



Norwegian farmers' perspectives on agriculture and agricultural payments: Between productivism and cultural landscapes



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ARTICLE INFO

Article history:

Received 6 December 2013

Received in revised form 8 July 2014

Accepted 14 July 2014

Keywords:

Farmers

Multifunctional agriculture

Attitudes

Agricultural policy

Policy instruments

Q methodology

ABSTRACT

In this paper, we analyse Norwegian farmers' perspectives on the meaning of working in agriculture, their attitudes towards various aspects of multifunctional agriculture (MFA) and land use, and their evaluation of different forms of agricultural payments. The paper presents two linked studies, one Likert scale survey and one sub-sample Q-study. The Likert scale survey results show that the respondents identify themselves as producing not only high-quality food, but also public goods such as cultural landscapes and cultural heritage. Income maximisation is less important with respect to the self-identity for the respondents. The sub-sample Q-study identified two distinct perspectives of interest to the discussion about MFA policy. Perspective 1 farmers attach priority to fair income, food production and payment for food production as opposed to payments for public goods and income support. Perspective 2 farmers emphasise the importance of producing cultural landscapes, but have no strong preferences regarding the form of payments. The latter view is predominantly held by part-time farmers. The quality of the local landscape as valued by the local community had no effect on the perspectives farmers held. Our study reveals that fully replacing commodity price support with payments for public good production, or income support, is problematic for a substantial group of farmers, who would find farming to be less meaningful for them.

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Introduction

The form of and justification for agricultural support have experienced radical changes over the last century. The economic crisis of the early 1930s led to declining sales and dramatic reductions in farm income in Western countries. Farmers responded by increasing production, thus exacerbating the problem (Tracy, 1964). This event triggered the establishment of extensive agricultural measures to increase farm gate prices and farm income (Ingersent and Rayner, 1999). These programmes involved strong market interventions including import regulations, export support measures and production allotments (Vatn, 1984; Haglerød and Haarberg, 2000). This policy was further developed in the 1950s and onwards, also including price subsidies. The problem of over-production remained a major problem; in response, beginning in the 1980s, agricultural payments were increasingly decoupled from food production. The aim of the policy was to reduce food production while maintaining farmers' welfare.

In the late 1990s, we observe a new development emphasising the multifunctional nature of agriculture and agricultural land. The OECD ministerial level Committee for Agriculture emphasised that “Beyond its primary function of producing food and fibre, agricultural activity can also shape the landscape, provide environmental benefits . . . , and contribute to the socio-economic viability of many rural areas” (OECD, 1998 §10). This perspective was at the same time brought to the WTO negotiations on agriculture by some EU countries, Japan, Norway and Switzerland under the label of ‘non-trade concerns’ (Paarlberg et al., 2002; Peterson et al., 2002). Payments for multifunctional agriculture have been a highly debated issue in terms of whether the most efficient solution is to pay separately for the public goods or whether it is best to attach some of the payments for public goods to the production of food and fibre. The standard policy recommendation has been to let market forces determine the level of production of the commodities while at the same time addressing any under-provision of public goods through targeted and decoupled policy measures (OECD, 2001). It has, however, been argued that this reasoning may not hold if transaction costs are positive and private and public goods are joint products or complements in production (Vatn, 2002; Rørstad et al., 2007). Paying for (joint) private goods to also ensure the production of public

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goods may thus be the most efficient solution. This reasoning has special relevance in high-cost countries such as Norway where food production cannot compete well internationally.

Another important issue is how farmers perceive these different forms of and justifications for agricultural payments and how these perceptions influence their motivations for farming. Whether farmers find using their land to produce food and/or public goods meaningful will most likely influence both their attitudes towards different types of payment schemes and their responses to these schemes. Farmers' goals and perspectives on land use have been documented quite thoroughly in the literature (see section 'State of the art concerning farmers' motivation and attitudes towards policy instruments'), whereas remarkably little research has been undertaken on farmers' attitudes towards different forms of agricultural policy instruments in general and the relationships between farmers' goals and attitudes towards policy instruments. The purpose of this paper is thus to analyse (1) farmers' attitudes towards the production of public and private goods from agriculture and (2) farmers' attitudes towards different forms of payments to ensure the production of these goods. These issues are studied using data from two surveys distributed among farmers in Norway.

Norwegian agriculture has a rather small scale, with farms spread over a large portion of the country, but only 3.2% of the total land area is under cultivation. Although Norway takes advantage of the warm Gulf Stream, its northern location leads to a short growing season. In addition, Norway has one of the world's most comprehensive systems of agricultural payments (Bjørkhaug and Richards, 2008) and as a non-EU member the Norwegian context provides a distinctive frame for investigation differing from the wider European influence of CAP reform agendas.

Norwegian agricultural policy

The primary agricultural policy goals in Norway since World War II and up to the 1980s include food self-sufficiency, farmers' welfare and rural viability (Vatn, 1984; Almås, 2002). In the mid-1980s, agriculture continued to be regarded as important for rural settlement and food security, but new non-food concerns such as environmental and cultural issues were introduced, with agricultural payments increasingly justified by the production of public goods. It was emphasised that agriculture ought to be supported for its production and maintenance of rural viability, biodiversity, cultural landscapes and cultural heritage. Meanwhile, it was emphasised that negative environmental impacts of agriculture, such as soil erosion and nutrient losses to water, had to be reduced (Ministry of Agriculture, 1992).

In a white paper to the Norwegian Parliament in 1999 (Ministry of Agriculture, 1999), the concept of multifunctional agriculture was introduced. In terms of goals, this concept did not represent anything new. Rather, the novelty was the explicit emphasis on jointness, i.e., the existence of positive links between the production of food and the production of public goods. 'Active farming' in the meaning of food production was regarded as crucial for the production of such goods (Daugstad et al., 2006). The importance of agriculture for the cultural landscape was particularly emphasised by policy makers (Rønningen et al., 2004), and since the late 1990s, the Norwegian government has been one of the most outspoken with regard to accepting budgetary support and protecting agriculture from external trade pressure emphasising its multifunctionality (DeVries, 2000).

In the latest white paper on this subject (Ministry of Agriculture and Food, 2011), increased emphasis is placed on the importance of producing abundant, safe, and diverse foods. The production of public goods like cultural landscapes remains important, but the multifunctionality of farming is clearly less emphasised. This shift is

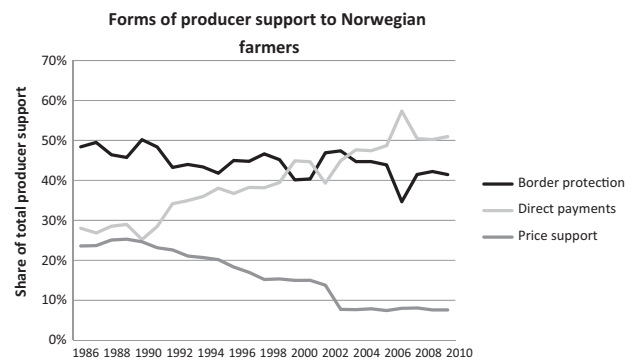


Fig. 1. Extent of different forms of producer support to Norwegian farmers as a share of the total estimate of producer support, 1986–2010. In this figure, 'direct payments' are a summary category which includes payments based on input use, production method and, support for landscape maintenance and cultural heritage. Source: OECD (2011)

partly a response to increased international food prices, population growth and climate change.

Norway represents an interesting case due to its strong promotion of the cultural landscape as a justification for subsidising agriculture as well as its promotion of 'active farming' as a means of preserving these landscapes. At the same time – and along with the changes in Norwegian policy goals and Norway's commitments to other countries (e.g., Uruguay Round Agreement on Agriculture, WTO trade negotiations) – the form of agricultural payments has changed. Fig. 1 documents this phenomenon using data from OECD. The figure distinguishes between border protection (tariffs, import quotas, etc.) and budgetary support comprised of price support (payments per unit of food production) and 'direct payments'. The latter includes payments based on input use (acreage and livestock), production method (e.g., organic agriculture, tillage practice), support for landscape maintenance and support for cultural heritage.¹ No strictly 'decoupled' income support is used in Norway during this period.

We observe that border protection as share of total support has been falling from approximately 50 to approximately 40% during the whole period while the price support share has been decreasing from approximately 25% in the 1980s to approximately 8% in 2003 and onwards. The 'direct payment' share has increased from approximately 28% in the 1980s to over 50% in 2010. The largest fraction concerns payments for inputs (acreage and livestock). We thus observe that Norwegian farmers have experienced changing justifications for agricultural payments and the forms they may take.

Perspectives on farming and attitudes towards policy instruments

Motivation and behaviour

Standard economic theory assumes that producers maximise profits and that their behaviour may be changed by introducing external rewards in the form of economic incentives. For example, when specific landscape amenities command higher prices, it is expected that farmers will produce more of them, as doing so will increase their profits. Farmers' motivations may, however, also be influenced by how meaningful they find an activity to be, and these farmers may have several goals and values (Garforth and Rehman, 2005). If the farmers view themselves foremost as food producers,

¹ As seen from this list, direct payments are not necessarily payments directly attached to the production of public goods.

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