The regulation of public interest in agriculture

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1. Introduction

The agricultural sector has been transformed massively in the past decades. The main traces of such transformation are the industrialization and concentration of production, technological reforms, and the increasing integration with other sectors, specifically the manufacturing, processing and retail sector (Ward and Almas, 1997). Consequently, the public interest in agriculture has shifted as well. The issues of food security, technological advances, control of rural exodus and income support for the farmers that preoccupied the farmers and national governments in the post-war (WWII) Europe, are no longer relevant, or at least not to the same extent. On the other hand, issues that emerge as a result of the transformation of agriculture shape the public interest in agriculture today. Specifically, the issues of food safety and the consequences of intensive agricultural practices to human and animal health and welfare, as well as to the environment are considered by some to be the “predominant formulation of the agrarian question in the new millennium” (Watts and Goodman, 1997:23; McMichael, 1997).

At the same time we observe a shift in the participation of the actors involved in the development of agricultural policies. In Europe, traditionally, decisions concerning agriculture were made in a very close policy community between governments and producers. However, economic and ecological failures of agricultural policies, as well as globalization and trade liberalization processes have resulted in an opening of the close agricultural policy community to include other actors as well. In particular, actors representing the food industry, but also societal organizations tend to play major roles. Likewise, there is a shift towards the involvement of supra-state actors. Specifically, the emergence of TNCs (Transnational Corporations) as global actors and the strengthening of the regulatory capacity of the WTO (World Trade Organization) as a result of the UR (Uruguay Round), play important roles in setting the frame within which national agricultural policies are being evolved. The broadening of the agricultural policy community with the participation of non-state and supra-state actors in the development of agricultural policies or policies that affect agriculture (i.e. food and environmental policy) significantly impinge on both the shift of the public interest in agriculture as described above but also the way in which the public interest is regulated. Specifically, we observe a shift from state regulation towards deregulation and self-regulation with primary conveyors the private sector and a trend towards internationalization of regulation with primary conveyors the TNCs and international organizations (and especially the WTO).

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1 This paper is work in progress, so please do not quote without permission of the author
The purpose of this paper is to present and explain the transformation of the public interest in agriculture from the post-war period until today in the Netherlands, as well as the policies and reforms that supported the public interest in agriculture during that period. The paper plays particular emphasis to the opening of the agricultural policy community and the decline of the nation state to explain such transformations. The paper proceeds as follows: section 2 illustrates the public interest in agriculture in the post-war period in the Netherlands and the policies that were developed by the policy community of government and producers to regulate the public interest during that period; section 3 presents the shift in the public interest in agriculture and the reasons behind that shift; section 4 presents the regulation of the public interest in agriculture today as a result of the involvement of different actors in different levels in the development of policies that are directly or indirectly related to agriculture; finally, section 5 discusses the implications of the transformation of the public interest in agriculture and its mode of regulation.

2. Public interest and agricultural policies in the post-war era (1945-1980)

At the end of the Second World War, the issues of food security, land reforms, engagement of the population in the agricultural labor force, and technological development of agriculture, scored high in the political agenda of Western (and Eastern) European countries. Two main targets were set by the government and farmers alike: the increase in productivity in agricultural production and the security of farmers’ incomes. The presence of a strong state that would guarantee these goals was highly desirable and the room for intervention was ample.

The industrialization of agriculture in Europe occurred with the adoption of the Fordist model of increasing wage/productivity (McMichael, 1991) through American led reconstruction programs, such as the Marshal Aid (Goodman and Redclift, 1991; Marsden et al, 1993; Ward and Almas, 1997). Agriculture began to transform from a relatively backward and highly labor-intensive sector of the economy to one of increasing technological sophistication (Bowler, 1985; Gardner, 1996).

In the Netherlands, (as elsewhere in Europe) in the postwar period (1945-1980), agricultural policies were produced in close cooperation between farmers, state-officials, agricultural spokesmen in parliament and representatives of farmers’ organizations (De Vries, 1989), in a closed “policy community” (Rhodes, 1990). The objectives of food security, increasing productivity and security of farmers’ incomes were for both the farmers and the state of primary importance. Those objectives were pursued with policies supporting the intensification and rationalization of agricultural production, in a common agreement between the Ministry of Agriculture and farmers’ organizations (Breeman, G., 2003). At the same time, however, industrialization occurred in different sectors of the economy, which paid much higher wages than labor in agriculture, resulting in urbanization and rural exodus. The Dutch government (as other European governments) in order to control immigration from agriculture decided to provide

\[2\] With rationalizing meaning the setting plans for the education of farmers for improving efficiency and effectiveness, financial support regulations for mechanization and state-guided projects for land-consolidation (Breeman, G., 2003).
subsidies to the farmers as supplements to market wages. The results were very rewarding: during that period the agricultural production in the Netherlands increased very quickly and the process of business termination slowed down (Van Leeuwen, 2002).

The development of CAP\(^3\) (Common Agricultural Policy) in 1957 with the Treaty of Rome and the establishment of the EEC, further promoted the objectives set for agriculture, while, the policy community type of relationships between farmers and national governments but also representatives at the EEC continued to thrive (Breeman, G., 2003). A reduction of barriers to trade in agricultural products, was especially beneficial for the Netherlands, which based its economy primarily on trade. With CAP Netherlands secured its exporting capacity to the other EEC countries and specifically Germany, Netherlands’ biggest customer, particularly in dairy products, by driving out of the common market its biggest competitors. The objectives of CAP did not differ significantly from the objectives of national agricultural policies which were now harmonized under CAP. Specifically, these objectives as formulated by article 39 of the Treaty of Rome were the increase of productivity in agriculture, a reasonable standard of living for the farmers, stability of agricultural markets and food supply at reasonable prices for the consumers.

Those objectives were supported by the principles of market unity, community preference and financial solidarity. Specifically, market unity ensured the abolishment of trade restrictions between member states and the set of common prices for agricultural products; community preference ensured the protection of the common market with the establishment of threshold prices for imports and subsidies to encourage exports; finally, financial solidarity ensured that the costs of CAP would be shared with all member-states regardless in which country they have been made, by setting up the EAGGF (European Agricultural Guidance and Guarantee Fund). At the same time, intervention and price support schemes were developed for securing the income of the farmers. These schemes were based on the establishment of (high) target market prices for agricultural products and the setting up of lower intervention prices to account for the potential failure of the market to meet the target prices\(^4\). This price support mechanism did not include all agricultural products, only the basic or core products, which were, at that period, milk (of primary importance to the Dutch), beef, cereals and sugar. The rest of the products received less or no financial support at all. However, even with the support of the core products alone, agriculture became the most heavily subsidized and state (and supra-state) protected sector of the European economy.

As a result, the objectives of CAP and national agricultural policies of self-sufficiency in food, stability of agricultural markets, and a fair standard of living for the farmers, at least in the first years of their operation, were successfully met. The policy community has managed to ensure that their common interest was met.

\(^3\) CAP was initially shared between the six European countries which formed the EEC: Germany, France, Italy, Luxemburg, Belgium and the Netherlands.

\(^4\) Specifically, the intervention schemes worked as follows. The Commission set a target price for the agricultural products, which was supposed to be met by demand and supply in the market. If, however, the market did not support the target price, then the Commission started to buy the product itself at the intervention price.
3. The shift of the public interest in agriculture and the opening of the policy community

Although CAP and national policies were successful in their objectives, they created a number of other problems, which shifted the aims and operation of subsequent agricultural policies. From an economic perspective the CAP and national policies resulted in a consumer loss because of the high prices that had to be paid due to levies on imports and intervention prices. The increasing productivity policy resulted in massive overproduction and storage problems with increasing costs or in selling products at a loss (mostly in developing countries). Furthermore, CAP resulted in the dumping on world markets with the accompanying depression of world agricultural prices and catastrophic results for developing countries which based their economy on agricultural exports. The economic failures of CAP as well as international pressure, induced governments to reconsider the state-protected status of agriculture and support more liberal policies with emphasis on the market and the private sector. Consequently, the state started to loosen its tight control over agriculture and the private sector started to get more involved in the development of agricultural policies.

The loosening of the agricultural policy community occurred for additional reasons as well. In particular, the incentives for intensification of production coupled with high fixed prices that were supported by CAP and national policies favored the large and more productive farmers with detrimental effects for the smaller farmers (Nooij, 1977). The trend towards the development of large and efficient farms was enhanced with a governmental policy in 1963, which combined incentives for concentration with incentives for small farms termination (Breeman, 2003). As a result, a lot of small farmers had to drop out of business, a trend that continues today. It is estimated that the number of farms in the Netherlands decreases by 3% every year, with the agrarian population becoming a minority, counting only 4% of the total population (de Bond, van Berkum and Post, 2003). This trend is evident throughout Europe, with some scholars expressing their concern that farmers are becoming something of an endangered species (Tansey and Worsley, 1995). The declining trend of the farming population further weakened the policy community and, thus, the influence of farmers in the development of agricultural policies.

The weakening of farmers’ political power further deteriorated with the UR (1986-1994), which focused on a world-wide reduction of barriers to trade in agricultural commodities, a development which continues under the WTO today. The UR led to a transnationalisation of agriculture (Bonano, 1994), which favored the food industry and which elevated its status to one of a global player (Tansey and Worsley, 1995). The liberal trade regime in agriculture and the pressures for competition in a global market enhanced the integration of the supply chains and the development of contract farming and other types of pre-selling of output (Josling, 2000). As a result, in many cases and especially in the dairy and the pig, farmers became merely the managers rather than

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5 McMichael (1997) reports, for instance, that Argentina found that its earnings in cereals and vegetable oil seeds (accounting for 50 percent of its export earnings in 1980) fell by 40 percent in the 1980s due to the US and EU dumping.
owners of the farming process, with input suppliers and/or output purchasers being the main planners (Josling, 2000). Consequently, the emphasis in the agricultural sector shifted from farming to manufacturing and processing. This trend is also evident from the “intensification of agricultural specialization” and the “shift in agricultural products from final use to industrial inputs for manufactured foods” (Bonanno, 1994; Friedmann and McMichael, 1989). As the agricultural sector started to increasingly transform itself into a food sector so, the public interest in agriculture shifted more to the issues that concern the food industry rather than the farmer.

In addition, the CAP and national agricultural policies failed to take into account environmental and health considerations, which had severe consequences for both, the environment and human health. Intensive production methods in horticulture and animal breeding caused the contamination of underground waters, atmospheric pollution and loss of biodiversity. In addition, intensive animal production methods fostered the outbreak of different kinds of animal diseases, such as pig plague, salmonella and Bovine Spongiform Encephalopathy (BSE). Consumers started to question the ability of the modern food system to provide safe food (Smith and Riethmuller, 2000; Tansey and Worsley, 1995; Yeung and Moris, 2001) and called for more attention to environmental and health problems and animal welfare concerns. As a result, the public interest in agriculture shifted towards issues of sustainability of agriculture and public health, and consumer and environmental organizations started to penetrate the agricultural policy community, alongside food industry actors.

At the same time, however, the level of design of agricultural policies shifted as well, from national and European to international. Especially after the UR, supra-national actors increasingly set the standards with which national and EU agricultural (and food) policies have to comply and adapt (Edwards and Fraser, 2001). The influence of the UR and supra-national actors to national and EU policies is evident, for instance, in the McSharry reforms of CAP (1992) and subsequently the Agenda 2000 reforms (1999). The reforms supported a more liberal trade regime in agricultural products with less state intervention. Price supports had to be decoupled from production aiming towards direct income payments per hectare or per animal and combined with production limits. While the reforms did not apply to all the agricultural products and did not exclude state support, they nevertheless signified the trend towards further liberalization of agriculture and trade. Some commentators argue that the UR and the 1990s marked a significant new period for agriculture, a period of shrinking of the regulatory state (McMichael 1994, Bonnano and Constance 1996, IISD 1996) and a shift from “aid to trade” (Watts and Goodman, 1997).
4. The new focus of the public interest in agriculture and its regulation

The previous section showed that the public interest in agriculture gradually shifted from issues that concerned the farmers to issues that concern the food industry and consumers. Specifically, the issues of food safety, as well as environmental and animal welfare considerations in agricultural practices replaced the old issues of food security, intensification of production and control of rural exodus. In addition, the agricultural policy community that served the public interest in the post-war period opened to include other actors, especially the food industry, and to a lesser extent societal organizations, which influence the development of policies concerning agriculture. Furthermore, globalization and trade liberalization changed the level in which decisions concerning agriculture are made towards supra-state actors. Consequently, the regulatory capacity of governments shifted towards non-state and supra-state actors. This section explores how the public interest in agriculture as expressed today is regulated in a period of decline of the nation-state at the international, EU and national level, but also by private initiatives from the food industry.

International Level

At the international level, environmental and health considerations are dealt within the WTO with the assignment of “green box” status to a number of agri-environmental policies and the SPS (Sanitary and Phytosanitary) Agreement of the UR. Specifically, the UR allows for the economic support of certain agro-environmental policies, in the case where they have sufficiently small impact on trade. These policies are judged against the provisions of the SPS agreement, a set of measures designed to account for public health and environmental safety (while facilitating trade). However, the SPS agreement is considered to compromise higher national standards, as is evident from a number of cross-country dispute settlements (see Roberts, 2001) due to its insistence on the objective and scientific assessments to judge a potential risk to human health or to the environment. As a result the precautionary principle approach of the EU and national policies, which allows for the existence of uncertainty as an important factor for banning certain activities or certain products, is compromised.

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6 However, the precautionary principle is criticized by some because, as they argue, evidence should always precede governmental action (Wildavsky, 1995). But then the question is “whose evidence” and how objective that evidence really is? The most appropriate example is the BSE crisis in the EU, in which a minority of scientists pointed early on, on the adverse effects to human and animal health by turning herbivores into carnivores. However, their voice was not heard as the majority of the mainstream science did not acknowledge such threats. Why then, should governments continue to accept that the majority is always right? In that case and similar cases, where scientific uncertainty exists, the precautionary principle is an appropriate approach that serves the public interest until further research leads to more conclusive results.
Concerns of the modern agrarian question at the EU level, are partly dealt with in the area of agricultural policy, and partly in the area of environmental policy and food policy. In agricultural policy, environmental concerns are part of the Agenda 2000 reforms, which has institutionalized the new goals of the CAP. The Agenda 2000 is a follow-up of the McSharry Reforms aiming to reduce state support to the farmers and respond to calls for environmental responsibility in agriculture. Under this policy, agriculture is supposed to maintain landscape and countryside, contribute to the vitality of rural communities and respond to consumer concerns – regarding food quality and safety, environmental protection and animal welfare standards (Unnevehr and Jensen, 1999). Such requirements are ensured through providing income support to the farmers only if they comply with specific environmental demands. Such demands are set independently by each member state. However, this principle of “cross-compliance”, as it is called, although it acknowledges the uniqueness of agro-ecosystems in every country, it hardly achieves its goal. The reason why, is that unilateral measures for the promotion of more environmentally-friendly production methods, induce a competitive disadvantage for the producers if they are not coupled with measures that ensure competitive prices for those products. More specifically, in the case where a country unilaterally opts for the use of more environmentally-friendly production methods which are not used elsewhere, then the national production will have to be adapted. If at the same time, however, it is impossible to stop imports of goods not produced in accordance with these higher standards, the country’s own producers may be at competitive disadvantage. This would force governments in countries that have higher standards to lower their standards in order to ensure competitive prices for their products. Hence, the public interest in environmental improvement in agriculture is inadequately served under the reforms of CAP.

However, the development of a number of directives in the area of environmental policy supplements some of the provisions of Agenda 2000. Specifically, the directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources aims to limit the spreading of fertilizer containing nitrogen and to set the limits for the spreading of livestock effluent. The water framework (1999) which sets the aim to achieve good water status for all waters by 2015; the IPPC (Integrated Pollution Prevention and Control) directive with the aim to prevent or minimize emissions to air, water and soil, as well as waste, from industrial and agricultural installations in the community; and the pesticide directive (1991/414) concerning the placement of plant protection products on the market. The examples mentioned above indicate that environmental considerations from agricultural practices are increasingly taken into account in environmental policies.

The issues of food safety and public health are mostly addressed under the area of EU food policy. Food safety became a key policy priority of the EU in 1997 with the White Paper on Food Safety, after the BSE scandal had been investigated and responsibilities had been attributed to the Commission, inspection bodies and national authorities. The White Paper signified a first effort for a comprehensive and coherent approach for a
legislation covering the food chain “from farm to table” that is directly applicable to all
the member-states of the EU. The main tool, to ensure that only safe food is placed on the
market, was considered by the Commission to be “traceability”. Traceability is defined
by the EU Regulation on Food Law (EC/178/2002) as the ability to trace and follow food,
feed and ingredients through all stages of production, processing and distribution. The
Regulation contains general provisions for traceability (applicable from 1 January 2005)
which cover all food and feed and all food and feed business operators but also importers
from materials outside the EU. In addition, the Regulation stresses that responsibility for
developing measures for traceability lies with the food chain actors themselves, while the
Commission and national governments are supposed to play a supervisory role.

National Level

At the national level, regulations in the area of agriculture and food usually follow the
regulations of the EU. Of significant importance are the introduction of restrictions on
manure production in the pig and poultry sector in 1987 and the setting of targets to
reduce intensive livestock production, as part of the nitrate directive and the introduction
of national instruments to achieve a more balanced situation for minerals (manure). Due
to restrictions set in the Dutch manure policy pig and poultry stocks have been reduced
by 10% in recent years. In addition, following the pesticide directive of the EU, the
national government and farmers’ organizations reached an agreement with the aim to
reduce the volume of pesticides by 50% until the year 2000. Furthermore, following
general trends, the present pesticides policy aims at the responsibility of the sector itself
by providing certification schemes for farms using a low level of pesticides (the aim is
90% of the farms to be certified by 2005) (de Bont, van Berkum and Post, 2003).

Animal welfare concerns are included on national policies as part of EU regulation and
directives on that issue. Examples include the ban of battery cages on laying hens (to be
implemented by 2007) and the ban of individual housing of calves for veal production.

Finally, in the area of food health and safety policy, the Netherlands has adopted the EU
Regulation on Food, which has to be implemented by 2005. Additional national
legislation has not been adopted.

Private Initiatives

Increasingly, the private sector is developing its own tools and strategies to respond to
calls for environmental and social responsibility. As societal demands become part of the
product quality for a significant segment of the western consumer society, the food
industry has to respond, mainly for commercial reasons. Evidence of such responses of
the food industry exists in Mazzoco (1996) and Henson et al (1998). In addition, food
scares, are economically detrimental to the food industry, so initiatives that ensure
transparency and control, serve to avoid taking the blame should a food scandal makes its
appearance. Moreover, in the absence of an undisputed international legal framework that
deals with such issues, the internationally spread activities of the industry have to be
coordinated privately (see also Levidow and Bijman 2001). In this respect, private
initiatives are welcomed both by national governments and the society. Examples of private initiatives include the EUREPGAP, Good Manufacturing Practices, HACCP and others. Such initiatives have proven effective in changing downstream production. For instance, Levidow and Bijman (2001) report the leading role of the largest Dutch retailers (Albert Heijn and Laurus) in the mid 1999 for the exclusion of GM ingredients by most producers due to the development of own-brand products to label the presence of GM ingredients. Levidow and Bijman (2001) also show the successful role of governmental policy when it is promoted by the private sector with the example of pesticide reduction efforts. They demonstrate that in response to the 1991 Multi-Year Crop Protection Plan initiated from the Dutch government, pesticide reduction was promoted by Albert Heijn, which has approximately ¼ of all food retail sales in the Netherlands. As a result, the production of agricultural products grown with pesticide dropped significantly.

The above discussion showed that the issues of environmental and health considerations that shape the public interest in agriculture today, are pursued at different levels by state and non-state actors. The trend is towards more liberal policies with less state support and more involvement of the private sector, a trend that is considered desirable both by the state and the private sector alike. The implications of such trend for the ultimate service of the public interest in agriculture are discussed in the next section.

### 5. Implications

The public interest in agriculture shifted from issues that concerned the farmers to issues that concern the consumers and the food industry. This shift coincides with the decline of the nation-state and the involvement of different actors at different levels in the development of policies that regulate the public interest in agriculture today. McMichael (1997) argues that the weakening of the nation state gave the opportunity for the accommodation of different interests in the development of agricultural policies. As the government’s role today is that of the guarantor, the controller, the assistant and the encourager (Ministry of Agriculture, 2000) rather than an “authoritarian bureaucracy” (McMichael, 1997), other actors have the opportunity to express and promote their interests alongside the state.

However, McMichael (1997) also warns us for the danger in the loss of sovereignty by states due to more powerful private and public actors who operate especially at the global level. In that case, the predominance of private interests implies, for instance, that the issues of environmental and health improvement in agricultural practices will continuously be addressed and materialized by the market. However, numerous examples show that when the private sector finds it profitable to undermine public and environmental health and safety it has always an incentive to do so. Hence, as Le Heron and Roche (1997) observe, individual responsibility is unsustainable without invoking state regulation of relevant practices.

Likewise, the predominance of international actors in the development of national policies implies that environmental and health concerns would increasingly be addressed at the international level. However, especially for the case of environmental concerns
from agriculture such policies would prove inadequate. Indeed, since, there is no such thing as a global agro-ecosystem (Buttel, 1997), the consequences of agriculture on the environment are not widely apparent but are concentrated at the national or even at the local level. International (trade) regulations are unlikely to be ecologically sensitive in such detailed scope and hence, the development and implementation of national policies in that respect are necessary.

On the other hand, as the food chains become increasingly global, health effects from agricultural practices are much more internationally apparent than environmental effects. Therefore, health considerations need to be dealt with mostly at the global level. However, as the example of the SPS Agreement suggested above shows, such considerations are unlikely to lead to the adoption of globally high standards due to the cultural, as well as political and economic differences that exist across countries.

For the Netherlands, as well as other European countries, the EU could play a major role in ensuring that the public interest in agriculture (and elsewhere) is met. With the accession of ten more member states on May 1st 2004, the EU became the largest global market (at least in agriculture). As a result, its weight in international negotiations concerning agriculture, trade and issues of public health and the environment, increases significantly. However, it is important for the EU in order to succeed in guaranteeing the European public interest to create a European public interest first. Surely, the political unification of Europe would assist towards that direction. However, although steps are being made towards the political unification of the EU and towards the development of a community interest hand-in-hand with national interests, we still have a long way ahead.

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