



Why Danish Organic Farming Policy has been successful

The Danish organic farming policy has proved successful in growing the market for organic food. This article outlines the architecture of the policy and explains why, unlike elsewhere, it has put considerable emphasis on demand creating measures. Finally, the conditions under which the Danish model can be transferred to other countries are discussed.

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Governments are increasingly becoming engaged in the promotion of organic farming, some of them more enthusiastically than others. The approach to government intervention in the organic food sector varies significantly across countries.

One of the key objectives of the COP project is to establish whether government policies make a difference in growing the organic sector. Organic consumption in Denmark is relatively high. In 2008, the organic share of the total turnover in the food market reached 6.6 percent.

Research conducted within the COP project shows that the Danish success can to a considerable extent be put down to the mix of policy instruments applied.

The architecture of Danish organic farming policy

In 1987, the Danish parliament adopted the Organic Farming Act which laid down the basic structure of the Danish organic farming policy which remains today.

When intervening in the organic sector, governments can basically apply policy instruments aimed at increasing the supply of and/or demand for organic food. Supply-side policy instruments are, directly or indirectly, aimed at creating incentives for farmers to convert to organic farming. Demand-side instruments are, directly or indirectly, aimed at creating increased demand for organic products.

Direct supply-side policy instruments

As to *direct supply-side policy instruments*, subsidies were provided to ease farmers'

conversion from conventional to organic farming. Permanent subsidies for organic farming were introduced in 1994. Policy development up until the early 2000s was characterised by adjustments of organic farm subsidies to motivate particular groups of farmers to convert. Between 1989 and 1994 the organic farm subsidy scheme was aimed at motivating livestock producers to convert. In the mid-1990s, further potential for expanding the market was envisaged and a new subsidy scheme designed to motivate arable farmers and pig producers to convert to organic farming was adopted. However, in the early 2000s, after several years with considerable overproduction of organic milk and cereals, it was decided that support schemes directed at selective commodity groups had

to be abolished. Therefore, in 2004, flat-rate conversion and permanent organic payments replaced the complicated and commodity differentiated subsidy system (though dairy farmers were not eligible for conversion subsidies until 2007 when market forecasts envisaged future under-supply of organic milk).

Indirect supply-side policy instruments in the form of support for organic extension services, research and education of farmers are also applied.

Direct demand-side instruments

The Danish organic farming policy has not yet applied *direct demand-side instruments*, but, to a considerable extent, has relied on indirect demand-side instruments. This is a unique feature of Danish organic farming





policy. The Organic Farming Act introduced a state certification system for organic farming (the 'Ø' label) to replace certification carried out by the National Association for Organic Farming. The state labelling scheme has been successful in generating consumer confidence. In a recent survey, 82 percent of Danes consumers expressed that they had confidence in it. Considerable funding for organic market research and development, marketing, information and food innovation has been provided. From 1996-99, the state spent €13.5 million on such activities. After 1999, the state continued providing such support but funds for these activities declined from a peak of €13.1 million in 2000 to €1.4 million in 2005, but were increased again in 2007 to €5.4 million. The table below provides an overview over the policy instruments applied.

Framing organic farming

The way in which a policy is framed has important impact on its design. Organic farming in most countries and in the EU is now predominantly seen as an agri-environmental measure. Interestingly, in the mid-1980s Danish policy makers conceived of the emerging organic farm sector as an infant industry with a potential to expand in the domestic market as well as in the export markets. While the potential environmental benefits of applying organic farming methods were acknowledged, they were not the main driving force behind state intervention. The framing of the organic sector as an infant industry, rather than an environmental measure, meant the policy makers not only focused upon designing policies to promote farm conversion but also paid considerable attention to demand creation. Though later on, the environmental benefits of organic farming methods became more pro-

minent in legitimising subsidies for organic farming, a commercial focus was maintained. As the Organic Food Council pointed in 1999: 'the underlying logic is that the organic farming sector can best be developed in accordance with the market which is created by the demand for organic produce. Thus conversion is based on voluntary action and positive motivation.'

Transferring the Danish policy model?

Since the Danish organic farming policy model has proved effective in increasing organic consumption, it may be potentially applicable in other countries. However, policy transfer is not necessary an easy process because successful transfer depends upon a number of conditions.

To work effectively, the Danish policy model requires that governance capacity can be developed. Organisational arrangements in which state agencies and stakeholder organisations can coordinate their activities related to organic market growth must be established. This requires that the organic industry and farm groups are able to coordinate their views and avoid competing with each other in terms of representing the organic sector in the relation to the government.

Further, it requires that the organic industry asso-

References

1: Daugbjerg, Carsten and Sønderskov, Kim M. (2009) 'Environmental Policy Performance Revisited: Do Organic Food Policies Matter for Sustainable Consumption', conference paper, 5th ECPR General Conference, Potsdam, 10.-12. September 2009. <http://orgprints.org/16134/>

2: Strukturdirektoratet (1999), Aktionsplan II: Økologi i udvikling, Copenhagen: Strukturdirektoratet, p. 16

ciations develop capacity to assist in policy formulation and implementation. Since traditional agricultural policies are supply-side orientated, states agencies have limited in-house expertise in creating demand. Such efforts require organisation, skills and experience in marketing campaigns, capacity in coordinating marketing activities with producers, processors and retailers. Organic industry associations not only have a strong incentive to develop such capacities, they are also better positioned to develop them. Finally, there must be a political will to engage in the organic sector.

Where these conditions are present or can be brought about, the Danish policy model would be an effective policy response to desires to increase the organic food sector.

Supply-side policy instruments		Demand-side policy instruments	
Direct	Indirect	Direct	Indirect
Conversion subsidies introduced in 1987.	Subsidies for organic extension introduced in 1984.	None.	State certification and labelling introduced in 1987; fully operational in 1989.
Additional conversion subsidies for arable and pig farmers introduced in 1996.	Grants for organic research introduced in 1992.		State sponsored market research and marketing campaigns from 1988.
Permanent organic subsidies introduced in 1994.	Support for education of organic farmers introduced in 1995.		
Flat-rate conversion and permanent organic payments replaced the complicated and commodity differentiated subsidy system in 2004.			

Tabel. Organic farming policy instruments applied in Denmark.

Read more

Find more information about the DARCOF III project COP on the webpage:

http://www.icrofs.org/Pages/Research/darcofIII_cop.html

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