9 Benefits and constraints of the transitions towards sustainble argriculture

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Sustainable agriculture should be put in the context of international changes. Major items are reform of the the Common Agricultural Policy (CAP), liberalisation of world trade and the agrifoodchain that operates on the international market. Such changes go beyond single countries and could largely shape sustainable practices in the years to come. They put constraints to farmers, increasing cost prices and possibly affecting competitive position. However, such efforts could also be an important area to explore new markets.

Introduction

National efforts to stimulate sustainable farming practices need to be seen in the context of international trends. A transition towards sustainable agriculture should therefore be aware of changes in the Common Agricultural Policy (CAP), liberalisation of world trade and the agrifoodchain that operates on the international market. This contribution essentially aims to identify key trends beyond single countries that could largely shape sustainable practices in the years to come.

Main trends in European agricultural policy and markets

Two dominant trends in current farming practices are intensification, concentration and specialisation in some areas, and marginalisation and abandonment in others. They both involve a move away from traditional forms of low-input, labour-intensive crop and livestock production, which have characterised most of Europe for many

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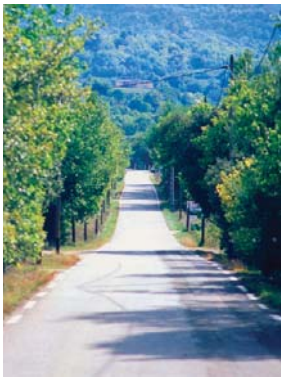


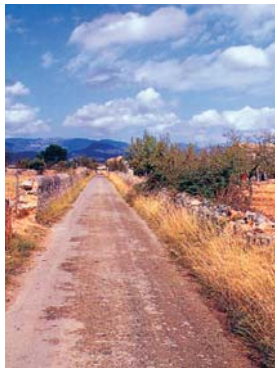
centuries. Efforts that stimulate sustainable practices in agriculture need to be placed in that context:

- First, intensification and specialisation involves the development of capital-intensive and geographically specialised farming, which is mainly observed in regions where agriculture is most productive. Competitive advantages may arise in some regions because of better biophysical conditions, more rationalised farm structures, the integration of primary production with food processing industries and well developed farm extension services. Here, sustainable farming practices emerge to better respond to changes in consumer demand (in terms of quality and diversity of food) and meeting environmental constraints. Ambitions for sustainable agriculture are linked to the long-term economic viability of agriculture and strengthening the competitive position on export markets.
- Second, marginalisation and large-scale abandonment of agricultural land tends to occur in remote areas with unfavourable economic or social conditions, or on less fertile land where traditional extensive agriculture is threatened by its inability to compete effectively with intensive production in other regions. Abandonment, degradation and economic decline currently threaten the extreme north and south of Europe, where harsh natural conditions, poor soils and long distances to markets increase the costs of agricultural production and rural populations are falling. Ambitions for sustainable agriculture could be linked to strengthen multifunctionality in an effort to cope with marginalisation in agriculture.

Societal debate on nitrates and pesticides in water that started in the late 1980s has given incentives to better control the environmental effects of farming practices, especially in regions with intensive farming practices. Since then, the interest moved towards a more targeted and rationalised use of inputs. Mandatory measures are introduced to introduce farm management aspects that better respect the environment. In addition, environmental quality measures are linked with food safety aspects.
The farming community increasingly responds to the societal demands regarding production methods applied in European agriculture. Such societal demands might be reflected by rules on the

use of inputs, put either by food processing industry and food retailers, or by public policies. In some Member States in northern Europe, farmers currently respond to the rules put by retailers, including conditions that are in place regarding the use of plant protection products. Codes of Good Agricultural Practice are important in the attempt to clarify the responsibilities in managing environmental resources by farmers. This is important since European agriculture is an important producer of food in the world.

The CAP and sustainable agriculture



The ambition of European agricultural policy, as expressed with the reforms of the CAP over the past years, is to enhance the sustainable and viable nature of the agricultural sector. This is supported by policies, which acknowledge the wide diversity of farming systems. Market and price support measures for dairy products, beef, sheep and cereals are important to provide incentives for sustainability in agriculture.In addition, the public increasingly demands healthy and safe food.

The agrifood sector plays a vital role in the attempt to meet environmental requirements and is safe for human and animal health. Retailers and food processing industry, for example, are demanding better and audited farming systems in response to changed consumer demands. In doing so, they promote sustainable practices in agriculture. Therefore, agriculture must respond to and work with others in the agrifood chain. Public-private partnerships may be the way forward for meeting societal demands to the agricultural sector.

The incorporation of environmental concerns in marketing strategies from retailers could change farming practices and also contribute to reduce efforts needed for meeting public policy objectives.

Cross compliance is an instrument to reinforce the enforcement of legislative standards related to environment, nature and landscape. It is a basis to express social responsibility of the agricultural sector that provides food and has a supplementary role to manage the rural countryside. Cross compliance is part of the process to integrate environmental, food safety, welfare and nature concerns in the CAP,

but essentially meant to maintain the status quo and not meant to promote the provision of public goods beyond what is legally required. Being part of the first pillar of the CAP, it implies direct payments might be withdrawn in part when farmers do not respect the requirements. Of the 18 pieces of legislation, five are environmental and will be applicable from 1 January 2005, including the Birds and Habitats Directives. Rather than giving positive signals to farmers, cross compliance is an instrument suitable to reverse farming practices that are harmful for the environment and nature.

The agrifood sector and sustainable agriculture

Major structural changes are taking place in the European agrifood sector. Processes of concentration and internationalisation have given food retailers substantial market power vis-à-vis their suppliers. This in turn has triggered a process of consolidation among food processing industry, wholesalers and even farmers. All firms participating in a production and distribution chain for agricultural and food products - farmers, processing industry, wholesalers and retailers - are increasingly working together to gain efficiencies in logistics and information exchange and to set up quality monitoring and control systems throughout the chain.

Consumers in Europe have become more concerned about the quality of food products, but also about the quality of production and processing methods applied on the farm and in the manufacturing plant. Such consumer concerns relate to food safety and quality, environmental sustainability and ethically appropriate methods of production. As a result, farmers, food processing industry and retailers have initiated efforts to guarantee safe products produced in a sustainable way. The environmental issue has even become part of the competition strategy of farmers, food processing industry and retailers.

Food retailers have become particularly concerned about the quality of fresh produce because either they sell top quality products under private label or they advertise their company as being an environmentally conscious food supplier. Not only fresh produce like fruit and vegetables are increasingly sold under private label, also

chilled foods, ready-to-eat meals, prepared vegetables and fruit salads are popular products within the own-brand strategy. For private label products, retailers take responsibility for quality, because it is their brand that is at risk if quality flaws appear.

These structural changes in food processing and food retailing lead to more elaborate quality control systems throughout the whole agrifood chain. Quality control at the point of purchase is no longer sufficient, as some quality characteristics cannot easily be measured and as the cultivation methods used on the farm have become part of the quality characteristics of the final product. Food processing industry and retailers set strict requirements for sustainable cultivation practices by their suppliers. Quality monitoring and control systems also give food processing industry and retailers more insight in the primary production parameters, and thus more options for (re) directing cultivation decisions. Once measurable sustainable agriculture indicators have been established, it becomes possible to select and reward suppliers on the basis of their score on these indicators.

Concluding remarks

The integration of public concerns (e.g. food safety, environment, animal welfare, climate change and biodiversity) in farming practices is a key phenomenon to promote sustainable agriculture. Efforts to promote such practices are taken by the agrifood sector as well as in public policies. They put constraints to farmers, increasing cost prices and possibly affecting competitive position. However, such efforts could also be an important area to explore new markets.