

**CAP 2014-2020**  
**ORGANIC FARMING AND THE**  
**PROSPECTS FOR STIMULATING**  
**PUBLIC GOODS**

April 2016

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## Executive Summary

The 2013 reform of the Common Agricultural Policy (CAP) for the 2014–2020 period aimed to be a flagship initiative for the delivery of more environmental and climate friendly agriculture, encapsulated in the slogan "public money for public goods". To achieve its environmental and climate change goals, the EU uses key instruments of Pillars 1 and 2 to provide more public goods from EU agriculture. Organic farming is recognised under both instruments for the first time in terms of its contribution to public goods.

## The CAP 2014-2020 – A step towards the delivery of public money for public goods?

The reform introduced a new Greening component as part of direct payments. Member States have to use 30% of their Pillar 1 ceilings for these new payments, corresponding to a maximum of €89.3 billion or 21.7% of the total EU budget for agriculture. Similarly to the previous programming period 2007-2013, each national and regional rural development programme (RDP) should use 30% of its total Pillar 2 contribution for climate change mitigation and adaptation as well as environmental issues. This corresponds to only 7.2% of the total EU public expenditure for agriculture allocated to environmental public goods in the form of remuneration for taking up individual farming practices and converting or maintaining sustainable farming systems (organic farming). Thus, in total, the reform foresees around 28.9% of the total EU budget for agriculture on measures directly linked to environmental and climate issues (see Table below).

Table 1.1. Key EU budget allocations for transitioning towards environmental and climate friendly practices and organic farming under the CAP 2014–2020 (Indicative figures)

Budget Allocation	Billion Euro	% of total EAFRD	% of total EU budget for agriculture
<b>Budget allocation for Pillar 1 and Pillar 2</b>			
1. Pillar 1 - European Agricultural Guarantee Fund (EAGF) - Market related expenditure & direct payments (Commitment appropriation)	€312.7		76%
2. Pillar 2 - European Agricultural Fund for Rural Development (EAFRD) – as adopted by EC	€99		24%
3. Total EU budget for agriculture Pillar 1 & Pillar 2 [1 + 2]	€411.7		100%
<b>Greening Component (Pillar 1)</b>			
4. Total national ceilings for direct payments 2014-2020	€297.6		72.3%
5. Greening component (maximum 30% of direct payments [4])	€89.3		21.7%
<b>Climate and environment issues (Pillar 2)</b>			
6. Contribution to environment & climate issues - including organic farming (minimum 30% of EAFRD [2])	€29.7	30%	7.2%
<b>Organic farming support (conversion and maintenance payments)</b>			
7. EAFRD organic farming support (Measure 11) - as adopted by EC	€6.3	6.4%	1.5%
8. Total public expenditure (EU & Member States) for organic farming support (Measure 11)	€9.9		
<b>Total environmental and climate change spending for agriculture (Pillar 1 and Pillar 2)</b>			
9. EU budget for transition towards environmental and climate-friendly agriculture [5+6]	€119		28.9%

Source: Own calculation based on DG Agriculture and Rural Development, 2016 & European Commission, 2013

However, the bulk of expenditures, almost two-thirds of the EU budget for agriculture, is dedicated to achieving other goals, which are not linked to either environmentally and climate friendly farming practices or sustainable farming systems and to which the EU still gives higher priority. Despite the efforts made with the 2013 CAP reform, the EU does not yet clearly signal to farmers that these approaches are a priority.

## The organic supply and demand paradox

Recognition of contribution of organic farming to public goods under the CAP should also be seen in the context of current production and market trends of the organic sector in the EU. In the first instance, organic farming is responding to specific consumer demand for high quality food production with EU retail sales valued at 24 billion euro in 2014. In the same year, 10.3 million hectares (ha) of farmland were managed organically, corresponding to 5.7% of the total utilised agricultural area in the EU. However, after considerable growth rates over the last few decades, development slowed down to an average organic farmland area growth rate of 1.1% per annum. In some organic pioneer countries such as Austria, Denmark, Germany and the UK, the organically-managed farmland area and the number of organic farms is stagnating or even decreasing. However, growth is bucking this trend in other Member States. For example, in countries such as Belgium, France, Italy, Portugal, Spain, Bulgaria, Croatia and Slovakia, organic farmland area increased in 2014 by more than 5%.

By contrast, the market for organic products is still growing dynamically at the EU level and in 2014 it grew by 7.4%. This is exceptional given an average annual growth rate (2006–2012) in grocery retail markets of around 2% to 3%. Moreover, consumers are spending more on organic food: between 2005 and 2014, per capita organic produce consumption increased by 110%, from €22.4 to €47.1. In the same period, household consumption of food and non-alcoholic beverages remained almost constant, increasing only by 13%.

These trends suggest that as EU organic production lags behind organic market growth, there is severe risk that the growing demand will be met by imports and that EU producers may not benefit.

The question is whether Member States will use organic farming's recognition under the Greening component and the opportunities under the new RDPs to boost organic farming development:

- as a means of achieving the environment and climate change goals laid out by the greening of the CAP, and
- to resolve the organic supply and demand paradox so that both farmers and food businesses can capitalise on the growing demand for organic produce in terms of income generation and job creation.

## Organic farming under the CAP 2014-2020

Compared to support under previous reforms, there are some novelties for organic farming under the CAP 2014-2020 that make organic farming more visible and confirm its role as a measure for providing public goods under Pillar 1 and 2.

### Visibility and opportunities to support organic farming under the CAP 2014-2020

**Pillar 1:** organic farms automatically receive Greening component. They do not have to fulfil any further obligations because of their significant overall contribution to environmental objectives.

**Pillar 2:** Organic farming is more prominent under the new Rural Development Regulation (EU) No 1305/2013 with specific mention of support for organic farming conversion and maintenance payments (Article 29), Investments (Article 17), Quality schemes (Article 16) and EIP-AGRI (Title IV). The strategic relevance of organic farming is also referred to under recitals.

## The Pillar 1 Greening Component - A few strengths - and many weaknesses

The 2013 CAP reform introduced a new instrument known as the Greening component. The initial aim of these Greening Payments is to make the EU direct payment system more environment-friendly. It seeks support for farmers adopting or maintaining agricultural practices that help meet the EU climate and the environment goals. Organic farmers automatically receive the payment, as they are considered to provide environmental benefits.

As the new instrument has just started, it is obviously too early for a sound evaluation. Nevertheless, there are already several studies available that voice a general criticism of the greening component. This reflects general conclusions that meeting greening requirements is expected to often occur without significant changes in farm management practices. Instead of increasing environmental ambition, the implementation pattern in some Member States increases the probability that farmers will be able to meet the greening obligation only by making a few changes. Organic farms are “green by definition” and receive the Greening component without having to fulfil the three basic obligations. This recognition is welcomed by organic stakeholders, however, no significant impact on organic farming development and conversion is expected from it.

Thus, it appears that the Greening component, as currently implemented in the EU, is a lost opportunity that cannot be expected to lead to the delivery of more public goods.

## Rural Development Programmes: Public expenditure for organic farming (Measure 11)

- The total contribution from the EAFRD to organic farming payments (Measure 11) for 2014–2020 amounts to €6.3 billion or 6.4% of the total budget for EU RDPs (€99 billion). This percentage is approximately equivalent to the percentage of total EU farmland that is organic (5.7% as of 2014).
- There is no identifiable pattern in the relationship between the importance that Member States attribute to organic farming and the size of their national organic sector. Across different Member States, they range from 0.2% in Malta to 13.2% in Denmark of the total EU spending for RDPs, with limited scope for expanding the organic farmland area (see figure 1).
- Countries like Belgium, Bulgaria, Cyprus, Denmark, Germany and Greece seem to attribute more importance to organic farming support under the new RDPs than countries such as Estonia, Finland, Portugal, Slovenia, Slovakia and the UK.
- Some Member States, such as Austria, Czech Republic, Spain, France, Portugal, Romania, Sweden and the UK, projected that less organic farmland area would be supported under Measure 11 than was actually converted and in-conversion in 2014 (see figure 2).
- Denmark, Germany and Poland projected 4–9% growth of organic farmland area under Measure 11 while Belgium, Cyprus, Finland, Greece, Croatia, Ireland, Italy, Luxemburg, Malta and Slovenia set out considerably higher growth rates, although in some cases this starts from a quite low level of development in the first place.

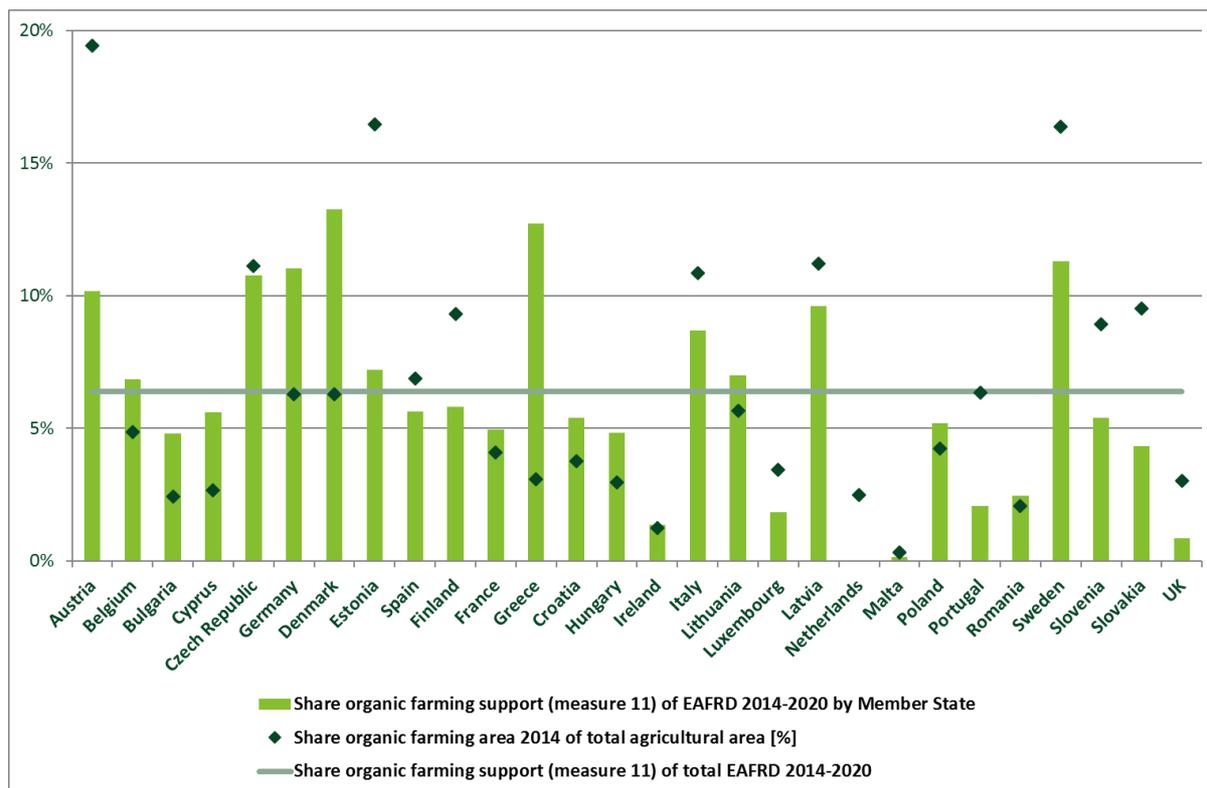


Figure 1: EAFRD contribution to organic farming support (Measure 11) under CAP 2014-2020 compared to the total organic farmland area in 2014 by Member State

Source: Own calculation based on DG Agriculture and Rural Development, 2016 and Willer et al., 2016

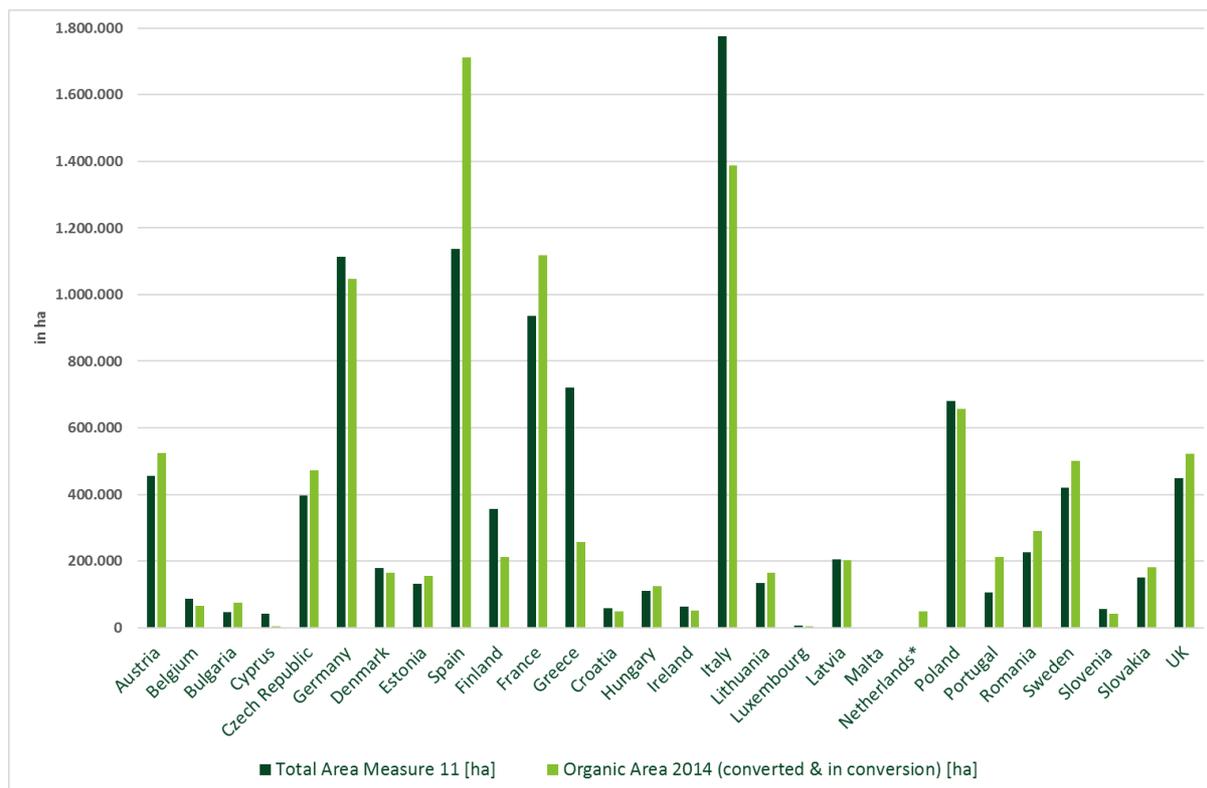


Figure 2.2 Comparison of EAFRD projected organic farmland area under Measure 11 (2014-2020) and the total organic farmland area in 2014 by Member State

Source: Own calculation based on DG Agriculture and Rural Development, 2016 and Willer et al., 2016

## Development of organic farming support: A comparison of farmland area payments 2007–2015

- Organic area payments are offered for conversion to and maintenance of organic farming and have been an important driving force for the expansion of organic farming over the last two decades.
- All EU Member States have implemented specific organic farming schemes apart from the Netherlands.
- There are quite some countries which implement degressive payment levels. Many countries vary payment levels depending on crop type, usage (seeds, feed), livestock density, management practices or land characteristics.
- Most countries have higher payments for conversion for two years; some for three or five years for perennial crops as orchards, vineyards and olive trees (Belgium-Flanders, Hungary, Romania, Croatia, Cyprus and some regions in Italy and Spain). France and some regions in Italy and Spain offer the highest payment for conversion for all kinds of crops for five years.
- The highest conversion payment rates per hectare are paid in Belgium, Cyprus, Germany, in some Italian regions, Slovenia, Luxembourg and in some Spanish regions. The lowest payments for conversion are paid in the Czech Republic, Latvia, Poland and Slovakia.
- Compared to 2011, countries such as Austria, Czech Republic, Finland, some Italian regions, Portugal, and Sweden rather decreased the area payment level for conversion in 2015. Belgium, Germany, Denmark, Estonia, Spain, Hungary, Ireland, Lithuania, Luxemburg, Poland, Slovenia and UK rather increased the conversion payment level compared to 2011.
- The highest maintenance payment rates per hectare are paid in Italy (mainly in the regions Calabria, Sicily, Apulia and Marche) and Cyprus followed by Germany, some regions in Spain, Slovenia, Portugal and Belgium. The lowest payments for maintenance are paid in France, the UK, Latvia and Poland.

- Compared to the previous programming period, Austria, Hungary and Portugal rather decreased the payment level in 2015 while Germany, Denmark, Estonia, Spain, Ireland, Latvia, Lithuania, Luxemburg, Slovenia and the UK rather increased the maintenance payment level compared to 2011.

## Recommendations for EU, national and regional policymakers

- Public money for public goods must be at the heart the CAP and not an add-on

Real transition to sustainable farming requires clear signals to guide and direct farmers' investments towards sustainable agriculture, with all other parts of the CAP made consistent with this core strategy. Such a sustainable agriculture strategy is one that would be rewarded by both public policies and private markets. This strategy of adding value could be an alternative to the current strategy of producing food for global markets at low costs.

- Good implementation of the principle 'public money for public goods' requires a strong and straight-forward budget

The current CAP budgetary framework with differing and often incoherent mechanisms for supporting public goods, the ability to shift money, targeted and untargeted measures and inconsistencies in co-financing between Member States supporting public goods delivery has resulted in a non-transparent, complicated and sub-optimal solution for achieving EU environmental and climate goals. It might be worth trying to overcome the boundaries of this funding framework and transferring it to a system that allocates budgets to specific objectives. This would allow for the development of a consistent programme of environment and climate outcomes – without compromises – under the objective and budget for "Green EU Agriculture".

- Investment in organic farming can help to meet environmental and climate goals and support a transition to more sustainable agri-food systems

Farm system approaches like organic farming, which deliver a variety of public goods, have proven to provide a consistent foundation for very different environmental improvements that can achieve environmental and climate goals in a cost effective way. Policymakers should pursue a clear organic farming strategy at both EU and Member State Level.

## 1 Introduction

### 1.1 The CAP 2014–2020 – a step towards the delivery of public money for public goods?

The 2013 reform of the Common Agricultural Policy (CAP) for the 2014–2020 period aimed to be a flagship initiative for the delivery of more environmental and climate friendly agriculture, encapsulated in the slogan "*public money for public goods*". To deliver more public goods from EU agriculture was, considered to be essential in justifying the CAP<sup>5</sup> and was reflected in the reform's priority areas which included viable food production, **sustainable management of natural resources**, and balanced territorial development throughout the EU.<sup>6</sup> Public goods associated with agriculture include the provision of environmental and social goods such as farmland biodiversity and animal welfare which cannot be adequately be supplied through functioning markets.<sup>7</sup>

Under the CAP reform the public goods agenda was primarily focused on the integration of environmental concerns into the policy. This was based on a distinction between, firstly, ensuring a sustainable way of farming by avoiding environmentally harmful agricultural activity and, secondly, providing incentives for environmentally beneficial public goods and services.<sup>8</sup> To this end the reform sought to use key instruments of Pillars 1 and 2 to provide more public goods from EU agriculture. As part of the reform organic farming was recognised under both instruments for the first time in terms of its contribution to public goods.

#### Support for the environment and climate under the CAP 2014-2020

**Pillar 1:** the 2013 reform introduced a new Greening component as part of direct payments. Member States have to use 30% of their Pillar 1 ceilings for these new payments, corresponding to a maximum of €89.3 billion or 24% of the total EU budget for agriculture. Organic farming is recognised as green by definition and automatically eligible for the new payments without any further action required.

**Pillar 2:** furthermore under the reform, two of the six priority areas under the new Rural Development Programmes (RDPs) specifically address the environment and climate change in terms of:<sup>9</sup>

- Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry (Priority 4)
- Promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors (Priority 5)

Each RDP should use 30% of the total *European Agricultural Fund for Rural Development* (EAFRD) contribution for climate change mitigation and adaptation as well as environmental issues. This corresponds to only 8% of the total EU public expenditure for agriculture.<sup>10</sup> Support for organic farming conversion and maintenance payments under environmental spending as a voluntary measure.

### 1.2 CAP budget allocation for environmental and climate friendly farming

CAP spending for transitioning towards environmental and climate friendly farming is good place to begin. In principle, the 2013 reform foresaw around 30% of the total EU budget for agriculture being allocated to environmental public goods in the form remuneration for taking up individual farming practices and converting or maintaining sustainable farming systems such as organic farming (see table 1). In this respect we distinguish between classic individual farming practices (supported by the Pillar 1 greening component and so called "light green" Pillar 2 agri-environment-climate schemes (Measure 12) and organic farming (Measure 11) as a policy instrument to support public goods through the development of sustainable farming systems.<sup>11</sup> This takes into account that sustainable farming systems, such as organic farming, together with a mix of targeted options, can be a very cost-effective means for the agriculture to deliver environmental outcomes.<sup>12</sup>

Specifically the reform introduced a new Greening component as part of direct payments. Member States have to use 30% of their Pillar 1 ceilings for these new payments, corresponding to a maximum of €89.3 billion or 21.7% of the total EU budget for agriculture. Similarly to the previous programming period 2007-2013, each national and regional rural development programme (RDP) should use 30% of its total Pillar 2 contribution for climate change mitigation and adaptation as well as environmental issues. This corresponds to only 7.2% of the total EU public expenditure for agriculture allocated to environmental public goods in the form of remuneration for taking up individual farming practices and converting or maintaining sustainable farming systems (organic farming). Thus, in total, the reform foresees around 28.9% of the total EU budget for agriculture on measures directly linked to environmental and climate issues

Table 1.1. Key EU budget allocations for transitioning towards environmental and climate friendly practices and organic farming under the CAP 2014–2020 (Indicative figures)

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2. Pillar 2 - European Agricultural Fund for Rural Development (EAFRD)*	€99		24%
3. Total EU budget for agriculture Pillar 1 & Pillar 2 [1 + 2]	€411.7		100%
<b>Greening Component (Pillar 1)</b>			
4. Total national ceilings for direct payments 2014-2020	€297.6		72.3%
5. Greening component (maximum 30% of direct payments [4])	€89.3		21.7%
<b>Climate and environment issues (Pillar 2)</b>			
6. Contribution to environment & climate issues - including organic farming (minimum 30% of EAFRD** [2])	€29.7	30%	7.2%
<b>Organic farming support (conversion and maintenance payments)</b>			
7. EAFRD organic farming support (Measure 11)*	€6.3	6.4%	1.5%
8. Total public expenditure (EU & Member States) for organic farming support (Measure 11)	€9.9		
<b>Total contribution of agriculture to environment and climate change (Pillar 1 and Pillar 2)</b>			
9. EU budget for transition towards environmental and climate-friendly agriculture [5+6]	€119		28.9%

Source: Own calculation based on DG Agriculture and Rural Development, 2016<sup>13</sup> & European Commission, 2013<sup>14</sup> \*As adopted by EC \*\*See Recital 22 of Regulation (EU) No 1305/2013

The bulk of expenditure, almost two-thirds of the EU budget for agriculture, is therefore, dedicated to achieving other goals, which are not linked to either environmentally and climate friendly farming practices or sustainable farming systems and to which the EU still gives higher priority. Thus, despite the efforts made with the 2013 CAP reform, the EU is not yet clearly signalling to farmers that these approaches are a priority.

### 1.3 The organic supply and demand paradox

Recognition of organic farming's contribution to public goods under the CAP should also be seen in the context of current production and market trends of the organic sector in the EU. In the first instance organic farming is responding to specific consumer demand for high quality food production with EU retail sales valued at 24 billion euro in 2014. In the same year 10.3 million hectares (ha) of farmland were managed organically, corresponding to 5.7% of the total utilised agricultural area in the EU.<sup>15</sup> However after considerable growth rates over the last few decades, development slowed down to an average organic farmland area growth rate of

1.1% per annum (see figure 1.1). In some organic pioneer countries such as Austria, Denmark, Germany and the UK, the organically-managed farmland area and the number of organic farms is stagnating or even decreasing. However, growth is bucking this trend in other Member States. For example, in countries such as Belgium, France, Italy, Portugal, Spain, Bulgaria, Croatia and Slovakia, organic farmland area increased in 2014 by more than 5%.

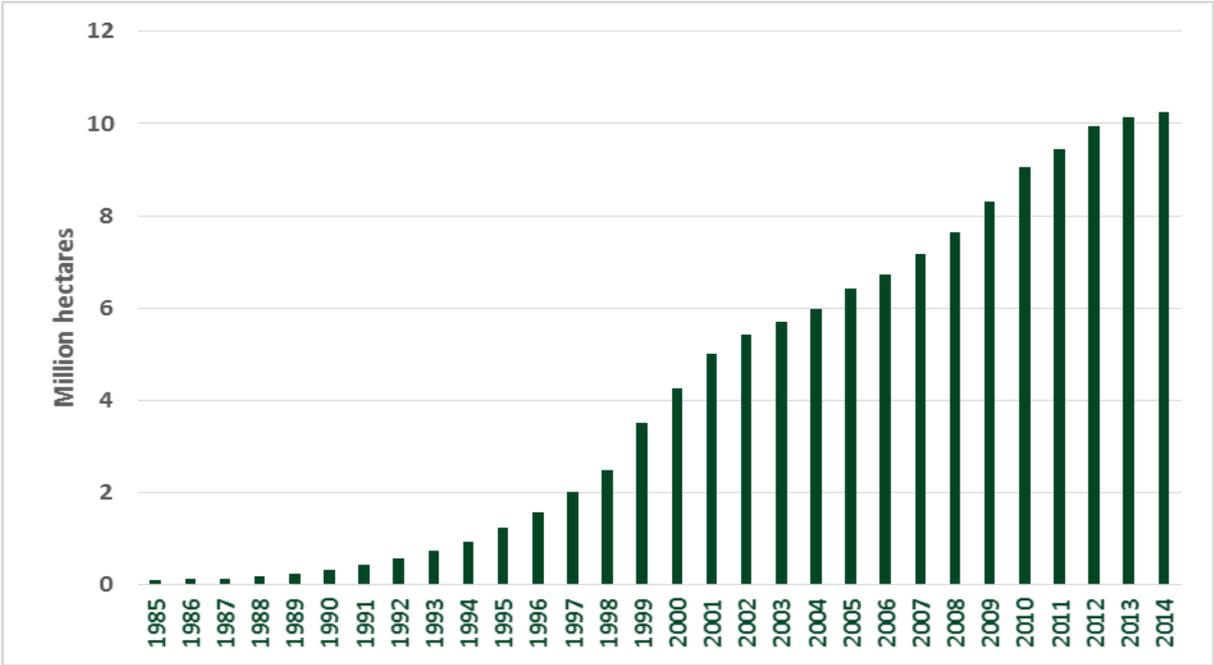


Figure 1.1: Growth of organic farmland in EU 28, 1985-2014

Source: Willer et al., 2016<sup>16</sup> based on Lampkin, Nic, FiBL-AMI surveys 2006-2016 & OrganicDataNetwork surveys 2013-2015

By contrast, the market for organic products is still growing dynamically at the EU level and in 2014 grew by 7.4% (see figure 1.2). This is exceptional given an average annual growth rate (2006–2012) in grocery retail markets of around 2% to 3%.<sup>17</sup> Moreover, consumers are spending more on organic food: between 2005 and 2014, per capita organic produce consumption increased by 110%, from €22.4 to €47.1. In the same period, household consumption of food and non-alcoholic beverages remained almost constant, increasing only by 13%.<sup>18</sup>

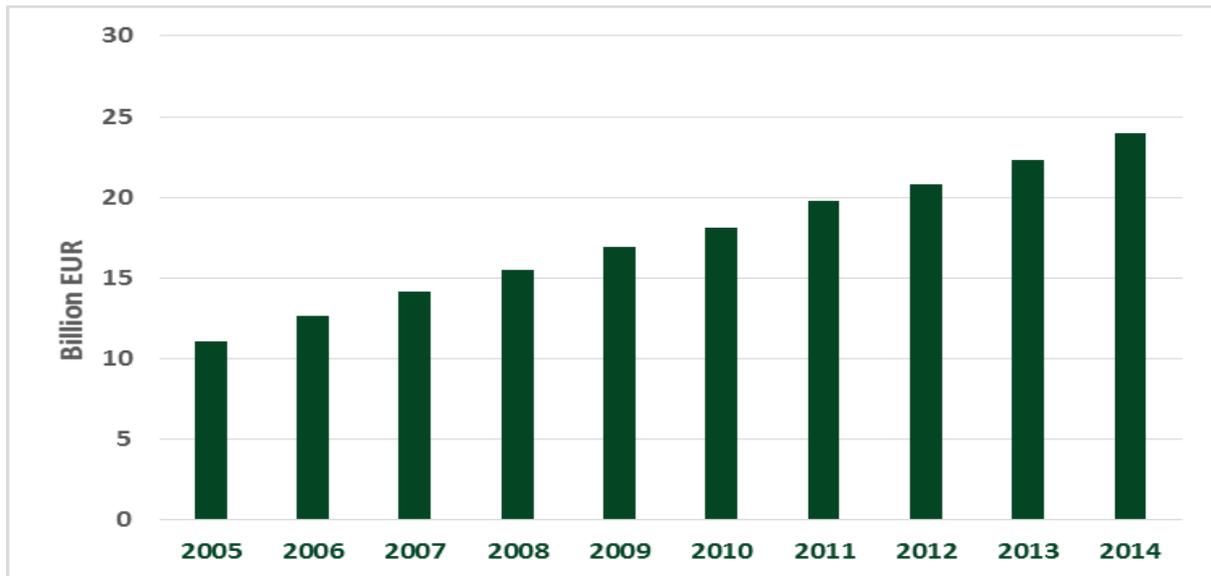


Figure 1.2: Growth of organic retail sales in EU 28, 2005-2014

Source: Willer et al., 2016<sup>19</sup> based FiBL-AMI surveys 2006-2016 and OrganicDataNetwork surveys 2013-2015

These trends suggest that as EU organic production lags behind organic market growth there is severe risk that the growing demand will be met by imports and that EU producers may not benefit.<sup>20</sup> The question is whether Member States will use organic farming's recognition under the Greening component and the opportunities under the new RDPs to boost organic farming development:

1. as a means of achieving the environment and climate change goals laid out by the greening of the CAP, and
2. to resolve the organic supply and demand paradox so that both farmers and food businesses can capitalise on the growing demand for organic produce in terms of income generation and job creation

This report therefore considers the opportunities to support for the provision of public goods under the CAP from the perspective of the development of sustainable farming systems in the EU-28 to 2020. Specifically, we focus firstly on the political recognition of organic farming as being "green by definition" in terms of being automatically eligible for the Pillar 1 greening component due to its environmental and climate credentials.

Secondly as organic farming is the legally defined sustainable farming system legally defined at EU level with overwhelming evidence detailing its public goods contribution, we explore support the visibility of organic farming under relevant RDP measures.

Finally, we compare the different support options for organic farmland area payments in 24 Member States by land use type under Measure 11 of Pillar 2 RDPs for the periods 2015 and 2007-2011.

## 2 Organic farming support under CAP in 2015

### 2.1 The role of organic farming under the new CAP

Since the implementation of Council Regulation 1278/92 in 1992, policy support for organic farming through area payments has been organised under CAP agri-environmental measures and is currently supported through the EAFRD. This policy support reflects the dual role of organic farming in meeting demand for high quality food and delivering environmental public goods.

Organic farming in Europe has developed considerably in recent years, supported by significant and varied policy interventions. Organic farmland area support payments under the EU RDPs together with regional and national organic action plans were the most relevant factors for both the development of organic production and the organic market. As incentives for new organic farmers to convert, organic area payments proved a boost for organic farming in the EU. Organic maintenance payments also provide a good foundation for success for other organic support measures (e.g. advice, training, marketing etc).<sup>21</sup> Under the new CAP, the new RDPs dedicate a specific measure (Measure 11) to organic conversion (Measure 11.1) and the maintenance of organic farming (Measure 11.2).

Compared to support under previous reforms there are some novelties for organic farming under the CAP 2014-2020 that are making organic farming more visible and confirming its role as a measure for providing public goods under Pillar 1 and 2.

#### Greater visibility and opportunities to support organic farming under the CAP 2014-2020

The European Commission outlines that “the new CAP recognizes the role of organic farming in responding to consumer demand for more environmentally friendly farming practices. [...] Support to organic farming can provide an important contribution to the objectives of this policy, since as a quality measure it helps to improve the competitiveness of agriculture and as a farm management system it contributes to improving the environment and the countryside.”<sup>22</sup>

1. **Pillar 1:** organic farms automatically receive Greening component. They do not have to fulfil any further obligations because of their significant overall contribution to environmental objectives
2. **Pillar 2:** Organic farming is mentioned more specifically under the Rural Development Regulation (EU) No 1305/2013:
  - Article 29 **Organic Farming:** support under this measure shall be granted, per hectare of agricultural area, to farmers or groups of farmers who undertake, on a voluntary basis, to convert to or maintain organic farming practices and methods as defined in Regulation (EC) No 834/2007 and who are active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013
  - Article 17 (3) Investments in physical assets: [...] maximum [support] rates may be increased for [...] investments linked to operations under **Articles 28 and 29** [Organic Farming] and for operations supported in the framework of the EIP for agricultural productivity and sustainability [...]
  - Article 16 (1a (ii)) Quality schemes for agricultural products, and foodstuffs: support under this measure shall cover new participation by farmers and groups of farmers in: (a) quality schemes established under the following Regulations and provisions: [...] Council Regulation (EC) No 834/2007
  - Article 15 (4g) Specific advice for farmers setting up for the first time. [...] This may include advice for the development of short supply chains, **organic farming** and health aspects of animal husbandry

- 
- Title IV European Innovation Partnership (EIP) for Agricultural Productivity and Sustainability, Article 55 (1a). Aims: the EIP for agricultural productivity and sustainability shall: (a) promote a resource efficient, economically viable, productive, competitive, low emission, climate friendly and resilient agricultural and forestry sector, working towards **agro-ecological production systems** and working in harmony with the essential natural resources on which farming and forestry depend
3. Furthermore, contrary to the previous programming period (2007-2013), the recitals of Regulation (EU) No 1305/2013 mention organic farming specifically:
- (13) Specific advice may also be provided on climate change mitigation and adaptation, biodiversity, the protection of water, the development of short supply chains, **organic farming** and health aspects of animal husbandry
  - (22) Member States [...] should be required to spend a minimum of 30% of the total contribution from the EAFRD to each RDP on climate change mitigation and adaptation as well as environmental issues. Such spending should be made through agri-environment-climate and **organic farming payments** and payments to areas facing natural or other specific constraints, through payments for forestry, payments for Natura 2000 areas and climate and environment-related investment support

(23) Payments to farmers for converting to, or maintaining, **organic farming** should encourage them to participate in such schemes thereby responding to the increasing demand of society for the use of environmentally friendly farm practices and for high standards of animal welfare [...]

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## 2.2 The Pillar 1 Greening component

### 2.2.1 EU legal basis

The initial aim of these Greening component is to make the EU direct payment system more environmentally friendly and thus to “provide a basic level of environmental management” from all farms that are supported under the CAP.<sup>23</sup> It seeks to support farmers that adopt or maintain agricultural practices that help to meet EU climate and environment goals by respecting three obligatory agricultural practices:<sup>24</sup>

1. Maintenance of permanent grassland
2. Dedicating 5% of arable land to Ecological Focus Areas (EFAs)
3. Crop diversification

Organic farmers automatically receive the payment, as they are considered to be providing environmental benefits.

### 2.2.2 Implementation in Member States

Member States have a lot of flexibility regarding the implementation of specific greening measures. Member States, for instance, can replace one or more greening requirements through equivalent practices.<sup>25</sup> In this case, five Member States declared their intention to offer farmers the possibility of meeting their greening obligations through equivalent practices – three of them (Austria, Ireland, and Poland) through agri-environment and climate measures and two (the Netherlands and France) through certification schemes.

Flexibility is also evident from the choice of elements that farmers may use to fulfil their EFA obligation which varies between Member States. Only two Member States (the Netherlands and Poland) allow for the collective implementation of EFAs. No Member State decided to implement an EFA on the regional level. For permanent grassland protection almost all Member States decided to manage the ratio of permanent grassland at national level. Only four Member States (Belgium, France, Germany and UK) opted for the ratio at regional level.

Organic farms are “green by definition” and receive the Greening component without having to fulfil the three basic obligations. This recognition is welcomed by organic stakeholders, however, no significant impact on organic farming development and conversion is expected from it.<sup>26</sup>

### 2.2.3 Greening: a few strengths, and many weaknesses

Does the Greening component make EU agriculture more environmentally and climate friendly? As the new instrument has just started, it is obviously too early for a sound evaluation. Nevertheless, there are already several studies available that voice a general criticism of the greening component, which can be summarised as follows:

- The main strength is that the greening regime induces thinking and debate about making EU agriculture greener and more environmentally friendly. Big arable farms, for example, are now required to implement at least a few minimal greening practices, which can be seen as a step towards a more sustainable agricultural practices and could lead to increased catch crops, crop diversification, maintenance of permanent grassland and the creation of EFAs.
- However, the basic dilemma is that environmental measures under Pillar 1, which apply to all farmers in EU Member States, require easy administration and control. As a consequence of this, and the fact that Pillar 1 agri-environmental measures cannot be targeted to the same extent as under Pillar 2, the problem of deadweight losses or the provision of public goods at high costs is expected.<sup>27</sup>
- Quite a lot of farms are exempt from the greening obligations. Small farms, area thresholds and EFA exemptions lead to a situation in which both the agricultural land area and the number of farms affected by the greening will be rather low. In some Member States, such as Italy, such exemptions apply to a considerable number of farmers.<sup>28</sup>
- There has been a dilution of ambition. EFAs, for example, were considered the measure that could bring the most environmental benefit.<sup>29</sup> However, during the negotiation process, the environmental specifications were diluted by reducing the share of EFAs from 7% to 5%, and allowing exceptions such as area thresholds, which exempt around 88% of EU farmers and more than 48% of the agricultural area from deploying EFAs.<sup>30</sup>
- Meeting greening requirements is expected to often occur without significant changes in farm management practices. Instead of increasing environmental ambition, the implementation pattern in some Member States is increasing the probability that farmers will be able to meet the greening obligation only by making a few changes, e.g. by permitting farmers to use fertilisers and pesticides, allowing them to use crops that are not necessarily beneficial to biodiversity, or by selecting features already protected under cross-compliance.<sup>31</sup>

Generally, model analyses suggest that transitioning towards sustainable farming systems, using for example organic farming as a policy instrument to address a large number of co-benefits, can increase the overall cost-effectiveness of a given policy mix. This is particularly the case if combined with other, more targeted environment and climate measures, provided that the combinations fits, is synergistic and has a high transfer efficiency.<sup>32</sup> However, the Greening component, by nature of its architecture, actual coverage, missing links to, and synergies with, relevant measures of Pillar 2, do not seem to be effective in making EU agriculture more environmentally and climate friendly. Thus, it appears that Greening component, as currently implemented in the EU, is a lost opportunity that cannot be expected to lead to the delivery of more public goods.

## 2.3 Rural Development Programmes

Despite the recognition of organic farming under Pillar 1 greening, the majority of support comes through different Measures set out in EU RDPs, most notably through farmland area payments for conversion and maintenance of organic production (Measure 11). For the purpose of this study we focus specifically on Measure 11 owing to the fact that this forms a significant part of direct support for organic farming under RDPs. This specific focus was also due to the limited availability of full data sets from Member States on other Measures targeted at organic farming to support the direct and indirect delivery of public goods e.g. knowledge transfer and information actions (Measure 1), Investments in physical assets (Measure 4) agri-environment-climate (Measure 10), and Cooperation (Measure 16).

### 2.4 Public expenditure for Organic Farming (Measure 11)

Organic farmland area support through conversion and maintenance payments (Measure 11) differs from Member State to Member State. Indeed, the most recent figures for overall EU expenditure on maintenance and conversion payments for organic farming for the 2014-2020 period vary considerably. Across different Member States they range from 0.2% of total EU RDP spending (Malta) to 13.2% (Denmark), with limited scope for expanding organic farmland area (see figure 2.1). The Netherlands provides no targeted measures for organic farming under the new RDP, but organic farmers are eligible to apply to all support measures under the Dutch RDP.

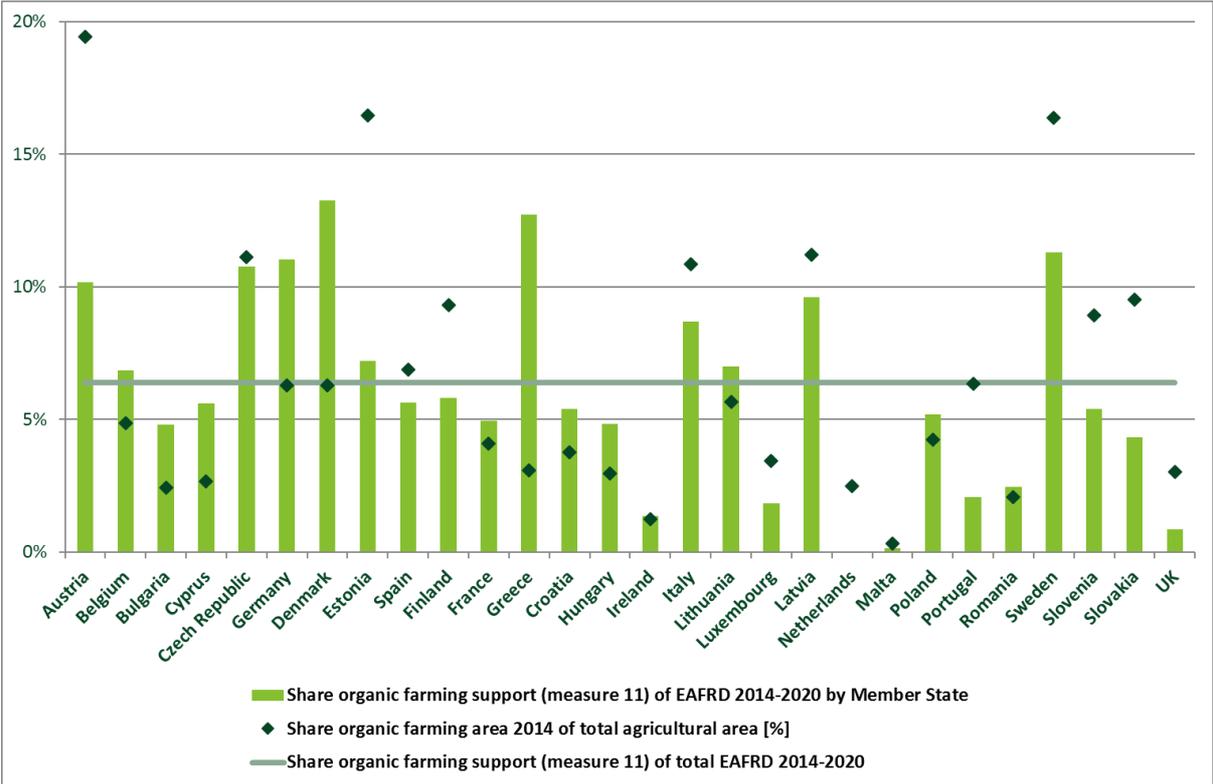


Figure 2.1 EAFRD contribution to organic farming support (Measure 11) under CAP 2014-2020 compared to the total organic farmland area in 2014 by Member State

Source: Own calculation based on DG Agriculture and Rural Development, 2016 and Willer et al., 2016

The total contribution from the EAFRD to organic farming payments for 2014–2020 amounts to €6.3 billion or 6.4% of the total budget for EU RDPs (€99 billion). This percentage is approximately equivalent to the percentage of total EU farmland that is organic (5.7%, as of 2014). There is no identifiable pattern in the relationship between the importance that Member States attribute to organic farming, and the size of their national organic sector. Countries like Belgium, Bulgaria, Cyprus, Denmark, Germany and Greece seem to attribute more importance to organic farming support under the new RDPs than countries such as Estonia, Finland, Portugal, Slovenia, Slovakia and the UK. Differences in payment rates also exist between Member States due to factors such as payment differentiations by land-use type, different economic assumptions and different costs and income foregone components in payment calculations. Thus, the extent to which Member States give priority to organic farming and the corresponding budget allocations and constraints determine the payment rates and the policy environment for the development of organic farming.

The picture is quite similar when comparing Member State’s projected organic farmland area coverage under Measure 11 for the 2014–2020 period with the actual organic farmland area in 2014. Some Member States, such as Austria, Czech Republic, Spain, France, Portugal, Romania, Sweden and the UK, projected that less organic farmland area would be supported under Measure 11 than was actually converted and in-conversion in 2014 (see figure 2 and table 2). Denmark, Germany and Poland projected 4–9% growth of organic farmland area under Measure 11 while Belgium, Cyprus, Finland, Greece, Croatia, Ireland, Italy, Luxemburg, Malta and Slovenia set out considerably higher growth rates, although in some cases this is from a quite low level of development in the first place.

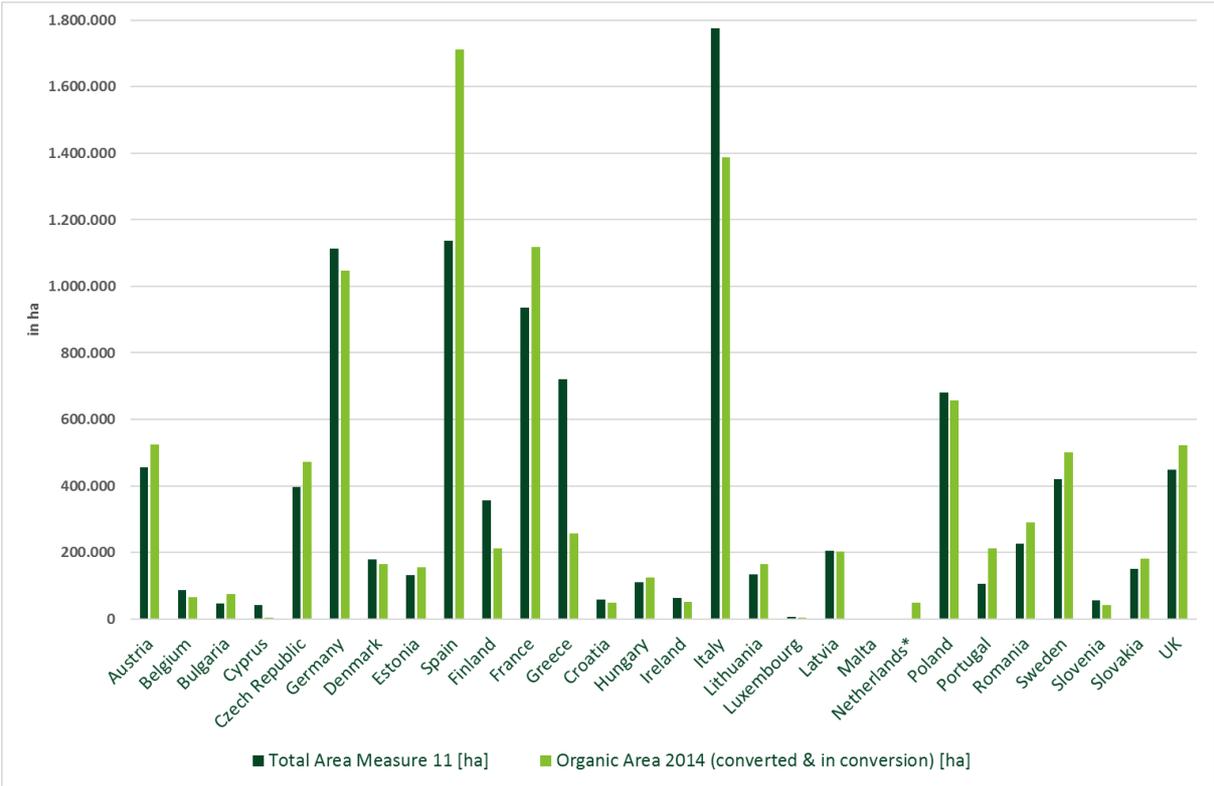


Figure 2.2 Comparison of EAFRD projected organic farmland area under Measure 11 (2014-2020) and the total organic farmland area in 2014 by Member State

Source: Own calculation based on DG Agriculture and Rural Development, 2016 and Willer et al., 2016

Table 2: Comparison of EAFRD projected organic farmland area under Measure 11 and the total organic farmland area in 2014 by Member State

Member State	EAFRD projected area			Organic Area 2014 (ha converted & in conversion)	Difference area Measure 11 and organic area 2014	Share area Measure 11 of 2014 organic area
	Area Measure 11.1 (ha)	Area Measure 11.2 (ha)	Total Area Measure 11 (ha)			
Austria	0	456,000	456,000	525,521	-69,521	87%
Belgium	11,600	75,800	87,400	66,704	20,696	131%
Bulgaria	23,000	23,000	46,000	74,351	-28,351	62%
Cyprus	10,660	30,340	41,000	3,887	37,113	1055%
Czech Republic	39,750	357,750	397,500	472,663	-75,163	84%
Germany	173,919	940,303	1,114,222	1,047,633	66,589	106%
Denmark	39,605	140,480	180,085	165,773	14,312	109%
Estonia	0	133,000	133,000	155,560	-22,560	85%
Spain	115,794	1,020,017	1,135,811	1,710,475	-574,664	66%
Finland	200	356,831	357,031	212,653	144,378	168%
France	485,191	449,632	934,823	1,118,845	-184,022	84%
Greece	478,318	241,804	720,122	256,131	463,991	281%
Croatia	16,496	41,648	58,144	50,054	8,090	116%
Hungary	26,134	84,669	110,803	124,841	-14,038	89%
Ireland	16,000	46,880	62,880	51,871	11,009	121%
Italy	325,138	1,451,448	1,776,586	1,387,913	388,672	128%
Lithuania	25,000	110,000	135,000	164,390	-29,390	82%
Luxembourg	800	5,000	5,800	4,490	1,310	129%
Latvia	20,000	185,000	205,000	203,443	1,557	101%
Malta	45	13	58	34	24	173%
Netherlands*	0	0	0	49,159	-49,159	0%
Poland	138,000	543,000	681,000	657,902	23,098	104%
Portugal	20,045	85,290	105,335	212,346	-107,011	50%
Romania	136,550	89,400	225,950	289,252	-63,302	78%
Sweden	25,000	395,000	420,000	501,831	-81,831	84%
Slovenia	15,000	40,000	55,000	41,237	13,763	133%
Slovakia	15,000	135,340	150,340	180,307	-29,967	83%
UK	68,700	379,000	447,700	521,475	-73,775	86%
EU-28	2,225,945	7,816,645	10,042,589	10,250,742	-208,153	98%

Source: Own calculation based on DG Agriculture and Rural Development, 2016 and Willer et al., 2016

\* The Netherlands provides no targeted measures for organic farming under the new RDP

It seems that Member States follow quite different strategies for organic farming development, ranging from managing its stagnation (or even decline), to continuous development with organic farming given a high priority. Generally, from an EU perspective, the EAFRD area projections for Measure 11 suggest that we cannot expect impressive organic area growth by 2020 from the implementation of the new RDP.

However, we must stress that the situation in Member States themselves may be different to what these EAFRD numbers suggest. The EAFRD projections for Measure 11 provide a general idea as to how much support is planned for organic farming under the RDPs. But it is just an indication, not a factual figure. Member States have the possibility to adjust their RDP budgets during the programme period if desired and justified. Furthermore, the data shown above may not necessarily reflect the reality in each Member States as they may:

- Support organic farming from national funding sources and not through EU co-financing under the RDPs (as in the Netherlands, for example)
- Opt not to provide EAFRD support for organic land in conversion. In such cases, the farmland area projection shown in Table 2 only includes the converted area supported under the EAFRD, but not the farmland area in-conversion. Thus the actual organically-managed farmland (in conversion and converted) area would be higher than indicated, as in Austria and Estonia
- Have organic farming support from previous and current RDPs that may overlap. Thus, some organic farmland might still be supported under the framework of the previous RDPs while other organic farmland areas are supported under the new RDP
- Have some organic agricultural farmland areas that might not be eligible for organic farming support

## 3 Development of organic farming support: A comparison of farmland area payments 2007-2015

### 3.1 Overview of organic farmland area support payments

Area support payments have been, together with organic action plans, the most important public support measure for organic sector development over the last few decades.<sup>33</sup> However, the role of area payments has changed as the organic sector has developed. In the new RDP, the Commission strategically considered the role of organic farming in achieving EU environment and climate change goals in the recitals of Regulation (EU) No 1305/2013. While in the previous chapter we analysed the EAFRD budget allocation for organic farming under the new RDPs, in this chapter we will look at the actual payment levels for support for conversion to, and maintenance of, organic farming. We will compare the payment levels under the RDPs implemented in Member States in 2015 with the payment levels under the previous RDPs (Measure 214) in the 2007–2011 programme period.

This analysis is based on data collected from Member States in 2015<sup>34</sup> and 2011<sup>35</sup> and includes information from 24 Member States. For this study, there was no data from Bulgaria, Greece or Malta. Furthermore, the Netherlands has provided no specific organic farming support since 2005 nor do they under the new RDP. Thus, the Netherlands has not implemented specific organic farming schemes under the new RDP. In the previous programme period, France implemented organic conversion and maintenance payments, not under Measure 214 of the RDP, but instead under Article 68 of Regulation 73/2009 of Pillar 1 for organic farming support. Romania also supported organic farming conversion payments under Article 68 while maintenance payments were financed via the RDP. As Croatia only became an EU Member State in 2013, only organic farmland area support payments under the new RDP are shown. Finally, Greece, Hungary, Portugal, and, partly the United Kingdom have not yet updated their organic farming support for the new RDP. Thus, 2015 organic area support payment levels shown for Hungary, Portugal and (to an extent) the United Kingdom refer to the framework of the previous RDP.

In 2015, all 24 EU Member States included in this study implemented organic farming area support under the RDPs based on different land use types (e.g. grassland, arable land, and permanent crops) as well as different crop types. Similar to the previous programme period, payment rates for individual crops differ substantially between Member States.

#### Organic farmland area payment differentiation

Organic farmland area payments are differentiated by land use and crop type. In addition, many countries vary payment levels based on other criteria. These include:

##### **Land use intensity**

Some countries differentiate payment level by land use intensity. Denmark, for example, implemented additional payments for the reduced application of nitrogen, up to a maximum of 60 kilograms of nitrogen per hectare. Heathland and mountain pastures receive lower payments in France, while in Hungary payments for mowed grassland are lower than for grazed grassland. In the Czech Republic and Poland, landscape orchards and extensive orchards get lower payments than intensive orchards.

*Use of certified organic seeds:* Estonia grants 20% higher payments for cereals and potatoes if certified organic seed is used.

##### **Livestock density**

In Estonia and Sweden no grassland payments are granted if there is no livestock, while in Italy (Sardinia, Sicily) lower payments for grassland are granted if it is not used for livestock. Some countries pay grants for grassland in the form of payments per livestock unit (LU), linked to a limited stocking rate.

##### **Crop type and use**

Potatoes receive higher payments than other arable crops in Estonia (only for maintenance). Rice in Portugal

gets high conversion payments. Some Italian regions (only for maintenance), Austria, the Czech Republic, Estonia, Poland and Sweden have lower conversion and maintenance payments for feed crops on arable land. In Sardinia and Sicily all feed crops receive lower payments if they are not used for livestock. Sweden does not grant any payments for feed crops on arable land during the conversion period. The Czech Republic, Estonia and Slovenia have implemented higher payment levels for the production of seed and planting material (cash crops, feed crops, vegetables, grass seeds, potatoes).

### Degressive payment levels by area

Belgium (Wallonia), Ireland, Portugal and Northern Ireland have a degressive payment model whereby the payment level depends on the size of the organic area.

## 3.2 Grassland payments

As of 2015, grassland payments range from €85 per hectare (€/ha) (Czech Republic) to €548/ha (Estonia) for conversion and from €43/ha (Sweden) to €545/ha (Estonia) for grassland maintenance payments (see figure 3.1 and 3.2). Sweden does not offer conversion payments for grassland. Austria, Cyprus, Estonia, Finland, Hungary, Latvia, Poland, Slovakia, the Czech Republic and Estonia have the same grassland payment levels for conversion and maintenance payments. In other Member States and regions, conversion payments are between €13/ha (Romania) and €161/ha (Denmark) higher than the maintenance payments for grassland.

Compared to 2011, most Member States and regions increased payment levels for grassland conversion and maintenance. Ten countries strengthened conversion compared to maintenance payments either by increasing conversion payments more than maintenance payments (Germany, Denmark, Ireland, Lithuania, Luxembourg, and UK), increasing conversion but decreasing maintenance payments (Belgium, Slovenia and Italy) or by reducing conversion less than maintenance payments (Portugal). Austria, Latvia and Portugal reduced both grassland conversion and maintenance payments, Slovakia only conversion payments and Belgium and Slovenia only maintenance payments. The biggest increases for grassland, compared to 2011 payment levels, were found in Estonia (€471/ha conversion, €468/ha for maintenance). Notable reductions in maintenance payments were made only in Portugal (-€280/ha) and Slovenia (-€102/ha).

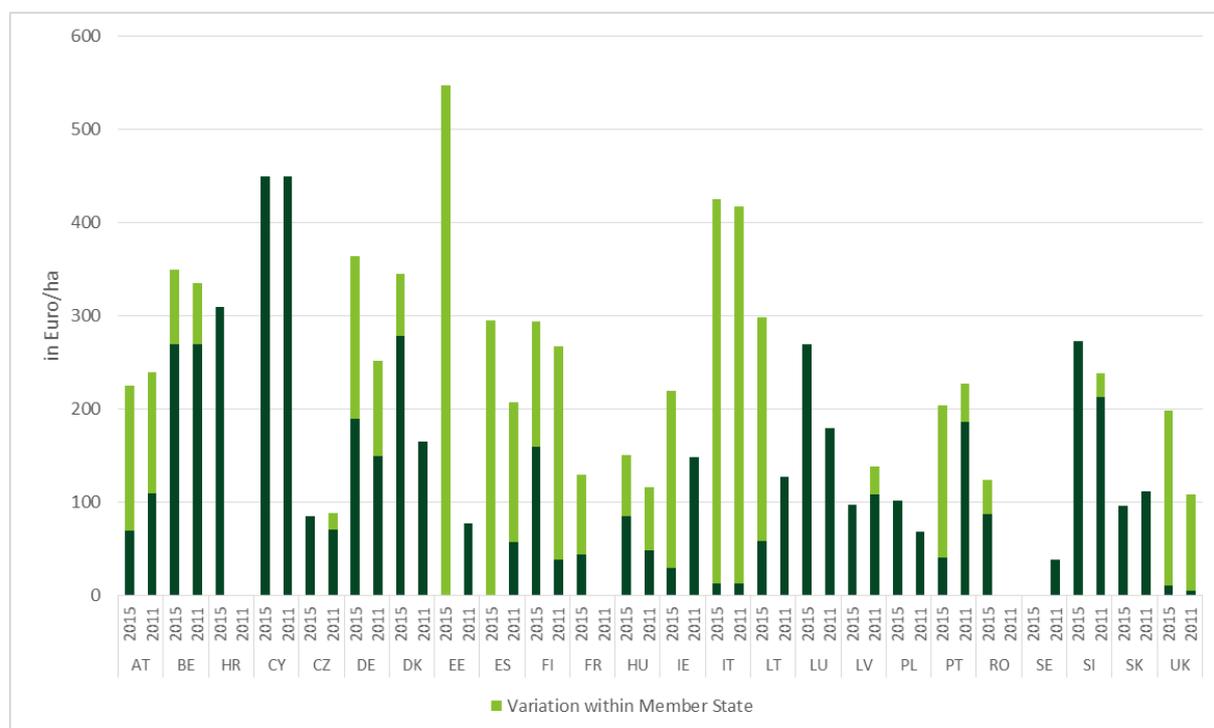


Figure 3.1: Organic support payments 2011 and 2015 for conversion to grassland

Source: Sanders and Madsen 2016

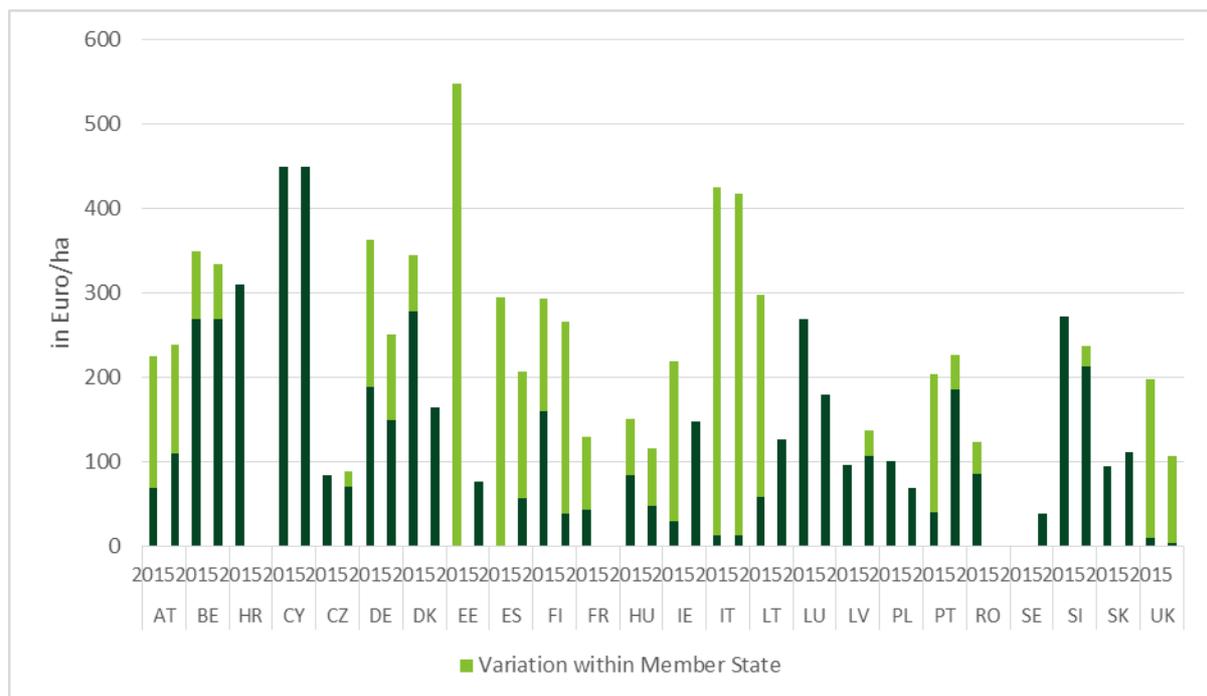


Figure 3.2 Organic support payments 2011 and 2015 for maintenance of grassland

Source: Sanders and Madsen 2016

### 3.3 Arable land

All 24 Member States implemented organic farming support payments for arable land in 2015. The payment level ranged from €160/ha (Sweden) to €800/ha (Slovenia) for conversion and from €90/ha (UK) to €600/ha (Slovenia) for maintenance payments (see figure 3.3 and figure 3.4). Austria, Finland, Latvia and Slovakia maintained the same payment levels for conversion and maintenance payments for arable land. In the other Member States and regions, conversion payments are between €25/ha (Estonia and Lithuania) and €296/ha (UK) higher than the maintenance payments for arable land.

Compared to 2011, most Member States and regions increased payment levels for conversion and maintenance of arable land in 2015. Austria, Cyprus, Finland, Sweden and some Italian regions reduced both conversion and maintenance payments for arable land. Sweden reduced the maximum conversion and maintenance levels considerably, by €393/ha and €370/ha, respectively. 16 countries strengthened conversion payments compared to maintenance payments, either by increasing conversion payments more than maintenance payments (Czech Republic, Germany, Denmark, Estonia, Spain, France, Ireland, Lithuania, Luxembourg, Slovenia and UK), increasing conversion but decreasing maintenance payments (Belgium, Poland and Portugal) or by reducing conversion less than maintenance payments (Italy, Hungary). Notable increases in payment levels for arable land were found in Slovenia, where conversion payments were increased by €502/ha and maintenance payments by €302/ha, as well as in Luxemburg and Latvia, which increased conversion and maintenance payment levels by more than €200/ha. The United Kingdom increased conversion payments for arable land by €215/ha. Cyprus and Sweden on the other hand reduced area payments by more than €300/ha.

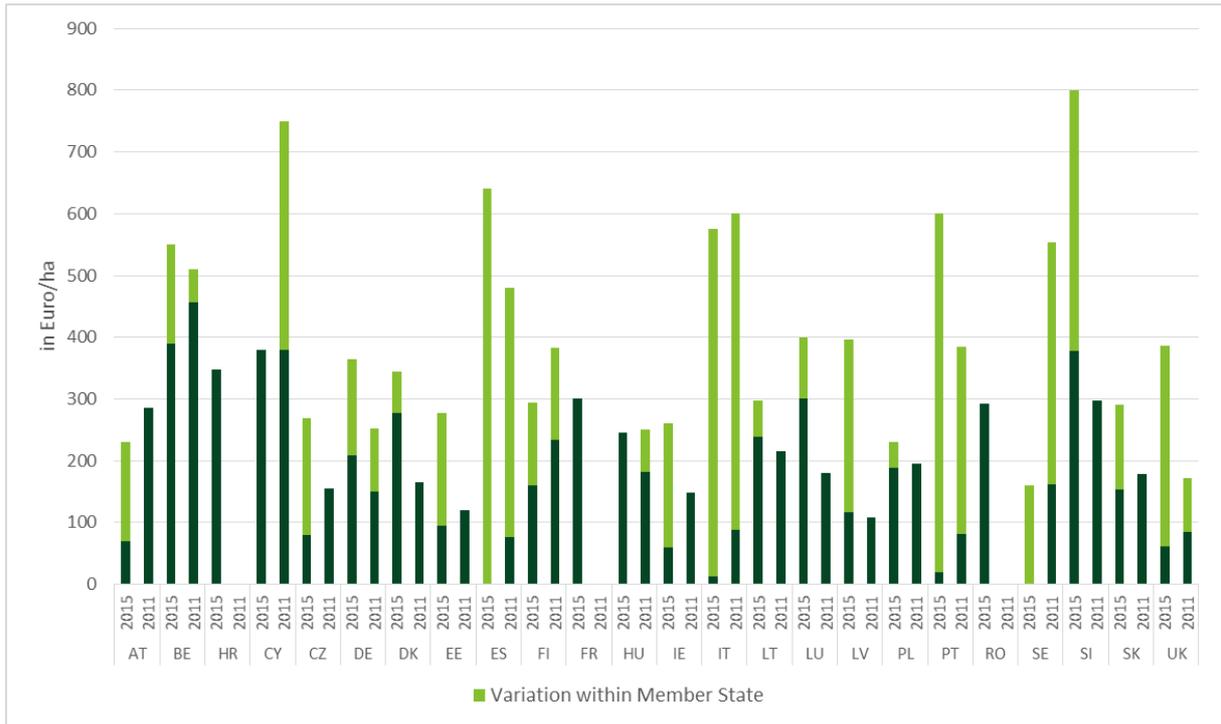


Figure 3.3 Organic support payments 2011 and 2015 for conversion to arable land

Source: Sanders and Madsen 2016

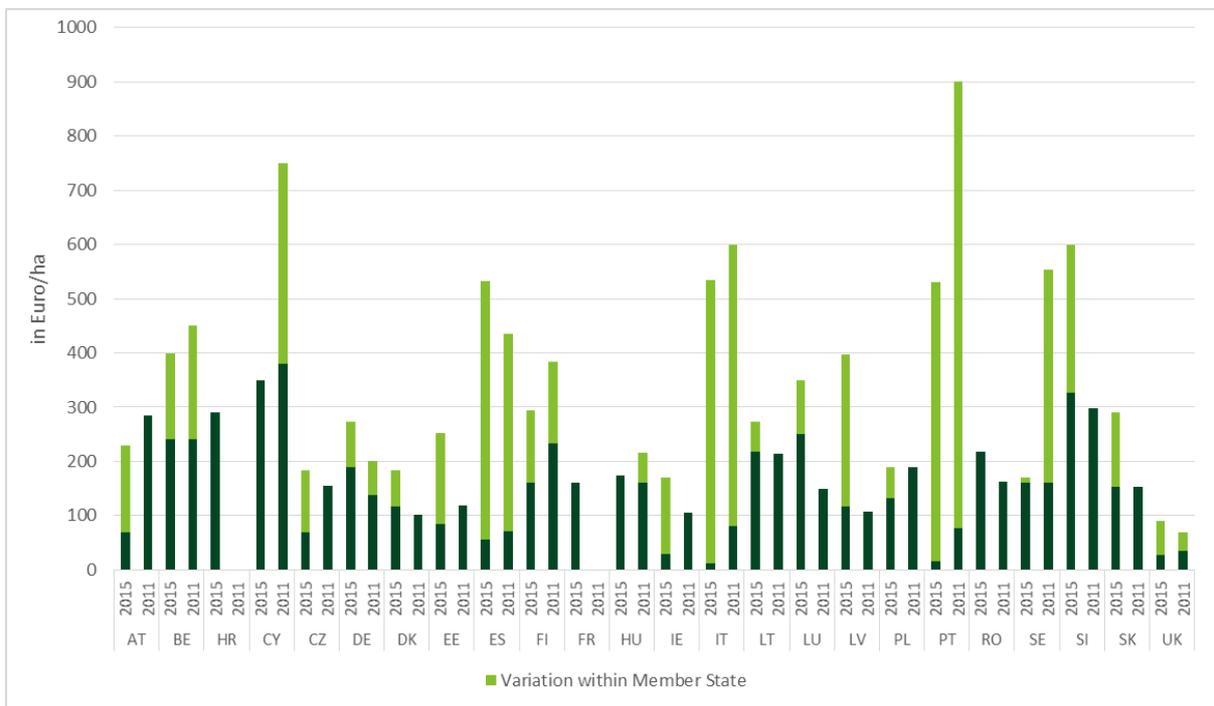


Figure 3.4: Organic support payments 2011 and 2015 for maintenance of arable land

Source: Sanders and Madsen 2016

### 3.4 Annual vegetables

Specific organic area payments under Measure 11 are provided for annual vegetables in all of the 24 Member States analysed in this study (see figures 3.5 and 3.6). Payment levels for conversion range from €300/ha (Ireland) to €1,440/ha (Germany) and for maintenance from €184/ha (Denmark) to €900/ha (Belgium and Cyprus). The highest conversion payments for annual vegetables are granted in some German Länder and in Belgium, while the lowest are in Ireland and Denmark. Belgium and Cyprus have the highest maintenance payments for annual vegetables. The lowest maintenance payments are granted in Denmark and Ireland.

In contrast to payments for grassland and arable land, considerably more Member States do not offer different payment levels for conversion and maintenance of annual vegetables (Austria, Cyprus, Finland, Italy, Lithuania, Latvia, Portugal, Sweden, Slovenia, Slovakia). In the other 14 Member States and regions, conversion payments are between €48/ha (Spain) and €890/ha (Denmark) higher than the maintenance payments for annual vegetables.

13 Member States increased conversion payments more than maintenance payments (Belgium, Czech Republic, Germany, Denmark, Estonia, France, Hungary, Ireland, Luxembourg, Poland, Portugal, Romania, UK), either by increasing conversion payments more than maintenance payments or by reducing conversion payments less than maintenance payments (Czech Republic, Portugal). The biggest changes were identified for, on the one hand, Germany (conversion payment increase of €864/ha) and the UK (increase of €646/ha for conversion and €320/ha for maintenance) and, on the other hand, for Finland (decrease of €300/ha for both conversion and maintenance) and Italy (decrease of €321/ha for conversion and €137/ha for maintenance).

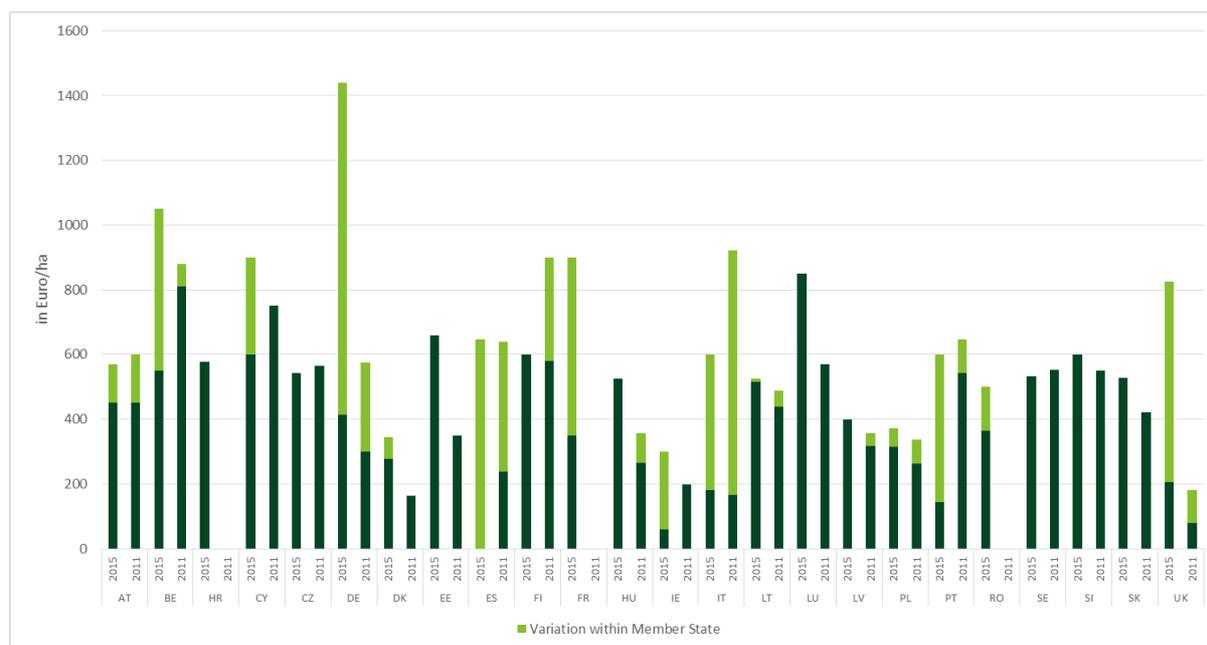


Figure 3.5: Organic support payments 2011 and 2015 for conversion of annual vegetables/herbs

Source: Sanders and Madsen 2016

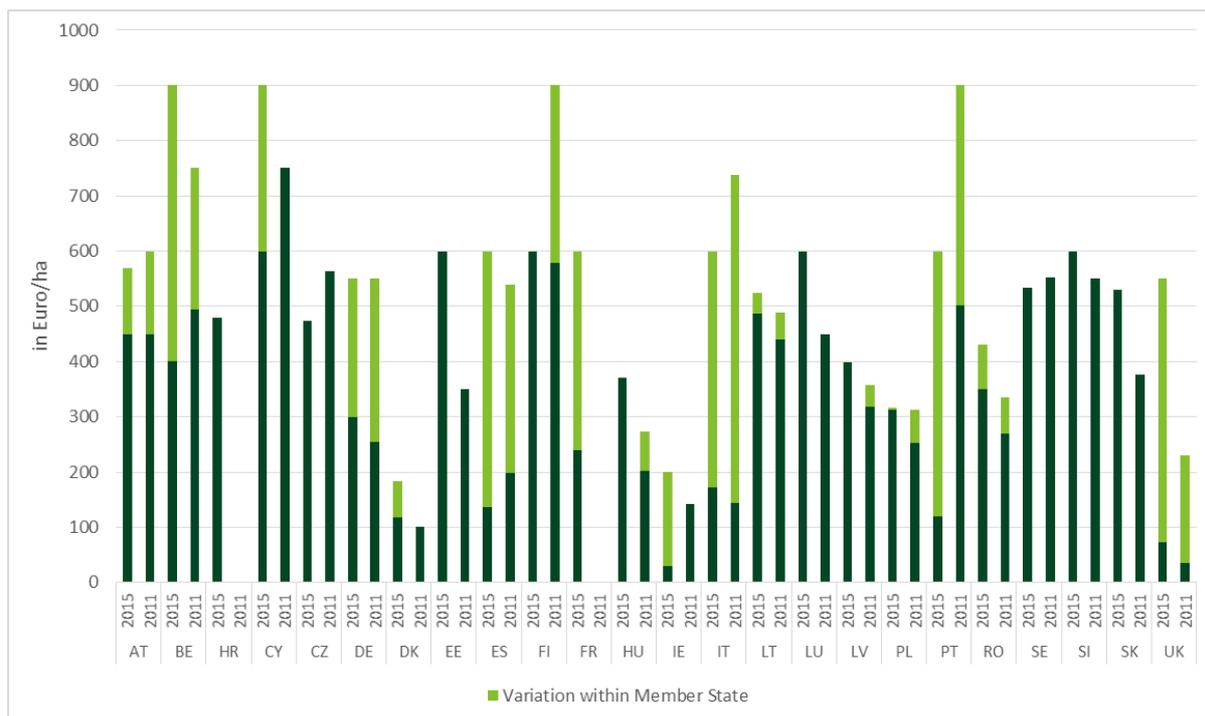


Figure 3.6: Organic support payments 2011 and 2015 for maintenance of annual vegetables/herbs

Source: Sanders and Madsen 2016

### 3.5 Perennials, orchards and fruits

In 2015, organic farming support payments for perennials, orchards and fruits were implemented in all 24 Member States (see figure 3.7 and figure 3.8). The payment levels range from €160/ha (Finland) to €2,160/ha (Germany) for conversion and from €160/ha (Finland) to €975/ha (Germany) for maintenance payments (figure 9 and figure 10). The highest payments for conversion are offered in Belgium, Hungary, Luxembourg, (more than €1,000/ha), and for maintenance in Germany, Portugal, Cyprus and Belgium (more than €900/ha). The difference between the conversion and the maintenance payments ranges from €16/ha (Lithuania) to €400/ha (Luxembourg). Eight Member States have the same payment levels for conversion and maintenance of organic perennials, orchards and fruits.

13 Member States increased conversion payments more than maintenance payments, compared to 2011, either by increasing conversion payments more than maintenance payments (Belgium, Germany, France, Hungary, Ireland, Luxembourg, Romania and UK) or by reducing conversion payments less than maintenance (Czech Republic, Estonia and Slovenia). Denmark had higher conversion than maintenance payments in 2011 but changed in 2015 to higher maintenance than conversion payments for perennials, fruits and orchards. The highest increase for conversion payments was in Germany (€1080/ha). Finland, on the other hand, decreased support for organic perennials, orchards and fruits by €740/ha for both conversion and maintenance payments.

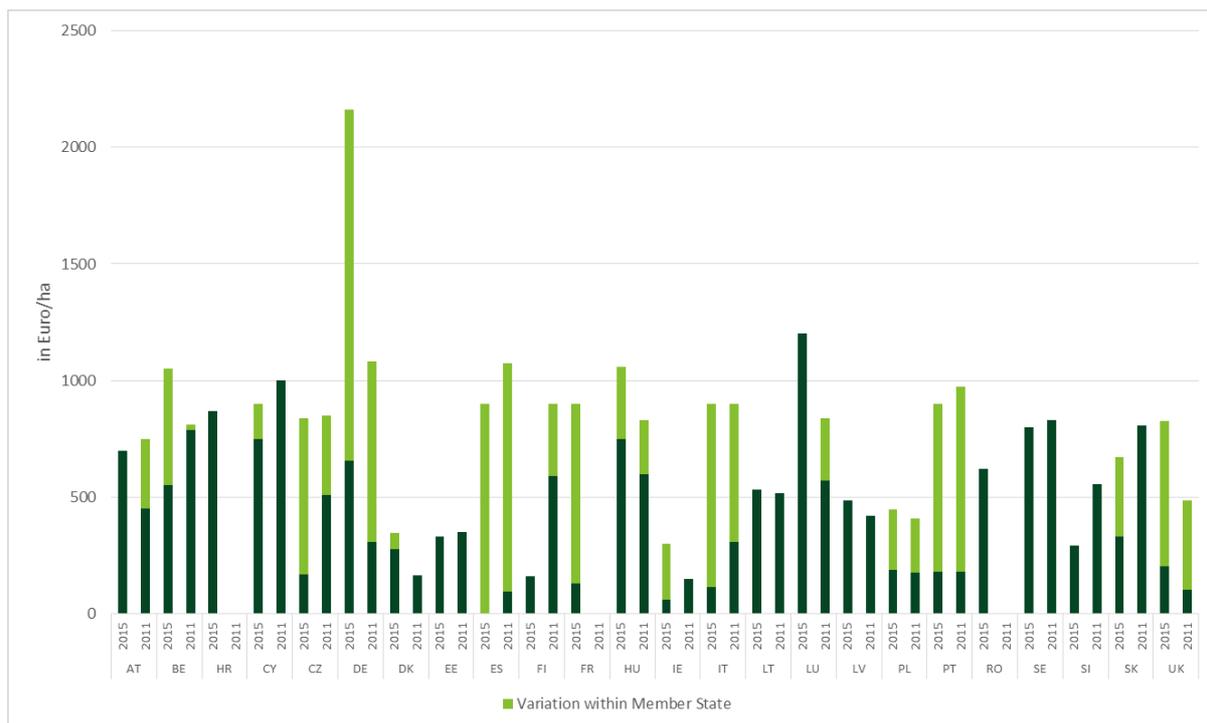


Figure 3.7: Organic support payments 2011 and 2015 for conversion of perennials, orchards, fruits

Source: Sanders and Madsen 2016

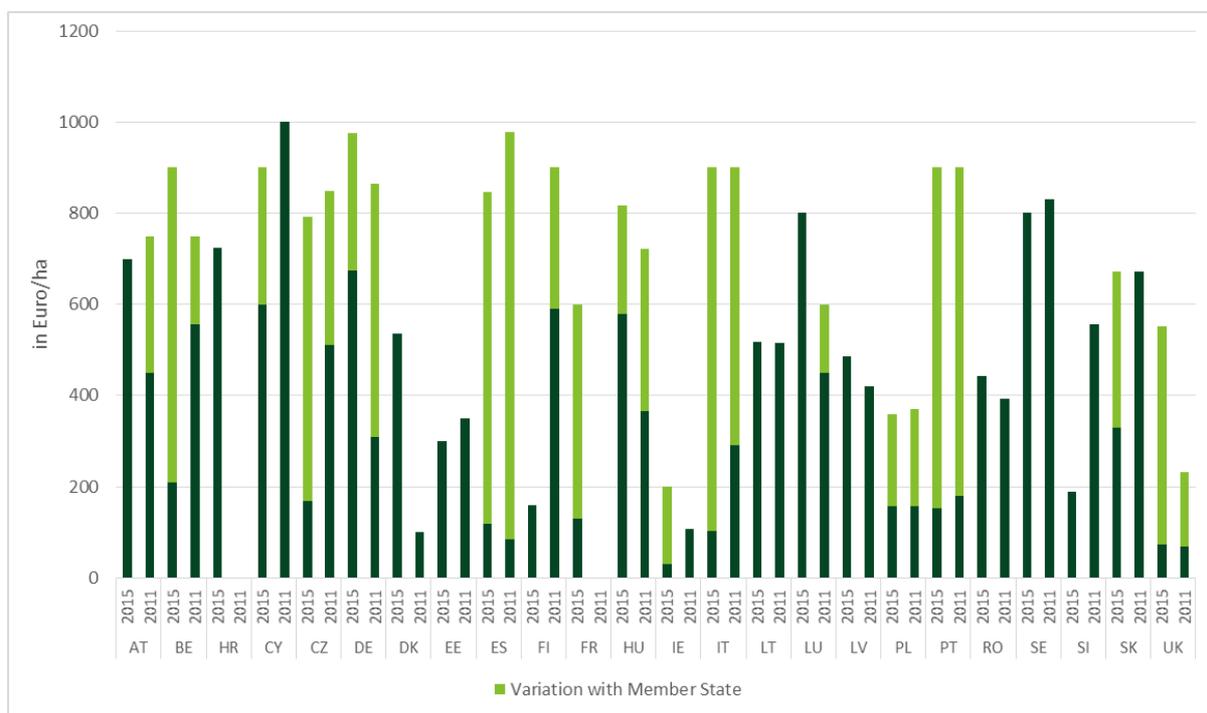


Figure 3.8: Organic support payments 2011 and 2015 for maintenance of perennials, orchards and fruits

Source: Sanders and Madsen 2016

### 3.6 Greenhouse crops

Eight Member States (see figures 3.9 and 3.10) offer specific area support payments for the conversion and maintenance of greenhouse crops (Austria, Belgium, Germany, Spain, Italy, Luxembourg, Portugal and Slovenia). There are huge differences between payment levels in these countries: conversion payments range from €600/ha (Spain, Portugal, Slovenia) to €6,000/ha (Germany) and maintenance payments vary from €400/ha (Belgium) to €3,800/ha (Germany). Compared to 2011, Germany increased greenhouse payments considerably in 2015, by 1,100€/ha for conversion and €300/ha for maintenance. Austria, on the other hand, reduced both payment levels by up to €3,500/ha and now offers both conversion and maintenance of organic greenhouse crops at €700/ha. Latvia dropped support of greenhouse crops. Half of the eight Member States have the same payment level for conversion and maintenance (Austria, Spain, Portugal and Slovenia). The remaining countries (Belgium, Germany, Italy and Luxembourg) increased conversion payments compared to maintenance payments. In 2015, the difference between conversion and maintenance payments ranged from 95€/ha (Italy) to €2,200/ha (Germany).

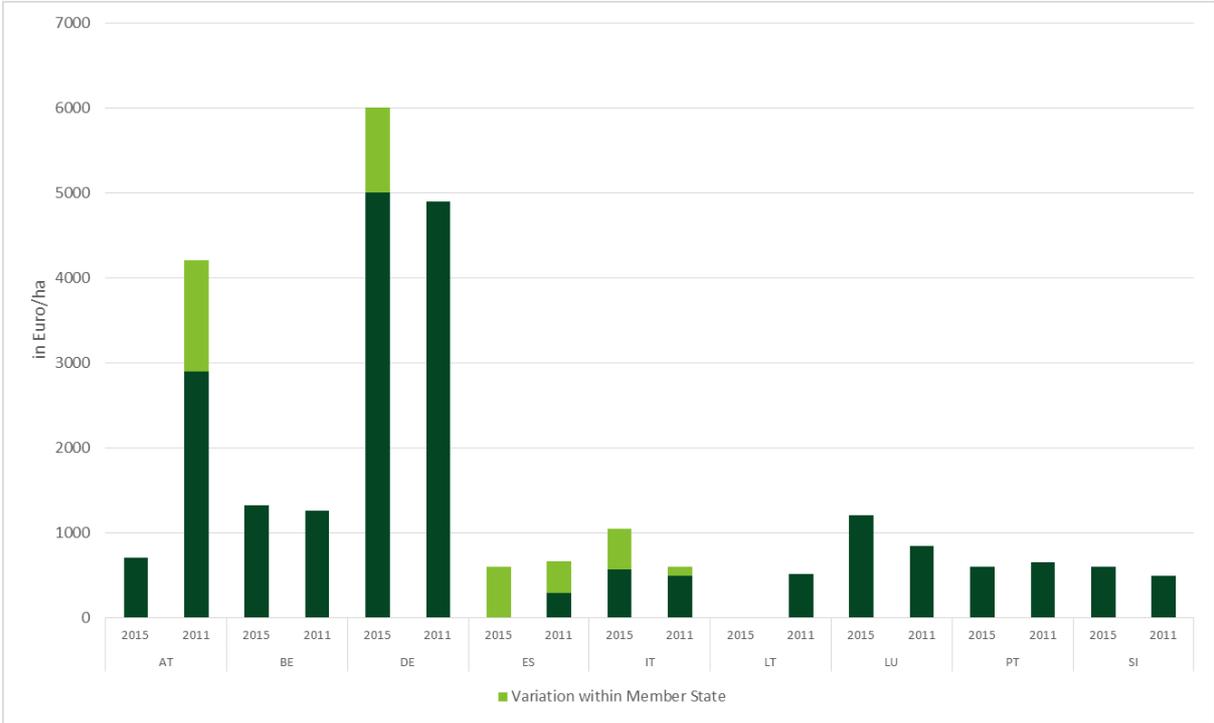


Figure 3.9: Organic support payments 2011 and 2015 for conversion of greenhouse crops

Source: Sanders and Madsen 2016

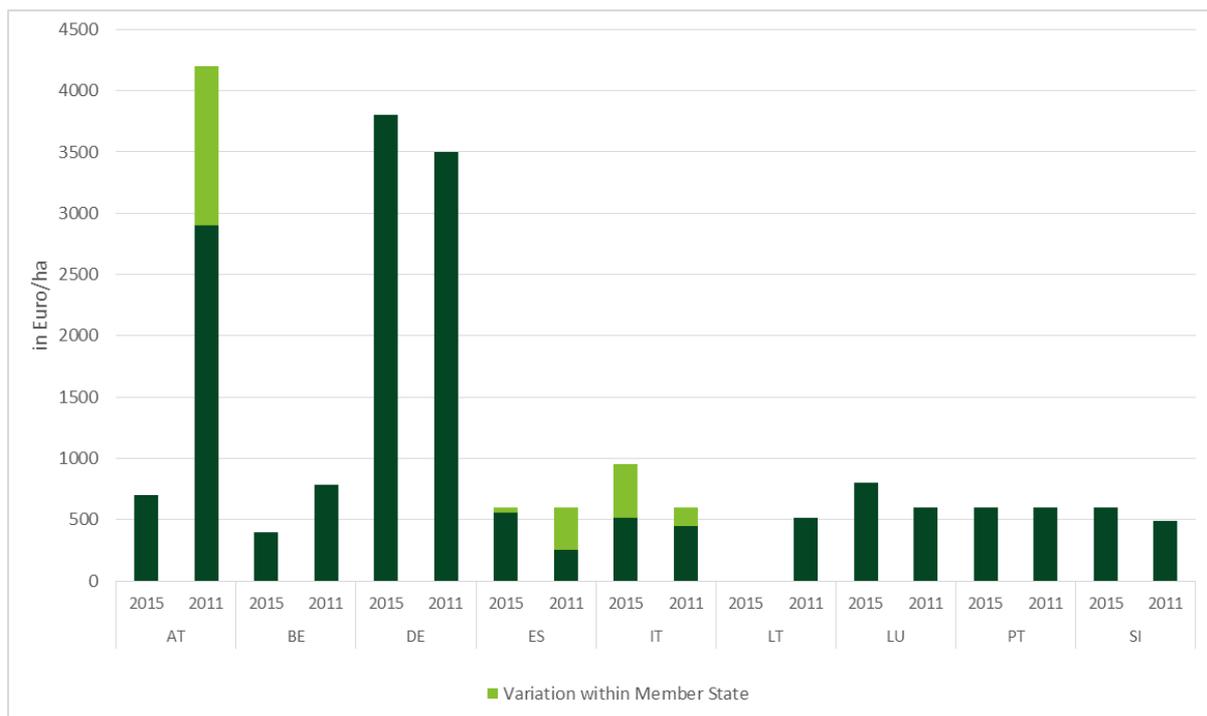


Figure 3.10: Organic support payments 2011 and 2015 for maintenance of greenhouse crops

Source: Sanders and Madsen 2016

### 3.7 Vineyards

14 Member States grant specific area support (conversion and maintenance) for organic vineyards (figures 3.11 and 3.12). In 2015, the payment level for conversion of vineyards ranged from €350/ha (France) to €2,855/ha (Germany) and for maintenance from €150/ha (France) to €2,855/ha (Germany). Ireland and the UK supported organic vineyards in 2011 but did not implement any organic vineyard area payments for organic farms in 2015. In 2015, the Czech Republic, Spain, Hungary, Luxembourg, Portugal, Romania and Slovenia increased conversion payments more than maintenance payments, compared to 2011. The difference between conversion and maintenance payments ranges from €51/ha (Romania) to €400/ha (Luxembourg).

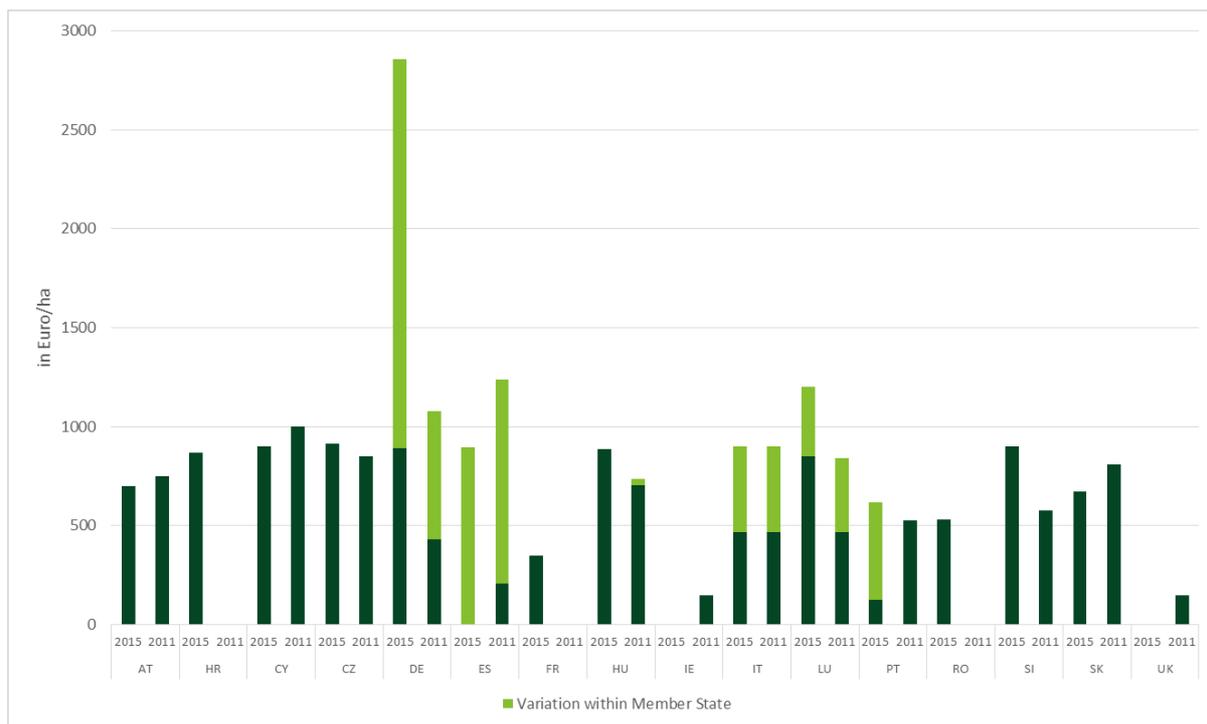


Figure 3.11: Organic support payments 2011 and 2015 for conversion of vineyards

Source: Sanders and Madsen 2016

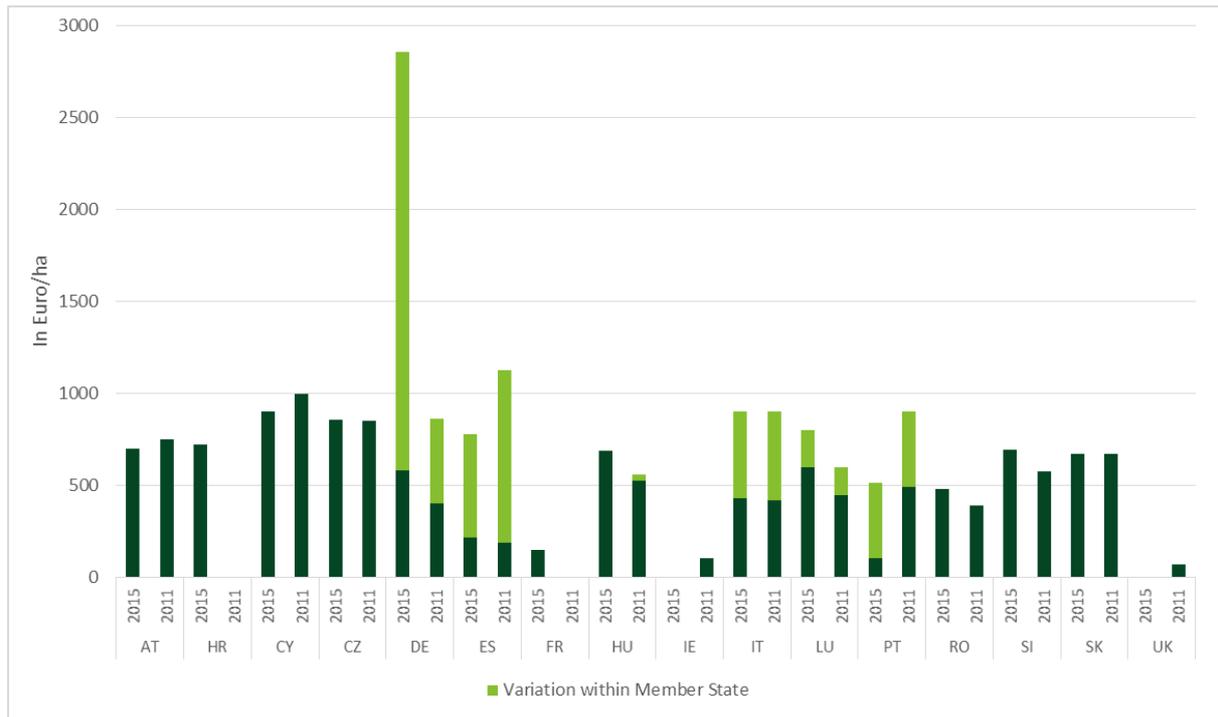


Figure 3.12: Organic support payments 2011 and 2015 for maintenance of vineyards

Source: Sanders and Madsen 2016

### 3.8 Olive trees

In 2015, six of the 24 countries in this analysis implemented specific conversion and maintenance area support payments for organic olive trees (figures 3.13 and 3.14). The payments for conversion of olive trees range from €300/ha (Portugal) to €900/ha (Slovenia) and for maintenance of olive trees from €360/ha (Spain) to €723/ha (Croatia). The difference between the conversion and maintenance payment levels ranges from €87/ha (Italy) to €223/ha (Slovenia). Portugal reduced conversion payments for olive trees compared to 2001 by €251/ha and increased the maintenance payments slightly so that in 2015 conversion payments for olive trees are €236/ha lower than maintenance payments. Thus, while Cyprus, Spain, Italy and Slovenia provided a greater incentive for conversion of olive trees by increasing, compared to 2011, the difference between conversion and maintenance payments, Portugal took the alternative approach of increasing maintenance payments compared to conversion payments.

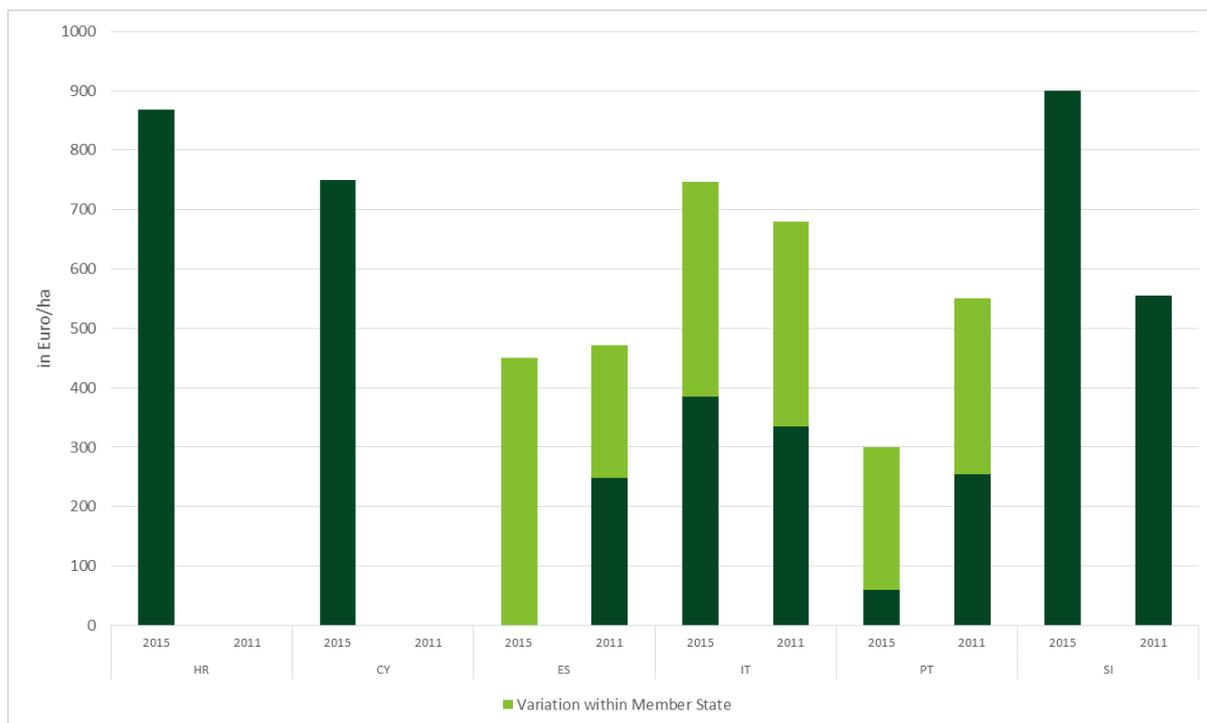


Figure 3.13: Organic support payments 2011 and 2015 for conversion of olive trees

Source: Sanders and Madsen 2016

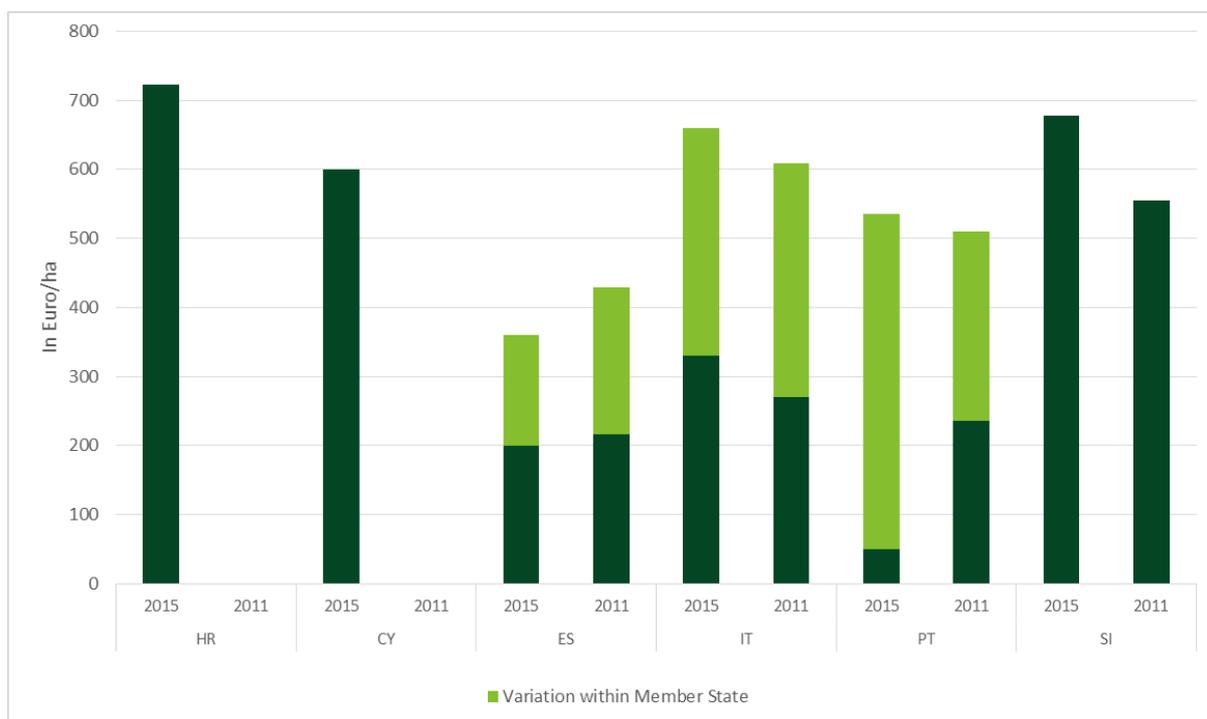


Figure 3.14: Organic support payments 2011 and 2015 for maintenance of olive trees

Source: Sanders and Madsen 2016

To summarise, most countries grant higher payments for conversion than for maintenance of organic farming (see table 3.1). Four countries (Austria, Finland, Latvia and Slovakia) implemented the same payment levels for both conversion and maintenance for all crops for which they offer organic area support payments. In 2015,

compared to 2011, there is a trend for grassland and arable land towards more differentiated payment levels for conversion and maintenance. This is less pronounced for annual vegetables and perennials. Furthermore, we found that for grassland, arable land, annual vegetables, perennials and olive trees, more than half of the countries that implemented payments for these crops increased conversion payments compared to maintenance payments, and thus provided greater incentives for conversion in 2015 compared to 2011. Thus, several of the Member States and regions analysed in this study are using the organic area payments under Measure 11 to boost conversion to organic farming by increasing conversion payments compared to maintenance payments.

### **3.9 Policy mix of organic farming support**

Although the main focus of this chapter is on organic farmland area payments it is important to remember that public support for organic farming more broadly is the major driver of the organic sector in the EU. Farmland area support payments, together with national and regional organic action plans, are the support measures which have contributed the most to the development of the organic farming. However, public support can only be effective if embedded in, and supported by, a well-functioning competitive industry, a public with a positive attitude towards organic, increasing consumer demand for organic products and an environment of trust and reliability around policies. Whether the organic sector develops proactively or not depends not only on organic farmland area payments, but on a diversity public support measures, including maintenance and conversion support, marketing support, and training and education.<sup>36</sup> As a consequence, organic farming policies developed from a one-dimensional focus on farmland area support to an approach that integrates demand-oriented measures as well as communicative policy instruments of information, training, research, education and capacity building.<sup>37</sup>

Although data sets of other RDP measures relevant to organic farming were not fully available at time of this analysis it is important to remember that the new EU rural development legislation includes a number of measures that Member States can implement in their RDPs to support and stimulate the development of organic sectors apart from the organic farmland area payments (see table 3). However, from the previous RDP we learnt that the extent to which Member States make use of these additional measures to support organic farming varies considerably.<sup>38</sup> In principle, organic farmland area payments can be combined with other agri-environment-climate measures, provided that they are complementary and compatible (Commission Implementing Regulation (EU) No 808/2014 Article 11). Thus, organic farms are able to top up their organic support payments with additional payments in the same area. However, any combination of measures needs to take into account the specific income foregone and additional costs resulting from that combination. Double funding is not allowed, which means that some combinations may not be possible.

Table 3.1 Other RDP Measures which could be used by Member States to support organic farming apart from Measure 11

Measures code	Measure
1	Knowledge transfer and information actions
2	Advisory services, farm management and farm relief services
3	Quality schemes for agricultural products and foodstuffs
4	Investments in physical assets
6	Farm and business development
9	Setting up of producer groups and organisations
10	Agri-environment-climate
12	Natura 2000 and Water Framework Directive payments
13	Payments to areas facing natural or other specific constraints
14	Animal welfare
16	Cooperation (including the setting up of EIP-AGRI operational groups) <sup>39</sup>
20	Technical assistance

Regional and national action plans have proved to be an effective strategic instrument for governments to tailor organic farming support within their national context and to design the best possible policy mixes.<sup>40</sup> A 2015 review of organic action plans in Europe revealed that most refer to information, training and education, as well as research and innovation, and include producer support (covered as part of the CAP) and market development. However, such integrated and balanced approaches to organic policy-making are used with varying degrees of effectiveness in different European countries and at EU level.<sup>41</sup> Member States should, firstly, use organic action plans as a means of identifying bottlenecks for organic sector development and, secondly, make use of the very different measures that EU RDPs provide so that organic support is based on a broad foundation of policy instruments that effectively address the sector's needs.

## 4 Conclusions and recommendations

Despite "public money for public goods" being a flagship initiative of the current CAP 2014-2020, the promise of a transition towards more sustainable farming practices and systems is not living up to its initial expectations. In principle, it is an achievement that the EU succeeded in dedicating a substantial additional budget to making the EU agriculture greener. The Pillar 1 greening component budget, for instance represents about 90% of the available funds under the Pillar 2 EAFRD. However, the concept of Greening component suffers from a focus on individual farming practices further constrained by its diluted implementation, which will most likely lead neither to an EU agriculture that is more environmentally friendly nor to one that provides more public goods. This is a lost opportunity. Moreover, the new CAP does not signal to farmers that a clear turn towards innovative agro-ecological approaches and sustainable development is a priority. Therefore, the organic sector cannot expect vital boost for organic farming development from the new CAP's linking of Pillars 1 and 2.

The new rural development framework for the 2014–2020 programme period increased the visibility of organic farming and highlights the environmental benefits organic farming can bring to bear on EU environment and climate goals. However, do Member States pick up on the positive signals agreed at EU level? The results of this study are ambiguous. On the one hand, in 2015 Member States strengthened conversion payments compared to maintenance payments, indicating that they aim to provide additional incentives for conversion to organic farming. But, on the other hand, the public expenditures foreseen for organic farming support suggest that Member States follow quite different strategies for organic farming development, ranging from managing stagnation (or even decline) to continuous development, with a high priority given to organic farming. Generally, the EAFRD farmland area projections for Measure 11 show that we cannot expect impressive organic farmland area growth by 2020. It is therefore questionable whether the organic supply and demand paradox can be solved. Failure to invest more ambitiously in sustainable food production and further agro-ecological innovation undermines the ability of farmers to meet citizens' demands for high quality food and public goods.

To this end, looking towards the CAP mid-term review and the CAP post-2020, how can the CAP be shifted towards a policy that truly rewards farmers who deliver public goods and that improves the environmental performance of EU agriculture?

### 4.1 Recommendations for EU, national and regional policymakers

- Public money for public goods must be at the heart the CAP and not an add-on

Real transition to sustainable farming requires clear signals to guide and direct farmers' investments towards sustainable agriculture, with all other parts of the CAP being made consistent with this core strategy.

While the 2013 CAP reform made an attempt to increase the budget for improving the environmental performance of EU farms, it is still not signalling that the provision of public goods through EU agriculture is priority number one. Moreover, the implementation of the Greening component, including a broad range of exemptions and requirements, which involve no significant change in farming practices, indicate that everything can remain as it is and that no real change is required. The current CAP budget allocation dedicates around one third of the EU budget for agriculture to environmentally and climate friendly farming, but two thirds are invested in other priority activities not linked to public goods.

Despite criticism of the implementation of the new Greening component, it is a strategic change for the new CAP to allocate a substantial budget to achieve environmental and climate goals in EU agriculture in addition to the EAFRD. This achievement might not lead to more public goods under the current CAP, but it should at least lead the way for forthcoming reforms of the CAP to invest more in greener EU agriculture. However, policy-makers should work towards using this additional budget more effectively to provide public goods.

Such a sustainable agriculture strategy is one that would be rewarded by both public policies and private markets. In this respect, organic farming can be taken as a role model: compared to other voluntary agri-environment measures, organic farming is unique as it not only aims to provide public goods but also responds to a consumer demand.<sup>42</sup> This strategy of adding value to EU agricultural products could be an alternative to the current strategy of producing food for global markets at low costs.

Farmers' selection and adoption of agri-environmental schemes is, among other things, guided by the principle of payment optimisation. But to make further progress, the provision of public goods should not only be financially incentivised. Incentives should be embedded in a framework of continuous improvement that allows farmers to monitor their environmental, economic and social performance. This calls for the introduction of the sustainable development of whole farm systems as the basic principle of EU agricultural policies and requires making sustainability the underlying concept for farm strategy development. Such a change requires investments in education, training and advice.

- Good implementation of principle public money for public goods requires a strong and straight-forward budget

The current CAP budgetary framework with differing and often incoherent mechanisms for supporting public goods, the ability to shift money target and untargeted measures and inconsistencies in co-financing between Member States supporting public goods delivery has resulted in a non-transparent, complicated and sub-optimal solution for achieving EU environment and climate goals. It might be worth trying to overcome the boundaries of this funding framework and transferring it to a system that allocates budgets to specific objectives. This would allow for the development of a consistent programme of environment and climate outcomes – without compromises – under the objective and budget for “Green EU Agriculture”.

As a starting point, the potential of Pillar 1 measures should be evaluated comprehensively to guide the design of the next CAP reforms. In particular, it must be investigated whether additional budgets for achieving environmental goals should be allocated to more ambitious baseline measures under Pillar 1, or whether it is more effective to move budgets to Pillar 2 through modulation to provide public goods through the more tailored, targeted and voluntary agri-environment-climate measures that exist there

- Investment in organic farming can help to meet environmental and climate goals and support a transition to more sustainable agri-food systems

Farm system approaches like organic farming, which deliver a variety public goods, have proven to provide a consistent foundation for very different environmental improvements that can achieve environment and climate goals in a cost effective way. Policymakers should pursue a clear organic farming strategy at both EU and Member State level.

Multi-target policy instruments, combined with more targeted measures, result in an efficient agri-environment policy mix.<sup>43</sup> Thus, system approaches, such as organic agriculture, contribute to increased cost-effectiveness in achieving agri-environmental and climate change goals. This is based on the concept of economies of scope in which farm system approaches make it cheaper to produce a range of private and social products together, e.g. food, biodiversity, soil fertility, clean drinking water, animal welfare etc.

Effective use should be made of Organic Action Plans as part of this process as means of support the development of the sector, whilst meeting wider sustainability goals across the whole agri-food sector. To this

end organic food and farming support should be designed to address relevant bottlenecks to further development. As there is no one-size-fits-all solution, support that takes account of both supply and demand and is tailored to each Member State and region is required.

Furthermore, organic policy design should consider that there might be conflicts and synergies between organic farming support and other support measures, and should outline a consistent approach.

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