over issues of financial support for farming, technology choice, and animal welfare. The reality of policy implementation, however, remains rather similar between the two blocs, with agricultural support still focused largely on commodity production or emergency bail-outs of large farms rather than ecological improvement or integrated rural development. Huge subsidies and tariffs continue to distort world markets and foreclose on opportunities for export-led agricultural development in third countries, including those of central and eastern Europe. Linking 'multifunctionality' with continued subsidies for EU farmers has brought the term into considerable international disrepute.

There are clear signals in both the US and EU that the agri-food system's current trajectory is fast approaching its environmental, economic and socio-political limits. But there are few examples in either the EU or the US of public programmes that have an integrated view of SARD which recognise the multiple roles of farming, and which appreciate that agricultural policy is a justified means to pursue certain social, environmental and regional development goals. There is a tendency to legislate for only ecologically sustainable land management as a single cornerstone.

The role of private sector actors—both positively, through demands made to processors and suppliers, and negatively, through concentrating market power and profits outside of farming and rural communities—is also consistently underestimated.

Continued public support and legitimacy of agriculture in industrialised countries is contingent on continually moving farming and the agri-food system closer in line with public expectations. Joined-up farm and rural policy is required to pursue synergistic social, environmental, economic and ethical goals, and avoid the pitfall of marginalising smaller farms as exclusive environmental stewards or as welfare cases. Problems in agriculture cannot be solved only through rural development policy, and rural development policy will not be achieved only through agriculture, including 'multifunctional' agriculture. Both the US and EU would benefit from integrated, spatially differentiated and bottom-up rural policies. This report describes a range of means to these ends, including:

- Strategic planning and citizen-based participatory approaches to policy construction, to take farm and food policy back to first principles
- Contracts between farmers and the state, shifting agri-environmental policy from compensating farmers for forgone production to paying for environmental goods and services. Farmers observe a minimum level of environmental practice as part-and-parcel of support regimes, but additional environmental and social goods and services are for by society. These goods and services are locally specific and should best be decided at the state or regional level. Contracting even at the local community level can use local resources or grants from central government to pay local agriculture to supply such services as upstream water retention in flood prevention or bioenergy production.
- Policies that protect markets, recognising that industrial policy (especially vigorous competition/antitrust policy) is a justified means to pursue certain

agricultural goals. We must address the distribution of profits as well as profit levels along the agri-food chain. Competition policy and civil society scrutiny must address buyer concentration and its effects on supplier welfare, and must penalise collusion and prevent undue concentrations of economic power. We must raise our expectations for private sector stimulation of sustainable/multifunctional agriculture, and draw consumer and investor attention to best practices.

It is very difficult to re-create multifunctionality after it has been lost. This applies of great importance to acceding countries of CEE, many of which have farmland rich in landscape and biodiversity value—traditional agricultural systems evolved over centuries—that could be the basis for rural development.

Integrity in dealing with developing countries, especially agrarian economies, is an essential ingredient of SARD implementation in the EU or US, if nations are serious about upholding social justice and supporting the dignity of human life and the common good. Claiming a unique place for agriculture and food within a society should be accompanied by granting the right for others to do the same, respecting the right of countries to produce their own food, or to seek development through on agricultural exports. Regions or countries should not build a policy of multifunctionality on a presupposition of large agricultural exports, if clear markets for those goods do not exist and/or if that status of major exporters requires large quantities of non-renewable inputs. A truly SARD-oriented policy would not tolerate huge overproduction that could not be sold profitably on the world market, and dumping or export subsidies should be redundant under these circumstances.

## 1. Introduction

### 1.1 *The urgent need for multi-stakeholder dialogue*

*“These agreements and declarations [1992 Earth Summit, 1994 WTO agreements, 1996 World Food Summit] have set in motion a dynamic process that is not yet entirely consistent or coherent in balancing the objectives—environmental, economic and social—of the world’s diverse nations. While it is clear that countries and groups within countries differ sharply in their interests and priorities, it is imperative that the international community seeks common ground in addressing these crucial challenges.”*

From *Environment, Trade and SARD: Concepts, Issues and Tools*. Background Paper 4 to *Cultivating our Futures* Conference on the Multifunctional Character of Agriculture and Land, held September 1999 in Maastricht, Netherlands

We are all ‘insiders’ in agriculture, and all have a stake in its future resilience, durability and legitimacy. An *agri-food* perspective makes the goal of *sustainable agriculture* the responsibility of all participants in the agri-food system, including farmers, labour, policymakers, researchers, retailers, and consumers.

Agreement by us, the agri-food stakeholders, on objectives for agriculture and rural areas is a prerequisite of developing policies and strategies to improve its sustainability. Confusion of objectives leads to confusion of policies. Without a clear understanding of what we want from agriculture, we will have mixed and often contradictory policies and negotiating positions. Agriculture, after all, is an activity that is integral to our lives, that consumes vast sums of public money under normal circumstances (50% of EU expenditure or *EUR 770 per household in Europe, US\$530 per household in the US*<sup>3</sup> and US\$361 billion or *US\$328 per person across the OECD*), and even more when things go wrong<sup>4</sup>, and that is responsible for managing a large proportion of land area and public goods such as wildlife and water. Decisions taken every 4-5 years at the ballot box or every week at the supermarket do not constitute a robust debate on what we expect from our farms, our food systems, and our rural areas.

Since the mid-1990s food has become the lightning rod of public concern—especially in Europe—and food-related issues have brought both the global trade liberalisation project and the productivist model of agriculture into considerable public scrutiny and disrepute. One trade issue after another, from beef hormones through rBST to GMOs, seemed to harden European public opinion against the technological and trade agenda of US agriculture. And one food safety issue above all—BSE—has seen caused a European-wide rethink of the modern trajectory of industrialised farming. The EU’s stance of supporting its agriculture and defending its markets in the name of ‘sustainability’ or ‘multifunctionality’ has caused great frustration in the US trade camp at the WTO negotiations.

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<sup>3</sup> 1999 *Producer Support Estimates* (value of gross transfers from domestic consumers and taxpayers to support agricultural producers) according to the OECD:

US: US\$54 billion

EU: US\$114.5 billion (EUR 108 billion)

There were 101 million households recorded in the 1998 US census, 70.9% million of them families. There were 140 million private households in the EU in the 1990-91 population censuses, 70.5% of them families.

At the time of writing, 1 EUR = US\$ 0.94.

<sup>4</sup> Already £6 billion for BSE in the UK, according to Tim Lang of Thames Valley University’s Centre for Food Policy.

Sustainable agriculture is therefore an extremely important topic for transatlantic debate between civil society.

## **1.2 Purpose of this document**

Rather than open the very real wounds from recent international negotiations<sup>5</sup>, a small transatlantic multistakeholder dialogue can best focus on the *processes* and *policy options* by which agricultural and rural sustainability can be achieved, distinct from discussions at the WTO. Civil society and other stakeholders can review what has already been agreed by governments and industry, what they are doing in the name of sustainable agriculture and rural development, and what still needs to be done in order to bring action in line with those principles.

Very many expert groups have met to discuss sustainable agriculture or more recently multifunctional agriculture. They usually start by agreeing on definitions and objectives for 'sustainability', and then develop a shopping list of policy reforms deemed necessary to realise those objectives.

The purpose of this document is, instead,

- to provide context and background to the debate over sustainable agriculture and rural development (SARD);
- to review progress made so far in implementing SARD on both sides of the Atlantic against objectives found in many definitions of SARD;
- to point to processes that may lead to improved understanding and co-operation on getting more 'goods' and less 'bads' from our agri-food system; and
- to serve as the basis of a EU-US partnership initiative in view of the Earth Summit III

## **2. Background and context**

### **2.1 The different histories of agriculture**

Policy priorities and bargaining positions in the US and EU reflect national interests that each have their roots in a particular history of settlement and endowment of natural resources.

North America, along with Australasia, Uruguay, Brazil and Argentina, with favourable climates and soils, sparse population, late colonisation, and productive capacity far beyond own needs, are 'natural exporters'<sup>6</sup>. They have built their economies on agricultural exports, from large-scale and relatively extensive agriculture, with low production costs. Agriculture has developed mainly in the 'heartlands', geographically removed from the bulk of the population.

Western Europe, along with NE Asia, is very densely populated and has suffered repeated food shortages over history; Western Europe was a net food importer until the 1970s. Agriculture and society have evolved in close spatial (and therefore cultural) proximity, and the level of public scrutiny of agriculture is rather high. Farms are small, averaging 15 ha. The countryside in Europe is increasingly a place of *consumption* as well as production, with agriculture producing most of the non-

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<sup>5</sup> The WTO negotiations in Seattle, the 1999 Maastricht conference on the Multifunctional Character of Agriculture and Land, the CSD-8 etc.

<sup>6</sup> see Einarsson (2000)

material attributes and public goods. The close interrelation between European agriculture and society is clearly a feature of the 'European agricultural model'.<sup>7</sup>

Despite these very different heritages, the US and EU had a similar inclination to protect agriculture from the declines in the real price of commodities in the second half of the 20<sup>th</sup> century. Subsidies and price supports have been introduced to compensate for technology-driven gains in productivity, but have generally been amortised into land values<sup>8</sup> and prices of inputs, and have over-inflated agriculture to the detriment of unsubsidised producers seeking a share of world markets. The EU's emergence as a food exporter is a product of technology including heavy chemical inputs, in response to price supports and market protection.

But in a sea-change in farm policy in 1996, the US has sought to regain advantage of its status as 'natural exporter' and exploit its comparative advantage as the primary engine of agricultural development. Global trade liberalisation is obviously an important plank in this strategy.

This division between 'natural exporters' and 'limited natural capacity' (or 'old-settled') countries was very clear in the Seattle WTO Ministerial when two major negotiating blocks emerged: the Cairns Group<sup>9</sup> with the US on one hand, and the EU, Japan, Korea, Hungary, Turkey, Switzerland and Norway on the other.

Even if these two groups now have similar levels of industrialisation and urbanisation, it is understandable that policies, institutions, bargaining positions have been built around the priorities and economic vested interests of these very different histories of agricultural and rural development. In exporting countries, trading and commodity handling and processing companies inevitably demand a voice in agricultural and trade policy, and become a powerful lobby. Hence the demand of the 'natural exporters' for 'integration' of agriculture into the general rules of the WTO, treating it in the *same way as manufactured products*. The powerful farming lobbies in the EU that have benefited from the 'agricultural preference' of the Treaty of Rome likewise resist seeing resources transferred from agriculture to the whole rural population, as proposed at the landmark Cork conference in 1996<sup>10</sup>.

Also understandable are different interpretations of 'sustainable agriculture' and 'sustainable rural development' within these two spheres, as forms of self-justification. Beneath the rhetoric and acronyms, SARD is now diverging between a *productivist* interpretation among the 'natural exporters' ('more food and income with less harm'), and a *multifunctional* interpretation ('more public goods') among the 'limited natural capacity' countries.

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<sup>7</sup> van der Ploeg J, Werry F, Blom J and Silvis H (1998?) *The European Agricultural Model: perspectives, prospects and research needs*. Wageningen University and Research Centre discussion paper.

<sup>8</sup> The American Farm Bureau Federation has estimated that farm support payments have increased the value of US farmland by US\$250 billion

<sup>9</sup> Especially the 'hard core' of the group: Australia, New Zealand, Canada, Argentina, Brazil, Paraguay and Uruguay. Other Cairns Group members are Chile, Colombia, Costa Rica, the Philippines, Fiji, Guatemala, Indonesia, Malaysia, South Africa, and Thailand.

<sup>10</sup> The European Conference on Rural Development *Rural Europe—Future Perspectives* (The 'Cork Conference') held in November 1996, proposed a more integrated and spatially differentiated rural policy, i.e. a shift from *agricultural preference* (enshrined in the Treaty of Rome) to *rural preference*.

In recent history, the spread of bovine spongiform encephalopathy or BSE in European cattle and its link with human disease<sup>11</sup> has reinforced this divergence between the US and Europe. Interpreted as symptomatic of the imbalances of industrial agriculture, BSE is prompting a complete reshaping of farm policies in Germany and beyond<sup>12</sup>. Another huge complication in this picture is the expansion of the EU into agrarian economies of central and eastern Europe (CEE), which will be returned to in section 3.2.

## **2.2 The principles of sustainable agriculture and rural development**

There are as many definitions of sustainable agriculture as there are groups that have met to discuss the issues. But almost all definitions cover the *environmental, social, and economic* triad of sustainable development, i.e. sustainable agriculture and rural development must *conserve natural resources, be equitable, and be competitive*.

Hence the FAO definition of SARD, which has received very wide international approval and commitment:

*“The SARD approach aims to foster sustainable development in the agriculture, fisheries and forestry sectors that conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable.”*<sup>13</sup>

Preserving the *productive capacity and resilience*<sup>14</sup> of natural systems is obviously a primary condition, upon which profitability and equitable sharing of benefits depend. This is acknowledged in the definition of Gordon Conway:

*‘Sustainable agriculture is one which is resistant to stress and shock, and which combines productivity, stability and equity.’*<sup>15</sup>

But below these umbrella definitions exists a very wide range of interpretations, from ‘deep’ to ‘surface’ SARD<sup>16</sup>. Most uses of sustainable agriculture within the OECD focus on the “*environmentally non-degrading*” element of the FAO definition<sup>17</sup> (i.e. producing food and income while minimising negative impacts on the environment) and at its most ‘surface’ extreme are constructions of sustainable agriculture equivalent to ‘precision agriculture’ i.e. better targeting and optimum use of chemical inputs. At the deeper end of SARD is an emphasis on the preservation of local culture and respect for cultural diversity.

As the president of the International Federation of Agricultural Producers (IFAP)<sup>18</sup> said recently, the concept of what constitutes sustainable agriculture has to be much broader. “Today, it includes not only economic sustainability, but also environmental

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<sup>11</sup> New variant Creutzfeldt-Jakob Disease (nvCJD), which has caused 86 fatalities across Europe (83 in the UK) at the time of writing.

<sup>12</sup> A new type of farming? *The Economist* 3 February 2001

<sup>13</sup> Developed and refined between the FAO-Netherlands conference at Den Bosch in 1991 and UNCED in 1992

<sup>14</sup> see Light SS (2001) Adaptive ecosystem assessment and management: the path of last resort? Pp 55-68 in [?]

<sup>15</sup> Gordon Conway (President of Rockefeller Foundation) to CSD-8

<sup>16</sup> Farquhar I and Smith A (1994) *Deep SARD/Surface SARD*. NGO Background Paper for CSD. Available at [www.csdngo.org/csdngo/agriculture/agr\\_deep\\_SARD.htm](http://www.csdngo.org/csdngo/agriculture/agr_deep_SARD.htm)

<sup>17</sup> See the 1995 OECD publication *Sustainable Agriculture: concepts, issues and policies in OECD countries*

<sup>18</sup> Includes the US Farm Bureau, the UK National Farmers Union.



sustainability, social sustainability, and ethical sustainability.”<sup>19</sup> The emergence of the term *multifunctional agriculture* (MfA) or multifunctional land use in Europe and Japan over the past decade is, in part, an attempt to reclaim the concept of sustainable agriculture within the holistic social-environment-economic space of sustainable development, and to catch up with political reality. It also, according to the analysis of Einarsson (2000), signals a fundamental change in the nature of the debate over sustainable agriculture.

### **2.3 Multifunctional agriculture<sup>20</sup>**

The ‘multifunctional character of agriculture and land’ is a concept that has its roots in the SARD approach and the 1992 Rio Earth Summit, and grew in the early 90s in northern and western Europe and Japan out of concerns that the fabric of rural areas—landscape, culture, tradition and their role in food security and national identity—were genuinely threatened by trade liberalisation. There was a frustration in the common construction of SARD, and a new attention to the multiple functions of agriculture and land use in producing ecosystem health and human well-being.

Multifunctional agriculture “*encompasses the economic, social and environmental functions of agriculture and aims to reconcile these different perspectives in order to supply people with food and other agricultural products in adequate quantity and quality, alleviate poverty, generate employment, protect the environment and maintain natural resources for present and future generations.*”<sup>21</sup>

The concept of MfA was greeted with enthusiasm by NGOs, farming organisations and policy makers in Europe. Farmers appreciated the fact that it focuses on ‘more goods’ rather than ‘less bads’, and pushes agriculture and farming towards *social contracts* rather than punitive industrial regulation. Agriculture is to *contribute* to the reduction of environmental pressure and problems through the preservation and restoration of ecological capital.

Few governments would disagree with the premise that agriculture and associated land use can and does produce a whole range of positive externalities (‘intangible benefits’), such as maintenance of cultural landscapes and heritage, flood prevention (through water buffering), catchment protection, rural employment and economic vitality, biodiversity, farmland conservation, carbon sequestration<sup>22</sup>, renewable energy production, and prevention of urban sprawl, which are not reflected in the price of agricultural products<sup>23</sup>. Few would also argue that the ‘function’ of global competitiveness may be achieved at the cost of some other ‘functions’ such as

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<sup>19</sup> Gerard Doornbos, addressing the 2<sup>nd</sup> OECD Conference of Directors and Representatives of Agricultural Knowledge Systems, 10-13 January 2000. Available at [www.ifap.org/news/sp100100.html](http://www.ifap.org/news/sp100100.html)

<sup>20</sup> This section owes much to analyses of Sensi and Werksman (2000?), and DeVries (2000),

<sup>21</sup> Scoping document for FAO/Netherlands Conference on Multifunctional Agriculture and Land Management.

<sup>22</sup> Note on farmland debate in Hague climate change debate, as US use of multiple function. Also promoting renewable energies from biomass or biofuels.

<sup>23</sup> The Japanese Ministry of Agriculture, Fisheries and Food puts an estimated monetary value of these roles is to be about 6.9 trillion yen per year, (EUR 62 billion, USD 59 billion) with hilly and mountainous areas occupying slightly more than 40% of the total value, consisting of about 3 trillion yen (EUR 27 billion, USD 26 billion). Source: Ministry of Agriculture, Forestry and Fisheries (1994). *Environmental Externalities of Japan’s Paddy Fields Farming*; and *Environmental Externalities Provided by Upland Fields*. Available at <http://www.maff.go.jp/soshiki/kambou/Environment/index.html>

richness in landscape, employment and rural economic vitality, and *food security*<sup>24</sup>, unless the *state intervenes to correct such market failures*<sup>25</sup>. Neither would they argue against countries having the right to reward farmers who exceed ‘best practices’ in the production of positive externalities, especially those on the geographical margins of agriculture which may have little or no global comparative advantage in any major agricultural commodity.

But the issue became dysfunctional when introduced into trade discussions—the WTO negotiations to reform the Uruguay Round Agreement on Agriculture (URAA)—which then spilled over into the UN Commission on Sustainable Development (CSD)<sup>26</sup> process of implementing the Rio Declaration and Agenda 21 principles. By adding concerns such as the viability of rural communities under the rubric of MfA to the ‘non-trade concerns’ already referred to in Article 20 of the URAA (food security and the need to protect the environment), as positive externalities and public goods *produced jointly* with food and fibre, an argument is built for *treating agriculture as a special case*, requiring more support and protection to pay for these services.

The rubric of MfA has consequently become the *bête noire* of multilateral trade negotiations between the Cairns Group (whose explicit agenda is to end export subsidies and domestic support, to further liberalise market access, and to *treat agriculture in a manner similar to any other industry*<sup>27</sup>), developing countries, and the US on one hand and the EU, Japan, Korea, Switzerland and Norway on the other, to such an extent that even using the *term* can bring discussion to a grinding halt. MfA carries a serious amount of baggage.

Rather than skirting around this subject, it is important for a background paper to a transatlantic dialogue on sustainable agriculture and rural development to acknowledge and deconstruct the issue, and explore it for points of common concern and interest.

MfA is now an integral part of EU policy, labelled as the ‘European Model’, and the EU is taking a very firm stance despite fierce reactions from the Cairns Group and the US. The European Commission and the two main European farm industry unions, COPA<sup>28</sup>-COGECA<sup>29</sup> got behind the concept in 1997, positioning for a new

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<sup>24</sup> Here defined *strategically* rather than as freedom from hunger; i.e. the ability of a nation (skills, agricultural land base, infrastructure etc.) to feed its population in times of crisis such as war or global food shortage. This involves concepts of *adequacy* of food supplies, *stability*, and *access*. Food security policies “based on a minimum level of self-sufficiency in food can be regarded as a risk insurance policy with the public costs involved related to the population’s risk aversion and its willingness to pay for that insurance” (Aldington. 1998). Some interpretations of food security verge on *food sovereignty*, i.e. the right of a nation to produce its own food according to local customs and without external interference. Several developing countries argue against this interpretation of food security by rich net food-importing countries such as Japan and Korea, noting that these countries do not need subsidies to retain domestic production as they have trade surpluses and foreign exchange reserves to pay for imported food. See *Bridges* [November 2000?] 7.

<sup>25</sup> Including on behalf of future generations

<sup>26</sup> The *Cultivating our Futures* Conference on the Multifunctional Character of Agriculture and Land, held in September 1999 in Maastricht, the Netherlands, organised jointly by the FAO and government of the Netherlands—see IISD (1999); and the CSD-8 meeting in New York April-May 2000.

<sup>27</sup> This group would also argue that there are, after all, thousands of economic sectors that provide positive externalities and multiple functions, from inns to shipbuilding to coal mines, which have been left to fend for themselves in the brutal winds of economic change.

<sup>28</sup> Committee of Agricultural Organisations in the European Union

<sup>29</sup> General Committee for Agricultural Cooperation in Europe

WTO round. Farm groups realise that as traditional production support mechanisms are reformed under WTO obligations and budgetary constraints, farming in intermediate and less favoured areas will have trouble surviving. EU Agriculture Commissioner Fischler has stated that “The European model of agriculture based on multifunctional farming addresses these relatively new issues [of public concern about globalisation], and thus offers a more future-oriented perspective for agriculture than mechanical calls for a total liberalisation of farm trade. Multifunctionality is the word we have found in Europe to describe the *fundamental link between sustainable agriculture, food safety, territorial balance, maintaining the landscape and the environment* and what is particularly important for developing countries, food security” (emphasis added). “For the Union” he continued “it will be essential to ensure that progress in trade does not damage the multifunctional role of agriculture and the legitimate concerns related to food safety and quality.” Such statements firmly connect the MfA concept to *regional* economic resilience and development.

The US and other major agricultural exporters’ position do not oppose multifunctionality, but interpret its current use as corrupting the trade debate. Developing countries too, after initial interest in the *food security* angle of multifunctionality<sup>30</sup>, saw the concept as evolving with little relevance to their key concerns of excessive subsidies in the North which distort trade and foreclose on developing countries’ abilities to extract multiple functions—especially economic development and food security—from *their* agriculture. The issues paper prepared for the 1999 FAO-Netherlands conference on MfA in Maastricht confirms the rather uncomfortable fit of the MfA rubric to the issues facing developing countries (FAO, 1999).

The implied hidden agenda of multifunctional agriculture is old protectionism in new clothes. Multifunctionality has, it is suggested, become a *political* construct. Sustainable agriculture, the ‘natural exporters’ claim, is being repositioned around the *non-food* functions of agriculture, in line with the priorities of countries which have the least comparative advantage and which want to protect large agricultural support programmes—including production-related support—and to justify special treatment or exemption of agriculture from trade agreements. In WTO terms, MfA is seen to risk (1) continued EU dumping in developing countries with the help of Blue Box<sup>31</sup>

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<sup>30</sup> Such as India and the Asian Group support for the concept during the 1996 World Food Summit negotiations.

<sup>31</sup> A ranking system adopted under the URAA subjects agricultural support policies to different levels of discipline. The system is referred to as amber, blue, or green ‘boxes’, where policies are assigned a ‘box’ according to their degree of trade-distortion. Domestic support that has no, or at most minimal, trade distorting effects or effects on production can be provided without limits via the **green** box. Countries can make use of the green box to address non-trade concerns. The green box includes specific provisions for addressing non-trade concerns, including public stockholding for food security and payments for environmental programs. Other non-trade concerns, such as support for rural communities and amenities, as well as other general environmental and biodiversity goals (such as pest and disease control and resource retirement) are also included in the green box. Green box policies, including improvement of physical infrastructure, research, environmental programs, extension, food security stocks, disaster payments, and structural adjustment programs, can be used subject to specified limits. Use of policies that affect production (**amber** box) is limited and policies in this box are subject to reduction over time. **Blue** box policies are acknowledged to distort trade, but are allowed because they are aimed at *limiting* rather than enhancing production, and are seen by the US (but not the EU) as transition policies that would help pave the way for further reforms over time. Farm legislative reform in the US—the 1996 ‘Freedom to Farm’ Act—changed the system of US farm support and removed the need for the US to rely on Blue Box provisions. [Include summary of Peace Clause re Blue Box payments, due to expire in 2003 but which the EU is fighting to maintain].

payments, and (2) re-opening and enlarging the definition of the Green Box, exempting a wider range of support measures from reduction obligations, just when the Cairns Group and developing countries were seeking to narrow the scope and limit Green Box subsidies in order to minimise their distorting effect on production and trade, and eliminate the Blue Box category. In short, MfA is viewed as the opposite of a good trade ingredient: subjective, ambiguous, arbitrary, and thereby able to hold subtle forms of protectionism. The US argues that WTO agreements provide for a great deal of national autonomy in paying for public goods, and that countries cannot obtain multifunctionality by closing markets ('a multifunctional fortress'), or by keeping Blue Box payments. These opponents of current constructions of MfA stress that social and environmental objectives can best be met through means other than subsidies.

It is the very comprehensiveness and integrated nature of MfA that makes it so difficult to codify for transparency at the WTO. To reduce multifunctionality to agri-environmental criteria, for example, (perhaps based on the indicators being developed by the OECD) would appear to be fitting a square peg into a round hole. The cultural and social aspects (and for very marginal agricultures such as in Finland, food security aspects) are integral components of the MfA approach. Homogenising agriculture through the imposition of inappropriate harmonised standards and uniform technologies is to undermine sustainability and local influence over the direction of MfA.

## **2.4 Review of Section 2**

Sustainable agriculture and rural development (SARD) are policy priorities in both the US and EU. But the substance of policy is diverging between the two trading blocks, into a *productivist* interpretation in the US and a *multifunctional* interpretation in the EU. This reflects very different agricultural heritages, which have profoundly influenced the evolution of rural demography, trade priorities and public scrutiny on each side of the Atlantic. The result is severe trade friction over issues of financial support for farming, technology choice, and animal welfare. The reality of policy implementation, however, remains rather similar between the two blocs, with agricultural support still focused largely on commodity production or emergency bail-outs of large farms rather than ecological improvement or integrated rural development. Huge subsidies and tariffs continue to distort world markets and foreclose on opportunities for export-led agricultural development in third countries, including those of central and eastern Europe. Linking 'multifunctionality' with continued subsidies for EU farmers has brought the term into considerable international disrepute.

## **3. Public policies for SARD in the US and EU**

### **3.1 USA**

#### *Guiding principals of sustainability*

The US Department of Agriculture (USDA) has established guiding principles in support of sustainable agriculture, forestry and rural community development. The USDA is "committed to working toward the economic, environmental, and social sustainability of diverse food, fibre, agriculture, forest, and range systems" and has pledged to "balance goals of improved production and profitability, stewardship of the natural resource base and ecological systems, and enhancement of the vitality of

rural communities,” and to “integrate these goals into its policies and programmes, particularly through interagency collaboration, partnerships and outreach.”<sup>32</sup>

The US does not have an overall SARD policy; it has resource policies, rural development policies, and others that contribute to SARD. This explains the ‘soft’ explicit linkage between sustainable agriculture and rural development in US policy. Rural development programmes at the USDA focus on housing, utilities, and poverty alleviation. There is frank acceptance within the USDA that farming is no longer the major economic activity in rural America, and that the stabilisation of the rural non-farm share of population (at around 20%) has been due to employment in manufacturing and services rather than farming. There are still farming-dependent counties<sup>33</sup> in the sparsely populated areas of the US heartland, and many of these areas have pursued value-added development strategies that encourage agriculture-related businesses such as food processing and marketing. But the USDA’s Economic Research Service (ERS) have reported that food processing “does not appear to be a universal engine for rural job growth, as food processors often choose urban locations to gain access to suppliers of other inputs and distribution networks.” Prospects for these heartland areas to participate in the service economy are also not promising, “because service and trade industries have a greater tendency than other activities to concentrate in cities where there is access to large numbers of consumers, transportation nodes, related industries, and business service firms.”<sup>34</sup>

#### *Programmes*

Environment-related programmes consume approximately 9% of direct US agricultural farm payments (Table 1). The main US focus of SARD is *resource-driven*—soil and water conservation—with the bulk of expenditures allocated to the Conservation Reserve Programme (CRP), which has a parallel supply management function (Table 2).

**Table 1 Breakdown of direct government payments to the US farm sector—Year 2000 forecasts<sup>35</sup>**

<b>Sector</b>	<b>Expenditure (US\$ million)</b>	<b>Percent total expenditure</b>
<b>Markets, of which:</b>	<b>12,600</b>	<b>53%</b>
Loan deficiency payments	7,222-7,561	
Production flexibility (AMTA)	4,851-5,049	

<sup>32</sup> United States Department of Agriculture (1996) Secretary’s Memorandum 9500-6 ‘Sustainable Development’. Office of the Secretary, Washington, D.C. 20250, September 13, 1996. Available at <http://www.usda.gov/agency/oce/oce/sustainable-development/secmemo.htm>

<sup>33</sup> Those that derive at least 20 percent of their income from farming.

<sup>34</sup> Farming’s Role in the Rural Economy. *Agricultural Outlook* June-July 2000. USDA-ERS May 24, 2000. Available at <http://usda.mannlib.cornell.edu/reports/erssor/economics/ao-bb/2000/ao272s.asc>. See also <http://www.ers.usda.gov/briefing/rural/>

<sup>35</sup> Fiscal year ending 30 September. “Nearly 40 percent of these direct payments have been disbursed as emergency assistance under three supplemental legislative packages enacted since October 1998, partly in response to low agricultural commodity prices. The supplemental assistance augmented direct payments from existing farm programmes such as production flexibility contract payments and loan deficiency payments, and payments from conservation programmes such as the Conservation Reserve Programme. Besides direct payments, support to the sector comes from crop insurance premium subsidies, marketing loan gains, and price supports for selected commodities (dairy, peanuts, sugar, and tobacco).” *Agricultural Outlook* October 2000, September 21, 2000, USDA-ERS.

<b>Environment</b> (mostly CRP)	<b>2,000</b>	<b>9%</b>
<b>Emergency assistance</b> (market losses and natural disasters)	<b>8,870</b>	<b>38%</b>
<b>Total direct payments</b>	<b>23,285-24,250<sup>36</sup></b>	

Source: Agricultural Income and Finance. USDA Economic Research Service, September 2000.

The US has been successful in *targeting* agri-environmental payments to lands with the highest conservation value [development of index for CRP].

The *Environmental Quality Incentives Programme* (EQIP) works primarily in priority areas where significant natural resource problems (especially soil- and water-related) exist. EQIP was established in the 1996 Farm Bill to provide a voluntary conservation programme for farmers and ranchers who face serious threats to soil, water, and related natural resources. Nationally, it provides technical, financial, and educational assistance primarily in designated priority areas-half of it targeted to livestock-related natural resource concerns and the remainder to other significant conservation priorities. In general, priority areas targeted by EQIP are defined as watersheds, regions, or areas of special environmental sensitivity or having significant soil, water, or related natural resource concerns. These concerns could include soil erosion, water quality and quantity, wildlife habitat, wetlands, and forest and grazing lands. The purposes of the programme are achieved through the implementation of a *conservation plan* which includes structural, vegetative, and land management practices on eligible land. Five- to ten-year contracts are made with eligible producers. Cost share payments may be made to implement one or more eligible structural or vegetative practices, such as animal waste management facilities, terraces, filter strips, tree planting, and permanent wildlife habitat. Incentive payments can be made to implement one or more land management practices, such as nutrient management, pest management, and grazing land management.

The *Wetlands Reserve Programme* (WRP) is a voluntary programme to restore and protect wetlands on private property. It is an opportunity for landowners to receive financial incentives to enhance wetlands in exchange for retiring marginal agricultural land. The programme offers landowners three options: permanent easements, 30-year easements, and restoration cost-share agreements of a minimum 10-year duration.

The *Wildlife Habitat Incentives Programme* (WHIP) is a voluntary programme for people who want to develop and improve wildlife habitat primarily on private lands. It provides both technical assistance and cost-share payments to help establish and improve fish and wildlife habitat.

Under the *Conservation Reserve Programme* (CRP), producers voluntarily retire environmentally sensitive crop land for 10 to 15 years. In return, USDA's CCC makes annual rental payments to producers and shares the cost of establishing approved conservation practices. Enrolled land must be highly erodible, contribute to

<sup>36</sup> Some estimates are put at US\$28 billion, eg *New York Times* 24 December 2000: "This year, the government distributed a record US\$28 billion in direct payments [to farmers], accounting for half of all the money made by farmers; and *Des Moines Register* 14 February 2001: "Last year, Congress doubled direct cash payments under the Freedom to Farm Act to US\$10 billion. In addition, farmers received US\$8 billion in commodity price supports and US\$10 billion through a series of other commodity and conservation programmes. Thus, federal support totalled a record US\$28 billion."

a serious water quality problem, or provide substantial environmental benefits if devoted to certain specific conservation uses. An 'Environmental Benefits Index' is a targeting mechanism used to rank and select cropland to be included in the programme. The *Conservation Reserve Enhancement Programme (CREP)* added to CRP an enhanced co-operative Federal-State partnership designed to encourage eligible farm operators to adopt specific conservation practices. State authorities sign contracts with local landowners to target state and national conservation and environmental objectives, such as improving water quality or preserving wildlife habitat.

The *Farmland Protection Programme (FPP)* was established in the 1996 Farm Act, and provides funding to State and local authorities to purchase conservation easements in order to keep agricultural land in farming. The goal of this programme is to protect 170,000-340,000 acres of farmland, with priority given to permanent easements.

The *Sustainable Agriculture Research and Extension Programme (SARE)* is a competitive grants programme first funded by Congress in 1988. The programme works to increase knowledge about—and help farmers and ranchers adopt—practices that are economically viable, environmentally sound and socially responsible. Regional administrative councils recommend projects to be funded after proposals go through technical peer review. Regional council representation in the Northeast, South, North Central and West is specified by law, leading to diverse councils of producers, farm consultants, university researchers and administrators, state and federal government agency staff and representatives from nonprofit organisations. The regional councils also provide policy direction and identify information needs for the SARE programme. The diversity in membership of the regional administrative councils reflects SARE's commitment to serve the broad spectrum of the agricultural community. SARE's broad representation remains largely unique in federal grant funding for agriculture. Nationally, SARE devotes significant resources to ongoing outreach projects. SARE's Professional Development Programme offers learning opportunities to a variety of agricultural extension and other field agency personnel. SARE's Sustainable Agriculture Network (SAN) disseminates information relevant to SARE and sustainable agriculture through electronic and print publications.

Conservation programmes funded via the USDA do not represent to full scope of US public support for SARD. Within the Environmental Protection Agency (US-EPA) are programmes which have a direct bearing on agriculture, such as the measures introduced to implement the Safe Drinking Water Act, Clean Lakes Programme and National Estuaries Programme. Federal subsidies for corn-ethanol, for all its weaknesses, could also be considered as support for agriculture's renewal energy function.

**Table 2. Breakdown of Federal US agri-environmental programmes, Year 2000**

Programme	Expenditure (US\$ million)	Percent
<i>a. Land retirement</i>		48%
Conservation Reserve Programme (CRP)	1,610	
Conservation Reserve Enhancement Programme (CREP)	113	
Wetlands Reserve Programme (WRP)	176	
Farmland Protection Programme (FPP)		

<i>b. Cost sharing, technical assistance and extension</i>		11%
Environmental Quality Incentives Programme (EQIP)	174	
Conservation Farm Option (CFO)	Authorised but not funded	
Wildlife Habitat Incentives Programme (WHIP)	0	
Emergency Conservation Programme (ECP)		
Conservation of Private Grazing Land Initiative		
<i>c. Education, data, and research</i>		28%
Extension education; Research Sustainable Agriculture Research and Extension Programme (SARE)	13	
<b>Total (USDA only)</b>	<b>3.3 billion</b>	

Sources: USDA-ERS

### 3.2 EU

#### *Guiding Principles of Sustainability*

The Single European Act of 1986 required environmental protection requirements to be integrated into other policies; in 1987 the Commission produced a paper 'Agriculture and the Environment' taking up this theme. In the Fifth Environmental Action Programme<sup>37</sup>, adopted by the European Commission in 1992, and the Maastricht Treaty, which entered into force in 1993, the principle of *sustainability* was embodied and environmental policy was reinforced through stating the obligation of integrating environmental requirements in all EU policies. A notable step towards integrating environmental requirements into agricultural policy was taken in the 1992 CAP reforms (the 'MacSharry Reforms'), which promised an important innovation in the form of *accompanying measures* that covered *agri-environment, afforestation, and early retirement measures*. They took shape in the form of financial incentives for encouraging farmers to use less intensive production methods so as to reduce their impact on the environment and cutting the creation of unwanted surpluses. Moreover, the agri-environmental measures constituted a first and positive step towards *full integration of environmental consideration into agricultural policy*.

An even bigger step has been recently undertaken towards full integration of the environment in European agricultural policy under reform of the Common Agricultural Policy (CAP) in the context of *Agenda 2000*. The new reform aims to benefit farmers, consumers, agri-industry, the environment and the EU economy in general. The European Commission proposes to achieve its environmental aims through a wide range of instruments to promote environmentally friendly farming.

The new *rural development policy*<sup>38</sup>, now the "second pillar" of the Common Agricultural Policy as an essential part of the *European agricultural model*, aims to put in place a "consistent and lasting framework for guaranteeing the future of rural areas and promoting the maintenance and creation of employment."

The principles of the European agricultural model are as follows:

<sup>37</sup> targeted agriculture as one of five primary sectors for objectives for the conservation of water, soil, and genetic resources.

<sup>38</sup> Not part of Agenda 2000, but adopted at the Berlin Summit in 1999.



- The *multifunctionality of agriculture*, i.e. its varied role over and above the production of foodstuffs. This implies the recognition and encouragement of the range of services provided by farmers.
- A *multisectoral and integrated* approach to the rural economy in order to diversify activities, create new sources of income and employment and protect the rural heritage.
- *Flexible* aids for rural development, based on subsidiarity and promoting decentralisation, consultation at regional, local and partnership level.
- *Transparency* in drawing up and managing programmes, based on simplified and more accessible legislation.

One of the main innovations claimed for this policy is the method used to improve integration between the different types of intervention, to “help ensure smooth and balanced development in all European rural areas”. The main features of this development are defined as follows:

- strengthening the agricultural and forestry sector
- improving the competitiveness of rural areas
- preserving the environment and rural heritage

The *welfare of animals* became an explicit element of EU agricultural policy through the Protocol of the Welfare of Animals agreed under the Treaty of Amsterdam.<sup>39</sup> An early outcome was the inclusion of some animal welfare references in Agenda 2000, most notably with regard to investment in agricultural holdings, notionally part of the ‘second pillar’.

#### *Programmes*

*Agri-environmental programmes* now form a *compulsory* (rather than voluntary) part of EU Member Countries’ *rural development plans*, under the following programmes:

- Crop extensification and organic farming
- Livestock extensification
- Rearing of endangered breeds
- Upkeep of abandoned land
- Long-term (20 years) set-aside
- Cultivation of plants threatened by genetic erosion
- Training

Furthermore, direct payments made to farmers are now subject to respecting environmental criteria decided nationally. The member states will also provide for more *targeted* environmental measures through the strengthening of the environmental elements of voluntary *set-aside* in the arable crops regime.

About 20% of agricultural land in the EU was covered by agri-environmental undertakings, though this was mainly concentrated in a few member states (Germany, France, Austria and Italy) and uptake of the programmes has been generally low in highly productive and intensively farmed areas (European Commission, 1999c).

*Environmental* legislation also has a strong bearing on the sustainability of agriculture within the Union, because under the 6<sup>th</sup> Environmental Programme (2000-2009) environmental priorities must be integrated into all community policies including the CAP. Of major significance are climate change and the Kyoto protocol, protection of

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<sup>39</sup> Also *health* considerations became as key feature of EU policies under Article 29 of the Maastricht Treaty.

biodiversity (via the *Habitats and Wild Birds Directives*<sup>40</sup>), soil conservation, chemicals, water protection, coastal zone management, and the *Nitrates Directive*.

*Rural development measures* are now available throughout the EU. Both natural and man-made elements of the environment are the key concerns for the new generation rural development programmes. These programmes include measures to support all forms of environmental management in rural areas:

- Investment in farm businesses
- Less favoured areas compensation payments
- Start-up aid for young farmers
- Early retirement schemes
- Training
- Farm diversification
- Forestry aid
- Processing and marketing of agricultural products
- Adaptation and development of rural areas<sup>41</sup>
- Agri-environmental measures
- LEADER integrated rural development schemes

The EU *structural funds*, designed to help poorer regions catch up with richer ones, account for a further one-third of the EU budget and often benefit rural areas on top of the 40 billion CAP expenditures.

Even after recent reforms, the CAP still takes up over 40% of EU expenditure. EU farmers receive around 1.8 billion EUR in EU agri-environmental funds and nearly as much again from national funds<sup>42</sup>, from total public agricultural support of around 47 billion EUR. Furthermore, rural development expenditures have risen to 4 billion EUR after the recent CAP reforms (Table 3).<sup>43</sup>

Much of the CAP is vulnerable to WTO challenge once the 'Peace Clause' expires in 2003. The EU will face significant and increasing pressure to replace price supports with direct payments that support environmental performance and rural development. Having 'rural development' subsidies in the Green Box is clearly a major political reason for the *elevation of the rural* within Agenda 2000, and we can expect to see it taking an increasing share of CAP expenditure.

The second huge challenge for the CAP, other than WTO compliance, is *EU enlargement*<sup>44</sup>. Enlargement will create severe budget problems under the strictures of Agenda 2000. With a budget fixed at EUR 40.5 billion through 2006, the CAP will

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<sup>40</sup> This directive requires EU Member States to assure necessary conservation measures to protect valuable habitats, often requiring the continuation of farming. The ensuing network of sites is known as *Natura 2000*.

<sup>41</sup> Includes land improvement, marketing of quality products, diversification of agricultural activities, infrastructure linked to agriculture etc.)

<sup>42</sup> For the period 2000-06, total public contributions to agro-environment are forecast at EUR 24.6 billion, of which EUR 11.3 billion will come from Member States. See European Commission (2000) *L'agroenvironnement dans les plans de développement rural (2000-2006)*.

<sup>43</sup> [Include note on other agriculture expenditures—warehousing, export subsidies, disposal of surpluses etc.]

<sup>44</sup> The EU continues active negotiations with 10 countries of Central and Eastern Europe (CEE) for membership. Negotiations began in March 1998 with five CEE countries (Poland, Hungary, Czech Republic, Slovenia, and Estonia). In October 1999, the EU agreed to open negotiation with five others--Latvia, Lithuania, Slovakia, Bulgaria, and Romania. Cyprus and Malta--two non-CEE states--are also candidates for membership.

have to be reformed again if enlargement is to occur. It is believed that the elevation of 'rural development' in Agenda 2000 had enlargement strongly in mind, as rural development measures are co-financed by member states. Deepening reforms could produce fully *decouple* CAP compensation payments from production and could lower support prices to world levels, thus removing the need for export subsidies.

It must be observed that rural development policies within the EU came about in the European debate partly to counter the devastating impacts of the CAP, such as out-migration from rural areas, unemployment, and disparities between regions. But much of the Rural Development funding, and even some agri-environmental funding, is not targeted at sustainable agriculture and sustainable rural development *per se*. The 'second pillar' is in effect very small, and some is still linked to production. It consists almost entirely of a repackaging of existing programmes, and only the agro-environment section is a compulsory item on the 'menu' of measures (Bryden, 2000). The mindset of 'modernising' agriculture endures in the CAP, and the policy remains largely unreconstructed and *sectoral* even after Agenda 2000. Only LEADER Plus is a genuinely territorially integrated rural development policy, which illustrates a big reluctance within the EU to reach beyond the farmer client.

**Table 3. Breakdown of EU Farm Payments – Year 2000**

<b>Sector</b>	<b>EU Spending (million EUR)</b>	<b>Percent total spending<sup>45</sup></b>
<b>Total Market support</b> (arable, plant products, dairy, livestock)	<b>36,620</b>	<b>87%</b>
<b>Rural Development</b> (of which agri-environment)	<b>4,084-4,300</b> <b>(1,900)</b>	<b>10%</b> <b>(44%)</b>
<b>Total CAP spending:</b>	<b>40,920- 41,469</b>	

Figures do not include individual member state expenditure. Source: *Background Briefing, Agriculture & Rural Development*. The European Commission Representation in the United Kingdom, 06/2000. Available at <http://www.cec.org.uk/index.htm>

### **3.3 Review of Section 3**

The bulk of agricultural support in *both* the EU and US is still in the form of direct price supports or emergency payments to farmers, most of which goes to the largest farms<sup>46</sup> in the familiar 80:20 configuration (80% of subsidies to the largest 20% of producers)<sup>47</sup> and ultimately is capitalised into land values or is captured by input suppliers. European support is skewed strongly to livestock production (52% of CAP support<sup>48</sup>) while US support is skewed to feedgrains. Both the EU and US are shifting from production supports to 'decoupled' direct payments, which though

<sup>45</sup> Yellachich N. (WWF Brussels), in paper *The Position of an NGO on the Millennium Round, Enlargement and Implications for Rural Policies* presented to conference *European Rural Policy at the Crossroads*, The Arkleton Centre for Rural Development Research King's College, University of Aberdeen, 29 June-3 July 2000. Available at <http://www.abdn.ac.uk/arkleton/conf2000/index.html>

<sup>46</sup> Described by the Sustainable Agriculture Coalition in the US as "a downpayment given by taxpayers to mega-farms to buy out their struggling neighbours."

<sup>47</sup> See OECD (2000) *Agricultural Policy Reform: Development and Prospects*. OECD Policy Brief Available at [www.oecd.org/publications/Pol\\_brief/](http://www.oecd.org/publications/Pol_brief/) and ABARE (2000) US and EU agricultural support: who does it benefit? *ABARE Current Issues* 2000.2, October 2000. Available at [www.abare.gov.au](http://www.abare.gov.au)

<sup>48</sup> Agenda 2000 hits the rocks. *Food Magazine* 45 Apr/Jun 1999, 14.

purported to be less trade distorting, have their limitations.<sup>49</sup> Agricultural trade disputes between the EU and US would already be reduced if both blocks increased the proportion of farm support targeted to enhancing the environmental performance of agriculture.

There are few examples in either the EU<sup>50</sup> or the US of public programmes that have an integrated view of SARD. The *cultural* aspects of SARD go almost unrecognised. There are few examples in either the EU or the US of public programmes that have an integrated view of SARD which recognise the multiple roles of farming, and which appreciate that agricultural policy is a justified means to pursue certain social, environmental and regional development goals. There is a tendency to legislate for only ecologically sustainable land management as a single cornerstone. Within this rather narrow area, the US has shown strong leadership in *targeting* their agri-environmental programmes.

There is an increasing focus in the EU, at least at the level of political rhetoric, on *socio-economic* objectives from agricultural policy such as improved social and economic conditions for local land users and populations. Objectives such as '*social cohesion*', '*decentralised occupation of the land*' and *regional diversity*—so key to the French and EU<sup>51</sup> agricultural and rural policies—do not have the same profile in the US rural development debate.<sup>52</sup> While the US underrates the importance of agriculture to the rural economy and rural culture, the EU is probably guilty, for political reasons, of *overrating* its importance. Agriculture and rural development in the EU are still closely wedded<sup>53</sup>, even after the Agenda 2000 reforms, with too much funding (>90%) aimed at farmers, and thus ending up with landowners, input suppliers etc. For instance, in Scotland, about 80% of EU funds entering rural areas come through the CAP. Considering the weak link between agriculture and successful rural development<sup>54</sup>, it is probably disingenuous to sell multifunctional

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<sup>49</sup> Direct payments do not support labour, and end up enriching landowners rather than farmers. Landowners these days are often not the same people as farmers. For instance in Germany, 60% of farmland is rented, often from absentee urban-based landowners. It is also clear that 'decoupled' allowances *do* have an effect on the growth of supply, despite arguments to the contrary from orthodox economists. Direct payments are used to cover investment costs, and production will continue to increase so long as product prices still cover variable production costs—see Koning N (1998) Effects of GATT/WTO on Dutch agriculture and on the Common Agricultural Policy of the EU. Paper presented at [IATP seminar]. Direct payments are no less a disaster for developing countries than production supports if not combined with strict ant-dumping mechanisms.

<sup>50</sup> Though there are some very good examples in the EU at the member state level.

<sup>51</sup> Article 159 of the Treaty of Amsterdam addresses the need for social and economic cohesion with the EU, with attention to backward and rural areas, considering that wide disparities with the Union are intolerable.

<sup>52</sup> For example, demographers in the upper Midwest state of Minnesota project that by 2020, 50% of the state's residents will live in the Minneapolis-St Paul conurbation, which leaves family farmers with very little in the way of community to support them in a 'multifunctional' approach.

<sup>53</sup> There is a tendency for the European Commission and Council to refer to rural development "as an accompaniment to agricultural market policy" *and* to treat agri-environmental policy as if it were the same thing as rural development policy—See Bryden J (2000) *Is there a 'New Rural Policy'*. Paper presented at Internationals Conference European Agriculture at the Crossroads. 29 June – 1 July 2000, Arkleton Centre for Rural Development Research, University of Aberdeen.

<sup>54</sup> Studies by the OECD show that the link between *agriculture* and *growth* in rural areas appears to be rather weak success factors were generally endogenous—investments by firms, mining etc—and this link is expected to continue to weaken as economic power accumulates downstream in the food chain. Pezzini M (2000) *Trends and Rural Policies in*

agriculture as an *alternative* to properly integrated territorial (rather than sectoral) rural development.

#### 4. Success in implementing SARD

A summary—far from comprehensive—is presented here of the degree to which SARD has been achieved on the ground in the EU and US, according to four criteria commonly found in SARD definitions: (1) ecologically sustainable land management, (2) vibrant rural economies, (3) social equity, and (4) public legitimacy.

##### 4.1 Sustainability as ecologically sustainable land management

*“The SARD approach aims to foster sustainable development in the agriculture, fisheries and forestry sectors that “conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable.” (FAO; emphasis added)*

Efforts undertaken under agri-environmental programmes in the US and EU programmes have improved wildlife habitat and some wildlife populations. Furthermore, the CRP and WRP have significantly reduced erosion of farmland, restored over 900,000 acres of wetland previously converted to crop production. Considerable achievements have been achieved across the American ‘Cornbelt’, where soil and nutrient losses from oilseed and feedgrain production have been somewhat ameliorated<sup>55</sup>. But by most indicators of environmental performance—nutrient cycling, water quality in rivers and drinking water sources, grassland bird populations, and water retention in the landscape—there is still massive room for improvement on both sides of the Atlantic.

A 1995 assessment based on model calculations indicated that 87% of the agricultural area in Europe has nitrate concentrations in groundwater that are above the 25 mg/l guide-level, and 22% above the maximum admissible concentration of 50 mg/l. Alterations in the nitrogen cycle and nitrogen saturation caused by intensive agriculture have impacts on the atmosphere (heat-trapping, photochemical smog, acid rain), on ecosystem functioning (soil acidification and nutrient loss), biodiversity, as well as on aquatic systems. Large areas of the North Sea coastline and parts of the Mediterranean have been identified as suffering from eutrophication<sup>56</sup>. Nitrogen losses from agricultural soils is still the main source of eutrophication of rivers and lakes in the US<sup>57</sup> and main cause of oxygen reduction in estuaries. Not only are we doubling the natural annual rate at which fixed nitrogen enters the land-based nitrogen cycle; we are also accumulating that nitrogen in regions such as Brittany, North Carolina and Utah where livestock is raised with imported grains. The separation of arable and animal agriculture, and therefore nutrient cycling and soil fertility, is worsening as livestock becomes concentrated in limited areas.

Biodiversity associated with agriculture is threatened both by intensification of farming *and* the abandonment of farming or shift of farmland out of agriculture (IUCN,

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*OECD Countries.* Paper presented at Internationals Conference European Agriculture at the Crossroads. 29 June – 1 July 2000, Arkleton Centre for Rural Development Research, University of Aberdeen.

<sup>55</sup> See <http://www.nhq.nrcs.usda.gov/land/env/>

<sup>56</sup> If the EU had the equivalent of a Mississippi River, which drained 40% of the continental landmass into a shallow continental shelf, Europe would be faced with a hypoxic ‘dead zone’ much bigger than that currently affecting coastal Louisiana.

<sup>57</sup> [EPA ref]

1999). The twin trends of intensive management of prime farmland and abandonment of marginal agriculture are a double whammy for wildlife. A survey of 31 European countries by the RSPB and BirdLife International showed that six of the 10 steepest declines in bird numbers were inside the EU, with the UK being the worst offender showing a 35% decline in farmland birds since 1970.<sup>58</sup> Marginal improvements in the ‘sustainability’ of arable crop production can be made with ‘precision’ farming techniques, but data from the US clearly show that the classic maize-soybean rotation drastically under-performs more integrated farming systems in terms of soil conservation, nitrogen and phosphorous losses, and bird populations, even when best management practices are employed.<sup>59</sup> Subsurface drainage associated with intensive arable systems enhances the movement of both rainfall and nitrate to surface waters, contributing to downstream flooding and eutrophication.

#### **4.2 Sustainability as vibrant rural and regional economies**

*“The SARD approach aims to foster sustainable development in the agriculture, fisheries and forestry sectors that “conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable.” (FAO; emphasis added)*

On both sides of the Atlantic, farming—the agri-food sector responsible for delivering most of agriculture’s public goods such as landscape, clean water, employment and rural economic vitality—is in steep decline. Marginal areas are especially threatened by changes in the world food system and falling world prices. Agriculture is bifurcating, with the loss of mid-sized farms. This is despite high levels of subsidy which for decades have obscured the real costs of production and the economic basis of farming. Commodity grain and livestock farmers are surviving on direct payments—if these payments were eliminated, most farmers in the EU and US would be in red figures, and “upwards of half of the 1.6 million farmers in the US would go out of business.”<sup>60</sup>

To protect their livelihoods, farmers have been increasing production to remain profitable, or increasing their share of off-farm earnings, or getting out of agriculture altogether. All three strategies are in play on both sides of the Atlantic.<sup>61</sup>

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<sup>58</sup> “UK farm bird decline ‘Europe’s worst’” *Farmers Weekly* interactive 5 January 2001. For complete data see Donald PF, Green RE and Heath MF (2001). Agricultural intensification and the collapse of Europe’s farmland bird populations. *Proc. R. Soc. Lon. B* 268, 25-29.

<sup>59</sup> Data from Gyles Randall, University of Minnesota in southern Minnesota show N losses from corn-soybean rotations with BMPs averaging 180 lbs/acre over 4 years, compared with 6 lbs/acre with alfalfa. See Randall GW et al (1997) Nitrate losses through subsurface tile drainage in Conservation Reserve Program, Alfalfa, and row crop systems. *Journal of Environmental Quality* 26(5) 1240-7. Data from Wells Creek Minnesota show sediment loss from maize-soybean rotation with conservation tillage to be 15.2 t/ha, compared to 2.7 t/ha for small grain/hay rotation and 0.08 t/ha for dairy or beef grazing systems. Equivalent figures for N loss are 9.4, 2.7 and 5.6 kg/ha, and for phosphorous 3.8, 0.5 and 0.6 kg/ha (George Boody, Land Stewardship Project). Bird diversity on tilled row crops averaged 19 species, compared to 93 species with row crops, pasture and alfalfa, hedges, grassed waterways, marsh and farmstead shelterbelt (Best L 1995 *American Midland Naturalist* 134, 1-29).

<sup>60</sup> *New York Times*, 24 December 2000. The same article quotes outgoing US Agriculture Secretary Glickman of calling for “intellectual honesty in farm policy” and an admission that farm payments have become rural support payments, keeping banks, schools, hospitals, and businesses afloat in counties that are one step short of the grave.

<sup>61</sup> Note similar levels of part-time farming in EU and US--78% of farmers in the EU are part-time

A powerful driver of farm consolidation and marginalisation is the transition of the agri-food chain from a supply-driven to a vertically co-ordinated 'demand chain', with associated decline in farmers' bargaining power. The farm population is increasingly comprised of contract 'growers' on rented land<sup>62</sup> supplying arable or livestock processors with proprietary genetics. The production contracts are hedges to protect razor-thin profit margins from price fluctuations in what's left of 'open' markets. Money is leaving communities to service distant shareholder expectations rather than circulating through local businesses; 85% of agricultural value added is made outside the farmgate.

The **UK** is in its fourth year of severely depressed farm incomes, and farming is suffering its worst depression since the 1930s, exacerbated by the BSE crisis. The CAP is failing to deliver one of its main objectives—a decent standard of living for the farm sector. A recent survey in Northern Ireland, for example, showed that only 14% of farms were providing enough income to cover consumption and maintain assets—the rest are running down farm capital even with off-farm income. There is a tendency to debt and declining standard of living—farm families must turn to other sources of income, but these opportunities are declining due to rationalisation of rural public services and contraction in the transportation and construction sectors<sup>63</sup>. For instance, the average UK hillfarm subsidy is £30,000, but the average farm income is £6,000 (£4,500 from farming). In other words, the government is buying out the losses.<sup>64</sup> Rural areas: declining services and infrastructure. The average age of farmers is now 58, and 22,000 farmers and farm workers left agriculture in 1999. There is an increasing trend to the use of professional farm managers; in the UK, a nation of around 168,000 farms, a figure of only 8,000 decision makers controlling the bulk of the arable sector has been cited. Across the EU, 200,000 farmers gave up agriculture in 1999<sup>65</sup>.

Family-based farming in the **US** prairie heartland is being pulled toward an economic structure that has been compared to a mining economy. Grain and oilseed prices in the US are at their lowest real levels since the Depression. The number of pig farmers in the US has dropped by half in only ten years, due to industry restructuring. Between a fifth and a third of farmers in the Midwestern states of Nebraska and Iowa were expected to be out of business within two years if commodity prices, as predicted, remain low. The Wall Street Journal is talking of rural banks "*culling weakened farmers*"<sup>66</sup>.

#### 4.3 Sustainability as Social Equity

*'Sustainable agriculture is one which is resistant to stress and shock, and which combines productivity, stability and equity.'*<sup>67</sup>

The social sustainability of agriculture can be measured in how successfully it carries out its role in achieving *social equity* and *social justice*, i.e. how the *benefits of*

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<sup>62</sup> Landowners do not live in rural areas—ie EU supports end up in urban landowners. In Germany, 60% of farmland is now rented.

<sup>63</sup> Moss J (2000) *Securing the future of small farm families—the off-farm solution*. Paper presented at the Internationals Conference European Agriculture at the Crossroads. 29 June – 1 July 2000, Arkleton Centre for Rural Development Research, University of Aberdeen.

<sup>64</sup> Speech by UK Minister of Agriculture Nick Brown to RSPB conference *Farming—Fit for the Future?* London, 23 November 2000.

<sup>65</sup> *The Guardian*, 28 February 2001

<sup>66</sup> Kilman S (1999). Outlook for farm economy darkens as more prices of commodities fall. *Wall Street Journal*, February 11, 1999

<sup>67</sup> Gordon Conway (President of Rockefeller Foundation) to CSD-8

*agriculture are distributed across global society.* Typically, the impact of EU and US agricultural policies on developing countries would be the litmus test. But this is not necessarily a 'developing' vs 'developed' split. It is instead a split between rural worlds, especially what Bill Reimer<sup>68</sup> and R Davila Villers<sup>69</sup> have classified as Rural World 1<sup>70</sup> and Rural World 3<sup>71</sup>. In exporting countries such as Brazil or South Africa<sup>72</sup>, it is the impact of US and EU policies on Rural World 3 that is as important as their impacts on their large and vocal agro-export industries. Closer to home, our own Rural World 3, especially migrant farmworkers (Box 1), are another 'invisible' group which provide an indicator of the quality of social justice that prevails in agriculture.

The lens of social equity, when held up against the agri-food system, reveals processes of marginalisation and 'depeasantisation' at home and abroad, in part driven by Northern agricultural policy.

*Developing countries* have neither the budgetary resources nor the room to manoeuvre under structural adjustment programmes to anywhere near approach the levels of support of OECD countries for income support, or to provide subsidies and other supply side measures to retain competitiveness. This has been made worse for some nations by the phasing out of preferential trading arrangements with rich importing nations.

Farmers in developing countries try to take advantage of the widening access to external trade by diverting part of their resources and workforce to cash crops, often

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<sup>68</sup> Bill Reimer. *A Whole Rural Policy for Canada*. Submission to the Canadian House of Commons Standing Committee on Natural Resources for its Study on Natural Resources and Rural Economic Development by The Canadian Rural Restructuring Foundation Tuesday, 28 May 1996. See <http://artsci-cwin.concordia.ca/socanth/CRRF/whole.html>

<sup>69</sup> In R.C. Rounds (ed), *NAFTA and the New Rural Economy: International Perspectives*. CRRF Working Paper Series Number 10, 1998. Canadian Rural Restructuring Foundation c/o The Rural Development Institute, Brandon University, Manitoba Canada R7A 6A9.

<sup>70</sup> The farmers and entrepreneurs of **Rural World 1** are a globally competitive minority (in Canada, for example, Rural World 1 comprises 5-10% of rural population) connected into the global agrifood economy. Through contracts with a rapidly consolidating agricultural handling and processing industry and even directly with retailers, these farmers are becoming an extension of agribusiness. State resources, especially subsidies and credit programmes, have benefited Rural 1, in accordance with the political influence and economic power of large modern enterprises. Commodity supply management and price stabilisation institutions end up converted into agencies with the purpose of transferring resources to this powerful lobby.

<sup>71</sup> The livelihoods of **Rural World 3** focuses mainly on survival. It is characterised by fragile entitlements, self-exploitation and unwaged family labour income, and depleted human and natural resources with livelihoods fractured into diverse mixtures of off-farm work, temporary migration and subsistence agriculture and education-trapped. Rural World 3, comprising 20-35% of rural Canada, is globally redundant relative to food and fibre production. Indigenous groups are over-represented in Rural World 3. They are generally excluded from policy making, despite the rhetoric of 'pro-poor' development strategies. The global economy of Rural World 1 and the economy of Rural World 3 appear to be completely separate, but they do paradoxically come face to face in the apple orchards of Washington State and the strawberry fields of California. There, migrants from rural Mexico and Central America constitute the bulk of the labour force for major agro-industries.

<sup>72</sup> Dual-sector or bimodal agricultural economies with large pockets (or majorities) of resource-poor farmers and rural poor. In S Africa, new land reform beneficiaries expected to form a new rural proletariat but currently locked out of agro-export sector due to institutional neglect.



as a response to losing local commodity markets in the face of cheap<sup>73</sup> imported commodities. But the integration of smallholders into global markets can be a two-edged sword. "Being under-equipped and under-productive, most of these farmers are unable to invest and progress sufficiently to withstand the continuing and generalised decline in real agricultural prices. In such circumstances, hundreds of millions of under-equipped peasant farmers in the more deprived regions sink into a *three-pronged economic, environmental and nutritional crisis*."<sup>74</sup> Livelihoods then become fractured into temporary migration, off-farm work and subsistence agriculture, marked by the struggle for food security and survival.

There is obviously more to the marginalisation of smallholders than market liberalisation, but the FAO state that "These are the basic economic and environmental mechanisms that explain why the destitute peasant farmer population of poor agricultural regions constitutes the bulk (three quarters) of the more than 800 million people suffering from undernutrition in the world today." The result of 50 years of agricultural modernisation is a divergence between "the modern agricultural revolution, the green revolution, the expansion of irrigation, the clearing of land and the development of mixed farming systems using high levels of available biomass" on the one hand, and "stagnation and impoverishment" on the other. Globalisation is more a force of *exclusion* than exploitation for millions of peasant farmers.

We must concede that current constructions of 'sustainable' and 'multifunctional' agriculture in Europe offer little if any solace to developing countries. This, despite clear evidence of small farms in developing countries performing a *multitude of functions*<sup>75</sup>. There is a widespread conjecture that 'sustainability' in terms of supporting farmers in the North is achieved at the expense of other people's sustainability. Agriculturally dependent developing countries are marginalised through over-stimulation of agriculture within the OECD (with consequent depression of world market prices), dumping of surpluses below costs of production, and the use of exclusionary tariffs and standards. The EU still makes considerable use of tariffs and scientific standards to keep out imports, as does the US for those supply managed commodities such as sugar. Supply management is not a bad thing, except of course when combined with dumping.

Developing countries need enough flexibility within trade rules to enhance the capacity to fully develop their agriculture and reverse their declining share in global trade. In other words, they need the flexibility to choose to what extent and in what products they participate in agricultural free trade. This would require considerations in a number of areas, including flexibility in domestic support measures and setting appropriate levels of border protection.

But it is important to distinguish between Rural Worlds 1-3 when discussing flexibility and concessions for developing countries. There is a vast difference between improving market access to new land reform beneficiaries in South Africa and, for example, the massive soybean farms of the Brazilian *cerrado* or poultry exporters of Thailand.

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<sup>73</sup> Due to *dumping* (direct and indirect) and widening differences in *productivity*

<sup>74</sup> FAO's *State of Food and Agriculture 2000*. Available at <http://www.fao.org/docrep/X4400E/X4400E00.htm>

<sup>75</sup> Rosset P (1999) The multiple functions and benefits of small farm agriculture in the context of global trade negotiations. Paper prepared for *Cultivating Our Futures*: FAO/Netherlands Conference on "The Multifunctional Character of Agriculture and Land", 12-17 September 1999, Maastricht, The Netherlands. Available at [www.foodfirst.org](http://www.foodfirst.org) [also Altieri?]

It is important to ensure that developing countries raise their share of agricultural exports, which has stagnated at around 30 percent of world agricultural trade for a long time. Further improvements in market access terms in major developed country markets can make immense contribution to this process.<sup>76</sup>

It is salutary to compare two maps, one of agricultural export destinations and quantities, and another of food insecurity or child malnutrition.<sup>77</sup> Such a comparison reveals the extent to which agricultural trade flows towards OECD countries (especially feed for intensive animal production) rather than 'feeding a hungry world.'

A major test of EU policy in terms of social equity will be the fate of the accession countries in CEE. With large proportions of the population working in agriculture—24% in Poland and 36% in Romania, for example, the 'employment' function of agriculture will continue to suffer. Rural areas are already in a painful process of restructuring with widespread poverty and social exclusion. This has been triggered by the retreat of the state (and the consequent failure of the huge collective farms), economic collapse, and land reforms that have recreated the small farmer structure of the 1930s. There is a growing disparity between rural and urban areas regarding access to education and health services, poverty, and unemployment, which is endangering the development and transformation of whole economies. "Eastern Europe's villages have become the wellspring of illegal immigration into Western Europe"<sup>78</sup> showing similar dynamics as in Mexico and Central America. In Poland, 1.8 million farms (90%) could disappear<sup>79</sup>. The majority of eastern European farmers fear integration into the EU, fearing the flooding of markets with EU food, and foreigners buying up domestic farmland. The Baltic republics are especially numerous in small peasants and small farmers—most of whom could be classed as Rural World 3. Latvia, with a population of only 5 million, has more farms, at least on paper (280,000) than the whole of the UK, which will probably have to be reduced to 30,000 consolidated family farms<sup>80</sup>. There is growing resentment that CEE agriculture is being stripped of many multiple functions to accede to the EU, and that country's own development objectives are being subsumed to those of the EU, to meet accession requirements. The much-vaunted solidarity between the EU and CEE has not materialised<sup>81</sup>.

*Farmworkers* have a unique level of disenfranchisement in industrial economies (Box 1). Farm labour in Europe is also a low-wage sector reliant on a migratory underclass. At a recent conference, a Norwegian family farmer recounted how his farm's strawberries must compete with Belgian strawberries picked by Polish workers, and that Polish strawberries are even cheaper, picked by people from Albania. As cost-cutting signals are passed down the agri-food chain, labour costs are ratcheted down through use of low-wage disenfranchised, maybe migrant,

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<sup>76</sup> Tariffs are being removed in the EU against all products exported by the 48 least developed countries. Sensitive areas--bananas, sugar and rice--will see duties phased out over 3 years

<sup>77</sup> See, for example, Muller M and Levins R (2000) *Feeding the World? The Upper Mississippi River Navigation Project*. Institute for Agriculture and Trade Policy, January 2000. Available at [http://www.iatp.org/foodsec/library/admin/uploadedfiles/Feeding\\_the\\_World\\_The\\_Upper\\_Mississippi\\_River\\_.htm](http://www.iatp.org/foodsec/library/admin/uploadedfiles/Feeding_the_World_The_Upper_Mississippi_River_.htm)

<sup>78</sup> Poverty in Eastern Europe. *The Economist*, 23 September 2000.

<sup>79</sup> [ref to latest Bruges Group paper].

<sup>80</sup> Slee W (2000). *W(h)ither the small farm?* Paper present at International Conference European Agriculture at the Crossroads. 29 June – 1 July 2000, Arkleton Centre for Rural Development Research, University of Aberdeen.

<sup>81</sup> Farquhar I (2000) Plain truths from the mountains of Switzerland. *On The Ground*—the newsletter of Farmers' World Network. October 2000.

### Box 1. Farmworkers in the US

There are 800,000-900,000 migrant farmworkers in the US, mainly from Mexico. Poverty among farm workers is endemic and apparently worsening; median annual family income is US\$7,500-US\$10,000 and 61% live below the poverty line. Farm labour is exempt from national labour laws covering labour relations, legal age limits, protection while organising or collective bargaining, and rights to a minimum wage. A widespread federal investigation of California's grape vineyards shows that nearly 80% of the labour contractors used by grape growers violate farm worker protection laws, failing to meet minimum wage and other workplace guidelines. A recent Department of Labour survey found that over 60% of US poultry companies were in violation of basic wage and hour laws. Meat workers, migrant farmworkers and retail clerks, unlike farmers, do not get government bailouts in bad years.

Source: Vorley WT and Gilje K(1998). *Green labels and farmworker welfare*. Paper presented at the 1998 Joint Annual Meeting of the Association for the Study of Food and Society (ASFS) and the Agriculture, Food and Human Values Society (AFHVS), San Francisco, June 4-7, 1998.

farmworkers. We are faced with the irony of 'organic' fruits and vegetables being picked and packed by an invisible and marginalised underclass.

#### 4.4 Sustainability as public legitimacy

*"The SARD approach aims to foster sustainable development in the agriculture, fisheries and forestry sectors that "conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable." (FAO; emphasis added)*

Agriculture and food issues have risen tremendously in public consciousness, especially in Europe and Japan, with an associated decline in the public legitimacy of agriculture and confidence in food, especially among the vocal middle class in Europe. It is increasingly difficult for governments to justify spending such large sums on such a small percentage of the population (2-4% in the EU and US). SARD policies are having little if any impact on improving the public legitimacy and the 'external license to produce'<sup>82</sup> for agriculture in the US and EU. The BSE crisis in continental Europe marks a breakpoint in the political support for the industrial trajectory of agriculture. European agrifood policy—first in Germany and then in other member states and Brussels—is at the threshold of a shift to sustainability, this time defined by a much wider section of stakeholders.

#### 4.5. Review of Section 4

It would be very wrong to measure the success of SARD policies in the EU and US as sustaining the *status quo*. Change has always been imposed on rural areas and rural areas have always had to adapt, even though change is hard to deal with and even though rural areas have typically looked to their past to determine their future. Farmers have demonstrated a capacity for change and innovation when economic opportunities are apparent.

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<sup>82</sup> Mureau N (2000). *The concept of 'License to Produce': definition and application to dairy farming in the Netherlands*. Paper present at International Conference European Agriculture at the Crossroads. 29 June – 1 July 2000, Arkleton Centre for Rural Development Research, University of Aberdeen.

An increasingly impressive array of agri-environmental programmes on both sides of the Atlantic—either ‘pure’ or more targeted supply management and set-aside tools—are improving the environmental performance of conventional agriculture. There have been large, potentially reversible improvements in soil conservation and protection of fresh water resources from run-off, especially for arable crops.

The big question mark is whether the current array of policies and trade agreements can achieve the *systemic* changes required to reverse the decline in the inventory of the natural resource and human resource base that underpins all discussions about ‘sustainable agriculture’.

There is clearly a risk of nice talk, whether about sustainability or multifunctionality, obscuring hard reality. That hard reality is:

- Massive changes in the geography of agricultural production in response to global sourcing and advances in processing and transportation technologies<sup>83</sup>
- A global crisis in agriculture and agriculturally dependent rural economies, and
- A divergence between rural worlds in the EU, the US and developing countries where three-quarters of the world’s food insecure population and most of the world’s farmers live.

Expecting farmers to diversify when they are running down farm capital is spurious. Price declines actually causes farmers to produce *more*, and also drive simplification of farming systems. Building agriculture based either on national and regional comparative advantage *or* self-sufficiency without consideration of the natural cycles may undermine longterm resilience. Sustainable agriculture policy must provide public and private market opportunities from more sustainable farming and landuse systems in these current realities; for instance, by a much greater emphasis on food *quality*. We are dealing with a system that by almost any definition is unstable and unsustainable in terms of *sustaining rural economies*, providing economic opportunities for smallholders and developing nations, in terms of public support and legitimacy, and even in terms of *sustaining the agricultural resource base*.

While neither the EU or US has yet to achieve SARD, trade liberalisation that exposes third countries to these highly subsidised models potentially risks undermining more sustainable, less intensive local models of agriculture. The continued marginalisation of small- and mid-size peasantry and family farming, and the fracturing of rural livelihoods in both developing and developed countries, is an affront to the expectations of the Rio Declaration, Agenda 21 and the World Food Summit. The export of surplus commodities to clear domestic markets with the support of subsidies (at many levels) has caused serious disincentives to agricultural production and stewardship in many developing countries, such as Kenya and Zimbabwe. If one country’s ‘sustainability’ is achieved at the expense of another’s (especially by putting up fences, and by throwing surplus production over that fence), then that is not ‘sustainability’ at all.

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<sup>83</sup> For processes that do not depend on land, especially ‘factory’ poultry and swine, it is feasible for one meat packer-processor to deliver competitively to any market in the world. The ‘Peasant Wedding Report’ (Dieren *et al*, 2000) list the following probable shifts in production under completely liberalised conditions:

- Factory farming moves to Poland, the Ukraine, Portugal, Romania, Bulgaria and Canada
- Dairy farming ceases to exist in the Netherlands, Denmark, Austria, Ireland, Belgium, and subsequently the rest of Europe
- Arable farming contracted growers in Eastern Europe, Australia USA, Canada, France and Ukraine
- A small market niche (of 5-10%) emerges in Europe for local quality produce.

## 5. The role of the private sector—positive and negative

The levers of influence over sustainable agriculture and rural development are by no means confined to multilateral and national public policy. Decisions made by the *private sector* have an increasingly important impact on decisions made on the farm, as agrifood chains become more closely integrated and move from open supply chains to closed ‘demand chains’. Being realistic about sustainability requires an appreciation of where control lies in the agrifood chain. Upstream and downstream from farmers are rapidly concentrating agribusiness, retail and food service conglomerates (Table 4).

**Table 4. Top Five Ranking of Global Agri-food Enterprises**

*Figures in round brackets are 1999 sales in sector, and in square brackets total company turnover (all in US\$ billions)*

Input		Output		Retail
Seeds	Pesticides	Marketing, Trading and Commodity Processing	Food Processing and manufacturing	Food
DuPont (Pioneer HiBred) * (1.8) [39]	Syngenta (Novartis-AstraZeneca)* (6.9) [7.9]	Zen-Noh <sup>2</sup> [62]	Nestlé (45) [47]	Carrefour* (incl. Promodès) [52]
Monsanto-Pharmacia & Upjohn <sup>1*</sup> (1.3) [17]	Aventis (Rhone-Poulenc-AgrEvo)* (4.7) [21]	Cargill [48]	Kraft Foods (Philip Morris) (32) [72]	Metro [47]
Syngenta (Novartis-AstraZeneca)* (1.0) [7.9]	Monsanto-Pharmacia & Upjohn <sup>1*</sup> (4.0) [17]	ConAgra [25]	Unilever (24) [49]	Kroger [45]
Groupe Limagrain (0.7) [1.0]	DuPont (3.2) [39]	Farmland-Cenex <sup>2*</sup> [17]	Tyson [23]*	Albertson's (incl. American Stores) [37]
Sakata Seed (0.5) [0.5]	Bayer (2.3) [33]	ADM [14]	ConAgra (18) [25]	Wal-Mart (incl. Sam's Club) (53?) [167]

Sources: Pesticide Action Network (1999; pesticides); BusinessWire 30 August 2000; Fortune Global 500; company web sites.

\* Pending approval of merger. Sales are combined 1999 sales of merger partners.

### Notes

1. The agricultural business of the merged Monsanto-Pharmacia & Upjohn company “will become a separate legal entity, with a stand-alone board of directors and its own publicly-traded stock upon completion of the intended IPO”.
2. Farmland Industries Inc. and Cenex Harvest States are cooperatives and Zen-Noh is a federation of cooperatives

This is a *demand chain* rather than a supply chain. In both the EU and US, it is *retailers* who determine what *food processors* want from *farmers*. Retailers are the point of contact between the majority of EU and US citizens and the rural economy. The supermarket sector is most concentrated in the EU, but is also rapidly

consolidating in the US<sup>84</sup>. In Germany and the UK, five supermarket chains control two-thirds to three-quarters of the dominant supermarket and superstore sector. It is predicted that there will be only 10 major global retailers by 2010. Partly out of necessity to exercise countervailing economic power, processing industries are also rapidly consolidating economic and market power (Table 4). In 2000, US\$87 billion in food industry deals were announced, with Nestlé, Philip Morris and Unilever emerging as the Big Three of global foodmakers<sup>85</sup>. And in early 2001 during the final preparation of this document, it was announced that Tyson was to buy IBP to create a giant US\$23 billion meat producer that will control 30% of the US beef market, 33% of the chicken market, and 18% of the pork market. The justification for such massive accumulation of market power is “to have more clout in the consolidating retailing environment.”<sup>86</sup> The top 8 food multinationals have economic power equivalent to half of Africa<sup>87</sup>.

High levels of concentration in downstream processing and retailing industries mean lower levels of value-added going to local communities; 78-85% of value added in agrifood chain is *not* done by farms<sup>88</sup>. The farmers' slice of the retail cost of a basket of foods sold in grocery stores shrinks further once they have paid for seeds, fertilisers, feed and machinery, finance, labour and land rental costs. The farm-retail price spread consists of all processing, transportation, wholesaling, and retailing charges incurred after products leave the farm<sup>89</sup>.

During the 1990s, the average annual median return on equity for the US food manufacturing industry was 17.2%, and 18% for food retail. Over the same period, return on equity for US farming averaged 4.5%<sup>90</sup>. Benbrook's rough estimates for the performance of US agriculture puts return on assets in the late 1990s at only 0.4%, compared with nearly four percent for Life Sciences<sup>91</sup>, nine percent for food processing, 10.6 % for retail and 16% for food service (Figure 1)<sup>92</sup>. Robert Taylor of Auburn University in testimony to the US Senate Agriculture Committee reported that since 1984 the real price of a US Department of Agriculture market basket of food had increased by 2.8%, while the farm value of that food had fallen by 35.7% (Taylor, 1999).

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<sup>84</sup> The top five supermarket chains now control nearly half of US grocery sales, compared with 30% five years ago—see footnote 86.

<sup>85</sup> AA Foer in Stumo (2000)

<sup>86</sup> Merrill Lynch analyst Len Teitelbaum quoted in the *Agribusiness Examiner* 101, January 11, 2001. Available at [www.eal.com/CARP/](http://www.eal.com/CARP/)

<sup>87</sup> Tim Lang of Thames Valley University, to RSPB conference *Farming—Fit for the Future?* London, 23 November 2000.

<sup>88</sup> Recent figures from the UK show farmers and primary producers accounting for £8.2 billion (15%) of the gross value added of £56 billion in the UK food chain. See MAFF (1999). *Working Together for the Food Chain: Views from the Food Chain Group*. Available at [www.maff.gov.uk](http://www.maff.gov.uk)

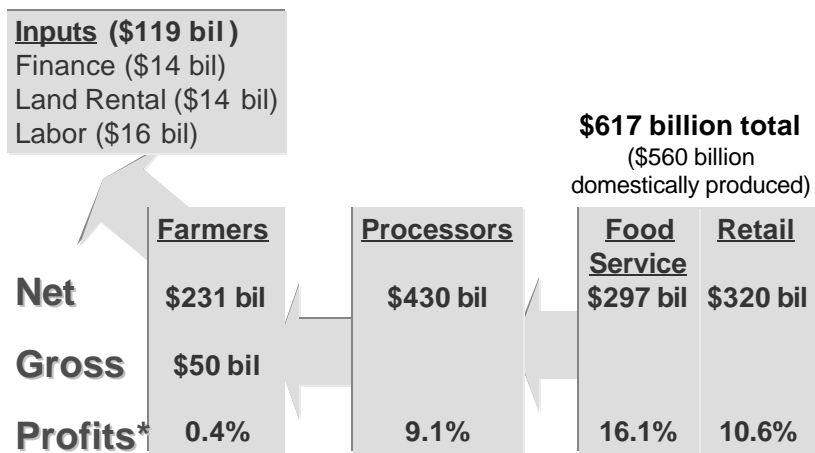
<sup>89</sup> Elitzak H (1998). Marketing bill rose, while farm value declined in 1997. *FoodReview*, September-December 1998, 21-24

<sup>90</sup> Taylor CR (1999). *Economic Concentration in Agribusiness*. Testimony to the US Senate Committee on Agriculture, Nutrition and Forestry, January 22 1999.

<sup>91</sup> Companies such as Novartis and Monsanto which have a business platform based on complementary pharmaceutical, chemical, and biotechnological technologies.

<sup>92</sup> Benbrook CM (1999). *World food system challenges and opportunities: GMOs, biodiversity, and lessons from America's Heartland*. Paper presented as part of the University of Illinois World Food and Sustainable Agriculture Programme, January 27, 1999. (available at <http://www.aces.uiuc.edu/~ILwfood/>).

**Figure 1. The U.S. Agri-food Value Chain** (adapted from Benbrook, 1999)



\* Profits as percent of assets

Under these conditions of corporate convergence or ‘*cooperative capitalism*’<sup>93</sup>, market transactions become based on industrial relationships rather than on open markets, as expressions of exclusionary market power. Market access no longer has much to do with ‘efficiency’. In livestock and horticulture, and increasingly with grains, farmers are left with ‘take it or leave it’ deals with a few packers and integrators such as the Primary Marketing Organisations nominated by supermarkets. Captive supplies of beef cattle and swine, for example, are now such a large part of the livestock industry that there is no competitive market where prices can be discovered. The spread of closed contract production systems into the grain sector does not bode well for price and farm income.

When a processor or retailer develops a strategy for sourcing more ‘sustainable’ products, these power relations are visible in the *pushing of all compliance costs down to suppliers*. ‘Sustainability’ is then understood by farmers as just another new set of *outsiders deciding what goes on inside the farm gate*, while providing no market benefit other than the opportunity to contract with vastly more powerful players.

In the US, a groundswell of concern is building around agribusiness’ monopoly control of seed, grain handling and livestock markets. The traditional exercise of market power through mergers and acquisitions is exemplified by Cargill’s purchase of Continental’s world-wide grain operations, which increases the company’s already powerful grip on grain and oilseed exports from Gulf of Mexico ports to between 40 and 45 %. Life Science companies have attempted to protect the long-term value of seed-based genetic technologies by taking the vastly expensive steps of controlling the seed market. A recent report by the Canadian National Farmers Union concludes that agribusiness market concentration rather than EU subsidies is the real cause of the income crisis in North American farming (NFU, 2000).

Another exercise of economic power to control markets by vertically integrated companies is the predatory pursuit of increased market share. It should be noted that at the consolidator/integrator level, profit margins are often also very small.

<sup>93</sup> Grieder W (1997) *One World, Ready or Not: The manic logic of global capitalism*, Touchstone, New York.

Profitability rests on expanding capacity and increasing productivity or taking losses in one sector with predatory pricing to gain market share, and regaining it elsewhere in a vertically integrated operation. This has been seen in the past two years in the livestock sector on both sides of the Atlantic. Overproduction by the large integrators has left behind a trail of destruction in the small to medium-sized hog producers of the US, UK, Germany and elsewhere.

Market control and concentrated economic power can also be achieved through strategic alliances, which are establishing field-to-dinner biotechnology pipelines. Farmers are then obliged to choose specific genetics in order to guarantee a downstream market.

Size confers the ability to *modify the policy environment* for a company or group's own benefits and to see that countervailing power is held down<sup>94</sup>.

If exchange in the food system is not characterised by open, fair, transparent and competitive markets, then farmers cannot be expected to produce multifunctional agriculture. *Protecting markets* is a key part of the State's role in any social contract

### **Box 2 Sustainable Agriculture at Unilever**

Two-thirds of Unilever's raw materials come from agriculture, and the company is among the world's largest users of certain agricultural raw materials such as tea, vegetables and vegetable oils. Following ground-breaking work on fish conservation which led to the establishment of the Marine Stewardship Council, Unilever has since the mid-1990s, been consulting with experts and engaging with suppliers, customers, consumers and business partners around the world to find a sustainable way forward for agriculture. The company's approach is to focus on the underlying health and vitality of agricultural systems--using social, economic and environmental indicators, to develop a set of standards first on five test crops (palm oil, tea, tomatoes, peas, and spinach) that are used widely in products.

Source: [http://www.unilever.com/index\\_ie.html](http://www.unilever.com/index_ie.html)

between farming and the public.

A *positive* role for the private sector in building more sustainable production systems and more resilient rural economies has been badly underestimated by the CSD process. The agricultural and rural section of Agenda 21 (Chapter 14) makes *no* demands for industry involvement.

Examples of positive contributions to sustainable agriculture are found in the private sector on all stages of the agri-food chain, from the input sector, such as Monsanto's 'Operation Green Stripe' which supports the establishment of vegetative buffer strips between farmers' fields their fields and surface water supplies), to processors, such as Unilever's Sustainable Agriculture Initiative (see Box 2), and retailers such as the Euro-Retailer Produce Working Group (EUREP) programme to set minimum harmonised standards of Good Agricultural Practice (GAP), as well as the Ethical Trade Initiative.<sup>95</sup>

<sup>94</sup> For a fuller description, see Vorley, WT (in press) *Agribusiness and Power Relations in the Agri-Food Chain*. Gatekeeper Series, International Institute for Environment and Development, London. (February 2001).

<sup>95</sup> The Ethical Trade Initiative (ETI) is an alliance of companies (mostly food-related), NGOs, and trade union organisations "committed to working together to identify and promote good



There are tremendous opportunities for processors and retailers to review their supply chains and investigate *forms of cross-compliance for their suppliers*. More favourable contract conditions, such as longer term contractual relationships and ‘production cost plus margin’ contracts could be negotiated in exchange for agreements to supply products according to principles of sustainable farming, such as wildlife conservation, labour standards, and animal welfare.

Civil society and government also have an important role in scrutinising and benchmarking processors and retailers according to issues of environmental protection, social justice, and animal welfare<sup>96</sup>, and drawing the attention of consumers and the *investment community* to good corporate practice. Such public scrutiny is essential to ensure that competition is contested on more than price, and to enlarging the concept of *food quality* to encompass such aspects as economic justice and fairness of trade between retailers and suppliers. Agri-food companies should also be judged on their active support (or lack of it) for national sustainable development strategies, such as preferentially trading with smallholders and emerging land reform beneficiaries.

Pro-sustainability activities by the private sector depend on effective government action to ensure that competition policy (antitrust) is effective in preventing the accumulation of excessive market power through oligopoly or oligopsony.

## **6. Marketing and trading products from ‘sustainable’ and ‘multifunctional’ agriculture**

Farmers may reap some market rewards for SARD or multifunctionality through non-food products, such as hunting fees as a spin-off from wildlife conservation<sup>97</sup>, or payments from downstream water utilities in exchange for agrochemical or pathogen management systems that protect drinking water quality. But there are also big expectations for the differentiation of ‘sustainable’ *food and fibre products* in the marketplace. The French minister of agriculture believes that agricultural multifunctionality “is a vision of agriculture in which the environment, animal welfare and product identification are no longer perceived as burdens on farming, but as advantages enabling *value to be added to farm produce* in national, Community and world markets.”

### **6.1 What constitutes a ‘sustainable product’**

There is no definition of what constitutes a ‘sustainable’ product. An intensive review of European initiatives to market sustainable agriculture in 1998<sup>98</sup> found one or more of the following characteristics in each marketing innovation:

- *Region*: supporting local farmers and communities, and reduced ‘food miles’

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practice in the implementation of *codes of labour practice*, including the monitoring and independent verification of the observance of code provisions.” The ETI’s initial focus is labour standards for plantation agriculture in developing countries—see <http://www.ethicaltrade.org/>. Information on EUREP is available at <http://www.eurep.org/><sup>96</sup> The International Institute for Environment and Development (IIED) is coordinating a project which is benchmarking retailers’ performance against a range of sustainability indicators, including terms of trade with primary producers, animal welfare, biodiversity and landscape, public health, support for local economies and rural livelihoods. For more information, see [www.iied.org](http://www.iied.org)

<sup>97</sup> See for example Robles M (2000) *Incentives for Wildlife Enhancement in Midwestern Farms*. Institute for Agriculture and Trade Policy, Minneapolis.

<sup>98</sup> *Marketing Sustainable Agriculture: Case Studies and Analysis from Europe*. Institute for Agriculture and Trade Policy, Minneapolis USA. Available at <http://www.iatp.org/eurotour>

- *Fair trade*: improving farm income through direct marketing, vertical integration or social labels
- *Human and environmental health*: reducing or eliminating agrochemical inputs, excluding GMOs, antibiotics, irradiation
- *Culture and artisanship*: promoting landscape, breed, craftsmanship, and taste
- *Biodiversity*: creating space for nature and wildlife
- *Rights*: enhancing animal welfare

*Regional products* and regional labels comprise the *marketing of multifunctional agriculture* in its best sense, as opposed to marketing sustainable agriculture as a 'light green' intermediary between organic and conventional agriculture. Quality is embodied in a blend of attributes including gastronomy, safety, environment, regionality and artisanship. Consumers may connect much more strongly to landscape and animal breed, for example, than a vague 'sustainable' attribute. Region can also add much value to organic produce. Considering the fact that almost every product can be imported from somewhere else where costs are lower, another 'plus' for regional products is that local identity is the only attribute that importers cannot compete with.

Areas rich in landscape, biodiversity and artisanal culture, which are generally poor in global comparative advantage, have considerable potential to market products with a range of 'multifunctional' attributes incorporated into product quality characteristics as a 'terroir', *and* find economic multipliers from investments in rural tourism.

But it would be folly to expect market differentiation of products from 'sustainable' or 'multifunctional' agriculture to save small and mid-size family farming in the US or EU from the huge pressures caused by the retreat of government support and trade restrictions from agriculture. There is not enough room in the market for farming to niche market its way out of a farm crisis. Dieren *et al* (2000) predict only a 5-10% market niche for local quality produce in Europe if government withdraws from agriculture and the market becomes completely liberalised. Marketing must generally be integrated with public sector programmes to reward the production of public goods.

## **6.2 Trade and 'sustainable agriculture' products**

Marketing sustainable agriculture becomes a big *trade* issue between the EU and US when trade restrictions are imposed based on the method used to produce goods—the *production and processing methods* (PPMs). Under WTO rules countries cannot distinguish between similar products based on the way they have been produced. They forbid another country to prescribe the PPMs used to produce export products, except (under Article 20 of the GATT) for reasons of environmental health or hygiene: the "protection of human, animal or plant life and health" and "conservation of exhaustible natural resources". Organic food *can* be distinguished from conventionally produced food because the *end product* is considered to be different.

Sustainable agriculture and public concern about food and agriculture, revolving as it does around production *methods*, is rich in potential PPM disputes. Trade activists fear that sustainably produced and processed agri-food products must be treated the same as unsustainably produced and processed products which have generated negative externalities or reduced animal welfare.

The OECD agrees that consumer concerns go well beyond basic food safety, into areas that usually come under the remit of 'sustainable agriculture'. "The quality of food and how it is produced, animal welfare, cultural preferences, resource

sustainability and protection of the environment have all become issues in the public debate over regulation of the food industry. New production and processing methods driven by technology (e.g. the use of biotechnology, genetically modified organisms (GMOs), hormones and other growth promoters) have added to consumer unease. The issues are complex with the appropriate policy response especially difficult to ascertain in cases where there are persuasive consumer advocates and/or inconclusive scientific evidence of health risk. Labelling is often recommended as an appropriate solution as it allows for consumer choice while not constraining producers but problems of establishing standards, measurement, traceability (of components) and enforcement can reduce the effectiveness as well as increase the costs involved... With the strengthening of international rules, increased trade in consumer food products and the growing use of biotechnology, trade conflicts over food regulatory issues and their reform are likely to become more common. However, ignoring legitimate consumer food safety concerns would result in a falling away of their support for the process of trade liberalisation. The challenge for governments is to find the right balance between consumer protection and reducing technical barriers to trade.”<sup>99</sup>

The president of IFAP recognises that “Consumers are no longer [only] interested in the intrinsic qualities of the products they purchase. Increasingly, they also want to know how the product is produced. In particular, they want to know the effects of production methods on the environment, on the way farm animals are treated, and whether crops and livestock have been genetically modified.”<sup>100</sup> Therefore, consumers expect food to be distinguished based on *production methods*. An example is animal welfare. High-welfare and low-welfare meat and eggs may be equivalent in content and safety, but the large proportion of the public in some countries expect high standards of farm animal welfare. Because of the higher costs of meeting strict welfare standards, the price differential between domestically produced animal products on the supermarket shelf and imports produced to lower welfare standards can become quite dramatic.

It is clear that, with some exceptions (eg organics, free range) the public don't expect the *market* to be the place where animal welfare or other production methods is arbitrated. This explains the very limited success enjoyed by non-organic food ecolabels such as Milieukeur in the Netherlands. People are more comfortable having government solutions imposed on the market which reflect popular desire for minimum standards.

It is expected that farm animal welfare will be on the EU's WTO agenda, with member countries such as the UK afraid that by asserting higher welfare standards they are losing the market. The key issue for trade is whether one country or trading bloc can 'force' its own environmental or animal welfare preferences or requirements on others, either through obliging importers to comply with the standard, imposing levies on non-compliant imports, or using labelling (positive or eco-labelling; or negative such as “Produced to welfare standards that are not legal in our country”). Any government intervention, such as imposing PPM requirements on foreign producers, tariffs on imports that don't meet domestic standards, or even labelling, will inevitably be 'trade distorting'. A less trade-distorting method of dealing with the increased costs to farmers would be compensation limited to the extra costs or

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<sup>99</sup> Agricultural Policies in OECD Countries: Monitoring and Evaluation 1999. Available at [http://www.oecd.org/agr/News/index5\\_c1.htm](http://www.oecd.org/agr/News/index5_c1.htm)

<sup>100</sup> Gerard Doornbos, addressing the 2<sup>nd</sup> OECD Conference of Directors and Representatives of Agricultural Knowledge Systems, 10-13 January 2000. Available at [www.ifap.org/news/sp100100.html](http://www.ifap.org/news/sp100100.html)

income loss caused by the stricter national rules. But farmers naturally prefer solutions that 'level the playing field' to ensure against being more sustainable only to lose the market. Requiring the same standards for imports as for domestic products *is* fair trade, at least in terms of *consistency* of standards and a level playing field for all suppliers.

In the high profile disputes between the US and EU—growth hormone-injected meat and meat products beef, rBST, GMOs and irradiation—sustainability and food safety have become badly tangled. Each issue has inflamed international tensions and set public opinion against the proponents and institutions of liberalised trade. While there is an obvious need to guard against frivolous and discriminatory and non-transparent requirements, the onus should clearly be on foreign producers to see demands for more sustainable production methods as a *market opportunity* rather than the justification for a trade war.

The strength of public concern over agri-food issues is underestimated at the peril of national governments. A whole range of 'non-trade Issues' are looming, which threaten to pitch public concerns—which includes confusion about why health and welfare demands should be constructed as 'barriers to trade'—against the advocates of trade liberalisation. Consumers in the EU have a growing influence in agricultural policy, evidenced by the EU's acknowledgement that one of the motivations for CAP reform is to address consumer concerns on food safety and quality, environmental, and animal welfare issues into WTO negotiations. The EU feels that if its farmers are to incur costs because of labelling and processing regulations, imported goods must be subject to the same cost-incurring regulations. If not, EU representatives have stated that these exports will not be allowed to enter the EU. The US position is that these issues are already covered under the Uruguay Round Agreement on Agriculture.

### **6.3 Review of Section 6<sup>101</sup>**

Some aspects of SARD can be advanced through market mechanisms, including labelling requirements of the provision of public information. But trade regulations have seemed in the eyes of some observers to impede rather than facilitate our ability to harness liberalisation to achieve SARD outcomes. It is difficult to promote sustainable agricultural products both in the market or through policy, though the preambles to both the WTO Agreement and URAA recognise that liberalisation should not compromise sustainable development or the protection of the environment.

In all the debate about WTO rules, PPMs, tariffs and permissible forms of support, it is easy to lose sight of more fundamental linkages between international agricultural trade and sustainability. The justification of moving of agricultural produce thousands of miles to where soils, farm size or climate limit 'competitiveness' in the name of 'comparative advantage' is itself a complex set of sustainability trade-offs, involving weighing impacts of transport externalities, food security and sovereignty, and production of public goods.

## **7. Ways forward**

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<sup>101</sup> Thanks to Chris Fischer for ideas presented here. For a good treatment of farm animal welfare and the PPM issue, see Bowles D, and Fisher C, (2000) in *Negotiating the Future of Agricultural Policies - Agricultural Trade and the Millennium WTO Round* Eds Sanoussi Bilal and Pavlos Pezaros, Kluwer Law International, The Hague.

In short, we have on both sides of the Atlantic less than 4% of the population managing 3/4 of the land surface. The remainder of the population, especially in the EU, insists on a better management of the cultural heritage (landscape etc.) and more scrupulous and ethical management of food production, while governments are asking farmers to be more competitive in world markets.

Into this mix come commitments to SARD and the post-Rio international process of co-operation and agreement for implementing sustainable development principles and policies—the UN Commission on Sustainable Development (CSD). But the CSD is suffering from declining credibility and increasing cynicism. It is in the eyes of many observers a platform for presenting entrenched positions, seen at its worst in the FAO-Netherlands conference on multifunctional agriculture and in the exclusion of the concept of multifunctionality from the CSD-8 discussions<sup>102</sup>. The debate in global ‘civil society’ mirrors debate in global economic fora, especially the WTO.

Another potent ingredient of the mix is very aggressive price competition between a rapidly consolidating retail sector, which is reducing the real price of food by squeezing costs out of the food chain.

Can a transatlantic dialogue between different stakeholders propose policies and processes to improve the achievement of SARD within this complex situation?

To take discussion further, four points summarising earlier passages of the paper are repeated here as possible building blocks:

- We are all ‘insiders’ in agriculture, and all have a stake in its future resilience, durability and legitimacy.
- The EU and the US have very different agricultural heritages, which have profoundly influenced the ways that priorities have evolved in the two blocks
- Every agricultural activity is subordinate to natural systems, but it is wrong to identify sustainable agriculture as a set of farming practices, whether ‘light green’ (such as integrated crop management) or ‘dark green’ (such as organic). Much progress has been achieved at earlier international fora in stressing the social, economic and environmental aspects of SARD<sup>103</sup>
- Agricultural policy is a justified means to pursue certain social, environmental and regional development goals
- *Continued public support and legitimacy* of agriculture in industrialised countries is contingent on continually moving farming and the agri-food system closer in line with public expectations

This last point is an area of high potential for the NTA dialogues, and is hereby expanded upon.

### **7.1 National dialogue and citizen-based policy construction**

The fault lines that have developed between nations and trading blocks on agricultural policy (including the ‘multifunctionality’ red flag) are deepened and widened by problems of *governance*—the very low level of *national consultation* within negotiating nations. Negotiating positions presented by national representatives are consequently more an amalgam of short-term special interest demands and selective testimony from ‘expert’ or ‘professional’ opinion. The treatment of citizens as outsiders and as ‘beneficiaries’ rather than actors, and the

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<sup>102</sup> Include comment by SA minister on MfA as neo-colonialism

<sup>103</sup> Agenda 21, Chapter 14; CSD-3 and SARD indicators; CSD-8 incl. multi-stakeholder dialogue on sustainable agriculture; Rome Declaration, World Food Summit; Ecosystem concept of US-EPA; OECD 1998, etc.

associated civil society frustration, has turned agri-food into *the* focal point for citizen concern. The issues are in unprecedented state of flux, with agriculture as a starting point for debates on land use, technology, public health, wildlife, and sovereignty. In Europe, agricultural modernisation appears to have hit the socio-political buffers.

Civil society influence over development is a prime requirement of sustainable development. Balance between the institutions of civil society, market and state is a prerequisite for democracy. If representative democracy—in Europe, North America and elsewhere—did a better job of national consultation on issues of such fundamental importance, there would most likely be much greater international consensus over how best to improve the sustainability of agriculture and rural areas, based on *what people expect from agriculture and rural areas*. What does agriculture mean to the nation, and how far, and to what purpose, is the community prepared to bear the cost? Considering the huge amounts of public money that flows into agriculture, and considering how much national territory is managed by agriculture and forestry<sup>104</sup>, it is remarkable how little progress has been made towards building national *social contracts* that secure the *legitimacy* of agriculture in modern societies. The expectations of society from their agri-food sector obviously vary from country to country. Also countries have different traditions of governance and expectations from central government. But it is clear that considerable redesign and reformulation of agri-food policies would be required in most societies to move public expectations and agri-food practices into reasonable synchrony. There are unfortunately few examples of profound attempts to elicit those expectations through inclusive democratic process<sup>105</sup> despite policy makers speaking expansively of the ‘European Model of Agriculture’ or ‘the US perspective’.

Most material emanating from the rural lobby is still essentially hostile to the urban masses. The urban-based think tanks and NGOs, on the other hand, tend to overlook real rural concerns about private property and ‘takings’. But an *inclusive* process involving rural, social justice, farming, environment and consumer lobbies is necessary to define common goals. Land use and the containment of urban sprawl will obviously play a large role in many social contracts or ‘rural-urban pacts’, as will the issue of *countryside access*.

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<sup>104</sup> Over three-quarters of the territory of the EU is agricultural (44%) or wooded (33%) land.

<sup>105</sup> But there are good models of how to proceed: In Switzerland, reforms made in 1992 involved a “full reappraisal of the functions and role of the farm sector.” Three new objectives were added to agriculture’s role in ensuring food supply: protecting natural resources, maintaining the landscape, and making a contribution to the economic, social and cultural life in rural areas. The reforms were amended in 1996 as the ‘Agricultural Act 2002’, after a referendum, with 70% in favour of the reforms. The policy differentiates between three different levels of support depending on the sustainability of agriculture. Tier one comprises the environmental standard of support. Tier two supports integrated production with reduced inputs, meeting higher ecological standards than conventional farming. Tier three is support for organic farming. By 1999, 95% of all farms were able to comply with the basic ecological standard (which allows them to receive public subsidies). Some 5000 farms (8%) were organic. Responsibility to set, administer and monitor performance is delegated to cantons, farmers’ unions and farm advisors, local bodies and NGOs. See Curry N and Stuck E (1997) Swiss agricultural policy and the environment: an example for the rest of Europe to follow? *Journal of Environmental Planning and Management* 40, 465-482 and Pretty J (2000) *Changing Agricultural Practices and their Impact on Biodiversity* 1998/99 Allied Domecq Public Lecture Series March 16th 2000, University of Cambridge Committee for Interdisciplinary Environmental Studies, available at <http://www-cies.geog.cam.ac.uk/www-cies/PubLect/pretty.html>

Also Norwegian *Agricultural Agreement* negotiated between farmers’ organisations and the State.

A range of methods is available for this kind of *strategic planning* and *citizen-based participatory approaches to policy construction*. These include multi-stakeholder dialogue, scenario planning, 'future search' approaches, and/or referenda, which can lead to institutional reform and the reorganisation of collective behaviour.<sup>106</sup> A truly multi-stakeholder dialogue, that included labour and business, would probably dramatically change some governmental and business perspectives. But there is usually considerable suspicion among politicians and senior civil servants of citizen-based approaches, grounded in concerns about increased complexity in managing the agricultural sector. Suspicion among civil society groups is also justified when horizontal debate does not transcend the focus group, and becomes little more than market research for fine-tuning centrally planned policy.

For models, we can look to the *citizen-based approach to rural development policy* attempted by Agri-food Canada which involved multi-stakeholder organisations at regional levels<sup>107</sup>, the *Food Policy Councils* as proposed by Fischer *et al* in Stumo (2000), made up of representatives of the whole food system, and the Wallace Center Agriculture Policy Project in the US<sup>108</sup>. These are all chance to take farm and food policy *back to first principles*. There is a clear role for the NTA dialogues in proposing models to connect national and regional dialogues on matters such as SARD to new forms of international multistakeholder dialogue and transnational governance.

Effective multi-stakeholder dialogue requires an acknowledgement that

- National processes of informed multi-stakeholder agreement on *future expectations* from agriculture, rural areas and food production should be encouraged, and used to guide national and international policy
- The *public* have a right and a responsibility to decide how *public goods* are defined, encouraged and rewarded;
- Organisations of smaller farmers and other often invisible rural interests that are usually excluded from talks about 'sustainable agriculture', especially farm and rural *labour*, must be heard—this may require them to federate at national level.
- Domestic food security, especially for the urban poor, is also rarely heard in sustainable agriculture debates, especially compared to all the talk of 'quality products' and niche marketing;
- Most members of the public expect state intervention on their behalf to deliver public goods and to exert technology choice. Market premiums are more widely associated with perceived improvements in food quality and safety, such as regional artisan products and organics.
- True dialogue should not be entered into in the expectation of widespread public support for the *status quo*. There is no public mandate in Europe, for example, to put a protective fence called 'multifunctionality' or 'green protectionism' around current agriculture

The nation state is the appropriate level for these discussions, based on principle of subsidiarity, but an EU-level process would also be important considering the high degree of 'Community Competence' in agriculture. National or regional dialogues on

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<sup>106</sup> See for instance the *National Strategies for Sustainable Development* collection at <http://www.nssd.net/index.html>

<sup>107</sup> Clemenson H (2000). *A citizen-based approach to rural policy development*. Paper presented at International Conference: European Rural Policy at the Crossroads Thursday 29 June – Saturday 1 July 2000, The Arkleton Centre for Rural Development Research King's College, University of Aberdeen. Paper perhaps more related to reforming government. Available at <http://www.abdn.ac.uk/arkleton/conf2000/papers/clemenso.doc>

<sup>108</sup> See <http://www.hawiaa.org/wagpol.html>

expectations from agriculture and the rural space only make sense if countries and/or regions have a degree of freedom of choice in setting national agricultural and rural development policies. But the details of contracts between public and farmers may best be decided at the *local* level, in which regions buy certain environmental and social services from farmers. Thus under a genuine 'European Model' of agriculture there would be thousands of local and regional models.

## 7.2 Joined-up policy

The strength of the multifunctional agriculture concept is that policy decisions on trade, environmental protection and sustainable development—especially economic resilience of rural areas—are joined up in a coherent and synergistic, mutually supportive way. This creates an appropriate *breadth* for farm policy, allowing the pursuance of (and synergy between) *social, environmental, economic and ethical goals*. Very narrow definitions of farm policy focused on *sectoral* productivity and resource conservation constrain us from getting to the systemic ingredients—the leverage points—of strategies for sustainability. Joined-up policy also provides insurance against a damaging policy bifurcation, in which the *productive* function of smaller farmer is undervalued by being treated, in policy terms, exclusively as environmental stewards or as welfare cases in need of a social safety net while they transition out of agriculture.

The first priority of integrated policy is the removal of perverse incentives and disincentives. Subsidies on irrigation and subsidies for grazing of public lands are obvious places to start. Reform of the tax code, for example by creating special property tax treatment for ecologically important land, can be very cost-effective. There are other quite easy interventions that have little or no potential to distort trade, especially where they convert non-market benefits to market benefits as with transition payments to more sustainable production systems (eg organic or humane) which then connect farmers/growers to higher value markets.

Another obvious place to start is with *cross-compliance* ('ecoconditionality' in the language of the EU), which has a long history in the US<sup>109</sup>, making farm programme payments contingent on environmental stewardship. There is also a lot of potential for transatlantic agreement on measures to manage agricultural economic risk, such as crop insurance and safety net programmes to stabilise farmers' incomes in the face of market volatility.

More integrated institutional arrangements for rewarding agricultural multifunctionality often consist of some form of *contract between farmers and the state*. An excellent example of joined-up policy is the Land Management Contract (LMC) initiative in France, introduced as part of new farm legislation in July 1999 designed to redefine agriculture's role in society (see Box 3). This is an attempt to (1) reintroduce transparency and responsibility into the relationship between state, farmers and public authorities; and (2) give national substance to the second pillar (rural development) of the CAP.

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<sup>109</sup> The *Conservation Compliance* provision of the 1985 Farm Bill, as amended, requires that all persons that produce agriculture commodities must protect all cropland classified as being highly erodible from excessive erosion, in order to qualify for commodity programmes. It requires farmers to comply with an approved conservation plan that has to achieve 'substantial' reductions in soil erosion. The *Wetland Conservation* provision, likewise, makes producers ineligible for farm programme benefits if they drain wetlands for use in farm production.



### Box 3 Land Management Contracts (LMCs) in France

“In its allotted task of providing food for society, French farming must face up to new responsibilities if its is to meet social expectations on employment, food quality and safety, protection for the environment and balanced regional development. The Land management Contract (LMC) is a new tool to help farmers committed to implementing systems of production which are of social benefit but which cannot be fully remunerate by the market and require financial input from society in recognition of the commitments entered into.”

LMCs are formulated and agreed at the local (departmental) level, and evaluated by the departmental agricultural policy committee (CDOA). Under the national Agricultural Policy Law of July 1999, the CDOA membership was widened to include nature conservation organisations, consumer groups, local government, inter-municipality co-ordination bodies, and organisations of shopkeepers and qualified tradespeople.

LMCs are budgeted at 3.5 billion EUR between 2000 and 2006 (50% co-financed by the EU) with an ambitious objective of 100,000 contracts (ie 20% of fulltime farmers) signed by the end of 2002.

[Note: LMCs are trade-distorting, in that contracts include production as well as environmental and social goals.]

Source: French Ministry of Agriculture and Fisheries

Agri-environmental payments provide a *market for environmental services* that are produced along with agricultural commodities. Those who can produce environmental services at a low cost can reap the benefits of the ‘agri-environmental’ market by participating in the programme(s). The mechanics of such a shift have been explored by the USDA-ERS in a recent article<sup>110</sup>. New commercial opportunities and competitive advantages in this market for multifunctionality are found especially in the marginal areas rich in landscape and biodiversity, and also in peri-urban areas threatened by development. A first step in shifting US agri-environmental policy from *compensating farmers for forgone production* due to implementing conservation practices, to one of *paying for environmental goods and services*<sup>111</sup>, was taken in the Minge-Harkin *Conservation Security Act*, which was proposed (but failed to proceed) in the waning days of the last Congress, and could provide language for new legislation<sup>112</sup>.

An elegant combination of the Polluter Pays Principle, Cross-Compliance, and the so-called Pay for Provision of Public Goods Principle (PPG) (or Stewardship is rewarded principle, SRP) can form the basis of a policy for real SARD. It is based

<sup>110</sup> *Agricultural Outlook June-July 2000*, May 24, 2000. Available at

<http://usda.mannlib.cornell.edu/reports/erssor/economics/ao-bb/2000/ao272s.asc>

<sup>111</sup> ie reimbursing farmers for the cost of a service provided to society, rather than a payment of a subsidy or compensation for lost value—See OECD (1996) *Saving Biological Diversity: Economic Incentives*. OECD, Paris.

<sup>112</sup> Under the *Conservation Security Act*, farmers would not have to take land out of production but would have to use farming practices that conserve soil, preserve wildlife habitat, protect streams and lakes, reduce chemical runoff or achieve other measurable environmental benefits, based on formulas that were not yet written. Annual payments were to be capped at US\$50,000 per farm to avoid super-payments to mega-farms.

#### Box 4. The SAS system for assessment of green services

The *In Natura* foundation together with a consortium of Dutch sustainable agriculture, nature conservation and tourism organisations has developed a *comprehensive system for the assessment of green services*—the Sustainable Agriculture Scorepoints (SAS) system (in Dutch the ‘Duurzaam Ondernemerspunten’ or DOP system). The project was co-sponsored by the Dutch Ministry of Agriculture. In the SAS system, the farmer receives scorepoints for well defined green services or investments that go beyond legal obligations or Good Agricultural Practice. When the farmer has reached a certain score, he or she receives a reward, financial or otherwise. The SAS system is not a new label or certificate and does not compete with existing schemes. The scorepoints are derived by a democratic process involving a committee of stakeholders (government, NGOs, agriculture) which advises ministries and obtains advice from a scientific working group. The committee’s advice contributes to a yearly-published list of scorepoint-awarding services.

Source: P Terwan et al (2000) *Duurzaam presteren én duurzaam belonen. Het DOP-systeem: voorstel voor beoordeling van groene prestaties in de landbouw*. Stichting ‘In Natura’, Fonteinlaan 5, Postbus 649, 2003 RP Haarlem, The Netherlands.

around the principle that farmers should observe a *minimum level of environmental practice* as part-and-parcel of support regimes, but that additional environmental and social goods and services should be paid for by society. This was the claimed essence of the rural development policy in the ‘Agenda 2000’ CAP reforms.

The first step is to set a *reference level*—a minimum standard of good agricultural practice or code of good agricultural practice (as being proposed by some groups in Brussels) derived from the aforementioned multistakeholder dialogue.

- *Below the reference level* (the Zone of negative externalities<sup>113</sup>), practices are unacceptable and pollution is either taxed in line with the polluter pays principle, or a ‘right to farm’ is revoked.
- At or above the reference level is the *Zone of Good Practice*. Farms in this zone comply with basic level of good agricultural practice and environmental law as preconditions for support payments; i.e. *cross-compliance*. Setting reasonably strict standards for balancing nutrients, conserving wildlife etc., based on public expectations, ensure that farmers are not, in the eyes of the public, being paid to do what they should be doing already.
- Above the Good Practice Zone is the *Public Good Zone* (or Zone of positive externalities), in which the production of public goods and services such as biodiversity, landscape, employment, public access, animal welfare etc and extensification are rewarded in proportion to the level of production of those goods. [set locally]. This is the principle of the LMC contracts in France (see Box 3), the 1992 agricultural policy reforms in Switzerland, and the proposed Sustainable Agriculture Scorepoints (SAS) system in the Netherlands (Box 4).

This system is not problem-free, of course<sup>114</sup>. Many of the minimum practices in the Zone of Good Practice are already being subsidised, so considerable resistance

<sup>113</sup> Valued at £2.3 billion per year or £208/ha in the UK (Pretty et al, 2000)

would be encountered from farmers dependent on those payments. General payments can be dressed up in sustainable clothes. Also, regions differ considerably in how many multiple functions they can produce for purchased public goods. Farms in Iowa have far fewer landscape, biodiversity or cultural ‘functions’ to call upon than those in Vermont or in the Austrian Tyrol. This system also presents big problems for international competitiveness and the WTO. Farmers can legitimately argue that the baseline standards impose extra burdens upon them compared to third country producers, and that these need to be adjusted for. But the system is entirely consistent with agriculture itself, which *by its very nature* is local, site specific, and not universally replicable.

Good agricultural practices are locally specific and *should best be decided at the state or regional level*. Contracting even at the local community level can use local resources or grants from central government to pay local agriculture to supply such services as upstream water retention in flood prevention or bioenergy production.

One of the biggest problems is that solutions to agri-environmental problems and the production of significant positive externalities will be the result of the accumulation of small effects from a large number of farms, i.e. the collective impact of many actors. It is therefore very appropriate for the state to contract with *groups* of farmers and landowners rather than individuals. This is the key ingredient of success of the agri-environmental cooperatives in the Netherlands (see Box 5.).

#### **Box 5. Agri-environmental Cooperatives (‘Nature Cooperatives’) in the Netherlands**

‘Nature Co-operatives’ are groups of farmers who collectively agree to utilise beneficial farming practices. For instance, the 160 members of a cooperative in Waterland north of Amsterdam (the *Vereniging voor Agrarisch Natuurbeheer Waterland*) make collective agreements with the provincial government for nature ‘production’ such as 30km of flower-rich field margins, 700ha of meadow bird habitat etc. Farmers receive training in agricultural nature conservation and are paid, for example, for every nest of meadow bird in their fields, in proportion to the rarity of the species. The nests are checked by volunteers and the cooperative receives an annual independent audit. In this area of marginal agriculture, nature ‘production’ becomes an important second income stream. Experience is that payment for nature conservation is more stimulating and motivating for farmers than compensation for damage or income loss, and is more cost-effective, as farmers are allowed to choose the means to reach a certain nature result themselves. Some groups also market produce from the cooperatives labelled as high quality nature-friendly beef.

Joined-up policy should incorporate an appreciation that problems in agriculture cannot be solved only through rural development policy, and that rural development policy will not be achieved only through agriculture, including ‘multifunctional’ agriculture. We need an integrated, spatially differentiated and bottom-up rural policy, perhaps under the term ‘working landscapes’.

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<sup>114</sup> A recent USDA-ERS report highlighted the complexity of targeting agri-environmental payments based on performance, especially when designed as one-size-fits-all programmes aimed at individual farms—see *Agricultural Outlook June-July 2000*, May 24, 2000. Available at <http://usda.mannlib.cornell.edu/reports/erssor/economics/ao-bb/2000/ao272s.asc>

We must also appreciate that it is very difficult to re-create multifunctionality after it has been lost. This applies of great importance to acceding countries of CEE, many of which have farmland rich in landscape and biodiversity value—traditional agricultural systems evolved over centuries—that could be the basis for rural development.

As part of joined-up *energy* policy, agriculture has a vast potential for carbon sequestration, renewable energy production, and rural development]. The EU's 6<sup>th</sup> Environmental Programme (2000-2009) stresses as a priority the reduction of greenhouse gas emissions from agriculture (nitrous oxide and methane) and carbon sequestration by agriculture and forestry. In the Netherlands, dairy farms have been shown to be potential net *reducers* of greenhouse gases when biogas production and wind turbines are integrated into the farm system. A role in ameliorating climate change is an excellent means to *de-marginalise* agriculture.

Joined-up policy requires *policies that protect markets* as well as policies that protect land and water. Industrial policy (especially vigorous *competition/antitrust policy*, including competition policy within the URAA framework) is a justified means to pursue certain agricultural goals. We must address the *distribution of profits* as well as profit levels along the agri-food chain. Competition policy must address *buyer concentration* (ie oligopsony) and its effects on supplier welfare, and must penalise collusion and prevent undue concentrations of economic power, for instance by promoting a legal environment which allows agricultural bargaining as a form of countervailing power.

Policies that *protect public-interest research* are vital. Private sector research generally aims at a single function of agriculture, production. If we expect long-term *public goods* from agriculture, we must invest in *public sector research*<sup>115</sup>.

Lastly, we must raise our expectations for *private sector* stimulation of sustainable/multifunctional agriculture, and draw consumer and investor attention to best practices.

### **7.3 First, do no harm**

Integrity in dealing with developing countries, especially agrarian economies, is an essential ingredient of SARD implementation in the EU or US, if nations are serious about upholding *social justice* and supporting the dignity of human life and the common good. Claiming a unique place for agriculture and food within a society should be accompanied by granting the right for others to do the same, respecting the right of countries to produce their own food, or to seek development through on agricultural exports. There is clearly a place for emergency food aid in reducing the incidence of famine, but it is essential to avoid disguising surplus removals as 'aid' under a blanket justification of 'feeding the world'.

We have to confront damaging contradictions in a policy that tries to achieve everything. Regions or countries should not build a policy of multifunctionality on a presupposition of large agricultural exports, if clear markets for those goods do not exist and/or if that status of major exporters requires large quantities of non-renewable inputs. A truly SARD-oriented policy would not tolerate huge overproduction that could not be sold profitably on the world market, and dumping or export subsidies should be redundant under these circumstances

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<sup>115</sup> The USDA's SARE programme is an excellent model

Even if export subsidies and dumping are dealt with, there are a host of policy decisions that can support or undermine SARD abroad. These include policies on choice of technologies, or the implementation of labour, environmental, health and animal welfare standards. It is also important to consider the impact on third countries of EU and US agricultural practices. The ecological footprint of a European intensive livestock industry, for example—built on imported feedgrains grown on fragile regions rich in biodiversity such as the Brazilian *cerrado*—must be part of our analysis of sustainability.

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*Cultivating Our Futures*. Background papers to the FAO/Netherlands Conference on "The Multifunctional Character of Agriculture and Land", 12-17 September 1999, Maastricht, The Netherlands. <http://www.fao.org/docrep/x2775e/X2775E00.htm#TopOfPage>

European Commission Agriculture DG website: [http://europa.eu.int/comm/dgs/agriculture/index\\_en.htm](http://europa.eu.int/comm/dgs/agriculture/index_en.htm)

European Commission Trade DG website, including EU agriculture proposals to WTO, at [http://europa.eu.int/comm/trade/index\\_en.htm](http://europa.eu.int/comm/trade/index_en.htm)

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Groupe de Bruges <http://geyser.asso.fr/bruges/> The Bruges Group is made up of around twenty university professors, researchers, trainers, or members of peasant or farming organisations in fifteen European countries. The group aims to open up new approaches in order to widen the debate concerning European agriculture. The group is informal, and independent of all professional organisations, unions and of all European institutions



OECD Food, Agriculture and Fisheries website, at <http://www.oecd.org/agr/index.htm>

UN Sustainable Development documents available at <http://www.un.org/esa/sustdev/index.html> including Chapter 14 of Agenda 21 ('Promoting Sustainable Agriculture and Rural Development') at <http://www.un.org/esa/sustdev/agenda21chapter14.htm> 14.2 and 14.3 are especially noteworthy.

US Department of Agriculture Economic Research Service, at <http://www.ers.usda.gov/>  
Including *Domestic Conservation and Environmental Policies Briefing Room* at [http://www.ers.usda.gov/briefing/con\\_env/index.htm](http://www.ers.usda.gov/briefing/con_env/index.htm)  
and *Agricultural Resources and Environmental Indicators*, 2000 under the 'Research emphasis: Agriculture in Harmony with the Environment' web page at <http://www.ers.usda.gov/Emphases/Harmony/Issues/arei2000/>

USDA Sustainable Agriculture Research and Education (SARE) programme, at <http://www.sare.org/htdocs/sare/about.html>

World Food Summit, including Rome Declaration on World Food Security, at <http://www.fao.org/wfs/homepage.htm>

WTO Agricultural Trade section, at [http://www.wto.org/english/tratop\\_e/agric\\_e/agric\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/agric_e.htm)

WTO Watch hosted by the Institute for Agriculture and Trade Policy (IATP) at [www.wtwatch.org](http://www.wtwatch.org)

## APPENDIX

### World Trade, Food Production and Multifunctionality Statement

prepared by the Food & Agriculture Working Group  
of the Transatlantic Environmental Dialogue (TAED)

#### **Introduction**

Governments have reached a critical stage in the development of agricultural policy. New negotiations to further liberalise agricultural trade will have a significant global impact on the future of agriculture. The European Union (EU) and the United States (US) both have a central role and responsibility in this process. As major producers, exporters and consumers of agricultural products, their approach will also greatly influence the development of agriculture in other countries.

Thus the EU and US need to consider both the domestic and external impacts of their respective agricultural policies, as well as the likely impact of further trade liberalisation.

In considering these issues the question must be asked whether agriculture can be considered mainly in terms of commercial production and trade, or whether a wider range of concerns needs to be taken into account, and if so, how? Polarized debates about 'free trade' versus 'protectionism' are already surfacing, in particular, with regard to the stated non-trade concerns of some agricultural producers, including the EU. This paper outlines essential elements required to ensure that agriculture is both multifunctional and sustainable. Achieving this will require substantial reform of US and EU farm policy.

#### **What is Multifunctionality?**

As well as producing supplies of food and fibre, agriculture also affects other aspects of quality of life. Agriculture can support the vitality of rural communities through maintaining family farming, rural employment, and cultural heritage. It also can make positive contributions to biological diversity, recreation and tourism, soil and water systems, bioenergy, landscape, food quality and safety, and the welfare of animals - but none of these outcomes are automatic, they often require policy mechanisms to facilitate them.

The term multifunctionality reflects these diverse elements although the relative importance of the various functions of agriculture differs between localities, regions, countries and groups of countries.

The basic fact that agriculture serves multiple functions is widely recognised. As early as 1992, world governments at the Rio Earth Summit, recognised the: "*multifunctional aspect of agriculture, particularly with regard to food security and sustainable development*". (Agenda 21, Chapter 14).

In March 1998 the OECD stated: "*Beyond its primary function of producing food and fibre, agricultural activity can also shape the landscape, provide environmental benefits such as land conservation, the sustainable management of renewable natural resources and the preservation of biodiversity, and contribute to the socio-economic viability of many rural areas.... Agriculture is multifunctional when it has one or several functions in addition to its primary role of producing food and fibre.*" (OECD Declaration of Agricultural Ministers Committee).

Despite such acknowledgments, the term multifunctionality has proved controversial for fear that it may be misused by governments. This mistrust has prevented a serious discussion of how the concept can be used to inform policy development. While multifunctionality should not be used to defend or justify every aspect of the EU's Common Agricultural Policy (CAP), neither should it be used as an excuse by the US to avoid serious debate on the substantive issues.

#### **Multifunctionality and Trade Policy**

Some view multifunctionality as an attempt to justify 'special treatment' for agriculture in trade policy. However, the fact that agriculture provides our essential need for food and occupies an

extensive amount of land, requires that it not be treated just like any other industrial product within the trade system.

Agricultural policies and related international trade agreements do not just influence the 'commodity' aspects of agriculture (i.e. the production of food, feed and fibre), but also the many other functions it provides to society. To ensure that trade policy will facilitate secure supplies of food that are produced in a sustainable way, this reality needs to be fully taken into account during WTO negotiations on agriculture.

The 'built-in agenda' of the WTO requires agriculture negotiations to begin in 2000. The failure to agree a broader agenda in Seattle means that negotiations will now proceed on the basis of Article 20 of the Agreement on Agriculture (AoA) which recalls that; "commitments under the reform programme should be made in an equitable way among all Members, having regard to non-trade concerns, including food security and the need to protect the environment..."

Multifunctionality, although not specifically mentioned, will therefore play a part in the negotiations. It should also inform national agricultural policy development and promote Sustainable Agriculture and Rural Development (SARD) (See Appendix).

### **Delivering Multifunctionality**

In order to move beyond the current stalemate over the term multifunctionality, governments and NGOs must pursue the following key objectives in relation to policy development.

#### **1) Promote food security**

A key function of agriculture is to ensure secure and stable supplies of food. Yet, food insecurity is still a major problem, particularly in the developing world. A range of trade policy measures - which could vary depending on levels of development - should therefore be available for use by governments to pursue food security objectives. For example, the possibility of being able to exempt life-forms from patenting if this conflicts with the maintenance of traditional farming practices that are important for food security (such as saving seed from one season to the next).

Also important is effective provision of food aid, as defined by the 'Marrakech Decision' agreed as part of the Uruguay Round of trade negotiations. Governments need to ensure that Net Food Importing Developing Countries (NFIDCs) are effectively compensated for changes in markets and food supplies, resulting from trade agreements, that adversely affect their food security. In this respect, the precarious food supply situation of NFIDCs and Least Developed Countries (LDCs) suggests that the volatility of world food prices, the deteriorating terms of exchange, and the increasing concentration of agricultural markets in the hands of a few multinational companies has not provided an appropriate framework for achieving food security.

#### **2) Recognise differences**

Large differences in the degree and nature of multifunctionality exist between regions and between farm types within regions. For example, the availability of agricultural land and its proximity to local communities differs substantially between the EU and the US. This has produced different approaches to agriculture, environment and related policies. Not all of these produce the same degree or types of outcome. Multifunctionality requires policies tailored to the specific circumstances of different countries and regions.

Governments must therefore have the appropriate degree of policy flexibility - in accordance with their level of development - to pursue SARD. A 'One-size-fits-all' model of agriculture is inappropriate and cannot reflect the natural, social and cultural diversity that exists around the world. A one-dimensional approach to the liberalisation of agricultural trade would therefore be detrimental to the pursuit of SARD.

#### **3) Promote sustainable agriculture**

Financial support to farmers should not be supplied simply to promote food production, or to compensate for liberalisation or price reduction due to policy changes. In principle, it should be de-coupled from production and 're-coupled' towards achieving social and environmental

objectives and to promote sustainable, multifunctional agricultural practices. Some exceptions from 'de-coupling' should be allowed in cases where the maintenance of certain benefits depends upon the use of particular production systems. For example, the maintenance of some habitats is dependent upon grazing, from which supports can be difficult to de-couple. Support should be directly linked to the achievement of such specified benefits.

The 'Green Box' offers an effective means to provide these forms of support, although it should be expanded to cover other agricultural functions (e.g. animal welfare). Payments to farmers should promote sustainable, multifunctional agriculture and be set at levels no higher than is required to meet the desired objectives. Such 'green box' measures should be monitored and assessed to ensure that they are not abused. It is necessary to evaluate the actual, as well as the intended effects of agricultural policies. In particular, it is important to assess their impact upon SARD and other relevant concerns, e.g. the impact on forests. Such impact assessments should be an integrated component of national and international policy and should also inform decision-makers considering new policy initiatives.

Sustainability and multifunctionality require that environmentally damaging and other harmful subsidies should be phased out and replaced by policies and mechanisms that promote SARD. Ideally, policy instruments should integrate environmental, social and economic objectives and promote innovation. Environmental and animal husbandry standards should not be lowered or adversely affected as a result of trade policies.

Alongside government support for multifunctionality, consumer demand for nature conservation and animal welfare may require new agricultural processes, products and services. Labelling is an important tool in enabling consumers to distinguish these in the marketplace. Trade rules should not impede the development of both voluntary labelling schemes (e.g. organic food) and mandatory labelling (e.g. GMO foods).

#### **4) Promote Agriculture and Rural Development (North and South)**

Domestic support to farmers should be linked to the rural development benefits that agriculture can provide and payments should be set accordingly. For example, some regions risk abandonment if agriculture is not supported, which could lead to intensification of land use and increased urban population pressure elsewhere. Such domestic support should also promote local processing and marketing, and seek to improve the gross margins received by farmers and rural communities for their products.

Export support mechanisms and dumping have a detrimental impact on agriculture and rural communities in third countries. Such export subsidies or export credit arrangements should be abolished and the funds redirected to help promote multifunctional and sustainable agriculture. The EU and the US have a responsibility to address all forms of export support. Where necessary, assistance should be offered to NFDCs that may be adversely affected by related policy changes.

The concentration of market power, for example, in food processing and retailing can be detrimental, especially for small-scale farmers and rural communities. The vertical, horizontal and global integration of agriculture, together with new issues such as patenting, has the potential to conflict with multifunctionality. EU and US companies are leading these developments. National, bilateral and international strategies are needed to limit excessive concentration of power in the agricultural sector.

#### **5) Minimise Trade Distortions**

It is not possible to fully achieve SARD solely through 'non-trade distorting' means. There are few policy measures that have absolutely no impact on production and trade. However, in order to minimise the impact of domestic agriculture on third countries, the pursuit of SARD should preferably be based on policies that are 'least' or 'minimally' trade distorting.

Developing and least developed countries should be afforded greater scope and flexibility than developed countries to use measures such as tariffs to achieve or maintain SARD because they are less able to afford domestic support. This accords with the concept of

'special and differential treatment' for developing countries that has been accepted by the WTO's membership and could vary depending on levels of development.

### **6. Respect Cultural Values**

Multifunctionality respects different societies' attitudes towards a range of agricultural issues. These may include a scepticism about intensification and new technologies; support for animal welfare; a commitment to the maintenance of small-scale, mixed farming; support for the livelihoods and rights of indigenous communities; and the fact that, in many countries, women traditionally play a primary role in food production.

### **Conclusions**

- The EU and the US have a pivotal responsibility in determining how agriculture will affect people, animals and the environment, both nationally and internationally. They must work together constructively to develop, implement and support policies that promote multifunctional and sustainable agriculture.
- Multifunctionality is crucial to SARD and other non-trade concerns, both nationally and internationally. It must therefore be a key component of the WTO negotiations on agriculture.
- Multifunctionality demands reforming many current policies (e.g. eradicating harmful export support and environmentally damaging domestic subsidies) rather than defending them.