WP 4 - ResAT assessment: Dairy farming in Flanders

SURE-Farm case study Belgium

Eewoud Lievens and Erik Mathijs

Resilience themes coded using NVivo® software
1 Introduction

1.1 Challenges for the dairy sector in Flanders

Flemish dairy farms are “family farms” for the most part: farm owners generally manage the farm, with help of little or no use of non-family labour. Nonetheless, a large group of dairy farms is intensifying its production activities at fast pace. These factors contribute to the large variance in the size and profitability of dairy farms. The abolishment of the milk quota in 2015 has removed a barrier for highly performant dairy farms to expand their operations. This poses a challenge to the large group of farms that operate with a lower profitability.

As general economic challenges, milk price volatility, input price volatility and the cost of land should be mentioned. Volatile milk prices are a recurrent problem for the sector. The magnitude of price volatility is illustrated by the average milk price of October 2007, which was 41 ¢cent/kg, and the average milk price of June 2009, which was only 20 ¢cent/kg. However, the abolishment of the milk quota system in 2015 may severely change the level and volatility of milk prices in the future. Also the volatility of input prices (fertilizers, crop protection products, feed, …) is a challenge, not the least because dairy farms in Flanders are strongly dependent on imported soy for the protein component in the feed of cows. A third major economic challenge is the high and rising price of land. Agricultural land in Flanders costs €52,000 per ha on average, with large differences across provinces and soil types. Since 2013, prices have risen by €10,000 per ha on average. As dairy farming is spread over all Flemish provinces, many dairy farmers face very high costs to acquire land (often over €75,000 per ha). This is one factor that explains the rather low succession on dairy farms (which by itself is a challenge).

The Flemish dairy sector is dependent on export: the self-sufficiency rate is higher than 100%. As the support for milk production by some groups in the Flemish society lowers, export dependency could increase in the future. Another challenge in this regard is the competitiveness of processors on the world market. The major dairy processor, as well as some minor processors, is a cooperative, which has to balance the interests of its members with its own financial interests. This introduces possible limitations to its competitiveness. The major dairy processors have also diversified and differentiated their products only to a limited extent. Therefore, opportunities for private vertical initiatives regarding milk quality and diversification of milk products exist.

In addition, the existing heterogeneity of farmers in marketing cooperatives (due to large variance in size and profitability) may undermine farmers’ resilience: it complicates the management of the cooperative. The majority of Flemish dairy farmers is member of a marketing cooperative.

Two environmental policies clearly restrict the growth of the Flemish dairy sector: the EU Nitrates Directive and the Flemish Programmatiche Aanpak Stikstof (PAS) regulation. The Nitrates Directive restricts farmers in the amount of manure that can be applied to agricultural land. As the whole of Flanders is a “focus area”, i.e. an area where the concentration of nitrate in the groundwater is problematic, all dairy farmers face similar restrictions w.r.t. the use of manure. The PAS regulation on the other hand limits the amount of ammonia that can be emitted by a firm. The regulation aims to reduce nitrogen deposition on natural areas belonging to the Natura 2000 network. As a result of PAS, some dairy farms are obliged to stop their operations, and others can only continue to operate on the condition of

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1 The identification of the challenges was performed by the case study leader ILVO for the most part.
significant investments to reduce nitrogen emissions. In addition, the support among stakeholders for the dominant pathway of intensification and scale enlargement has lowered in many regions within Flanders. Still at the environmental side, weather conditions and animal diseases can pose a serious challenge for dairy farmers. Weather conditions affect dairy farmers mainly in their arable production activities (the average amount of land used by a dairy farm in Flanders is about 40 hectares).

Farming oriented education in Flanders might hamper farmers’ resilience as it is largely steered towards increasing robustness of farms. There is little attention for the adaptability of farms. In addition, the debt structure and asset specificity of dairy farming, and the specificity of dairy farmers’ capacities, do not allow for easy adaptation and transformation.

1.2 Overview of the relevant policies
The policies that affect Flemish dairy farmers’ resilience are largely determined by the EU Common Agricultural Policy. Three groups of policy instruments are relevant for the Flemish dairy sector: direct payments (CAP Pillar 1), market management measures (CAP Pillar 1), and rural development programmes (CAP Pillar 2). This assessment is based on these three groups of policy instruments, and looks at both the European policies and regional implementation. In addition, the European Innovation Partnership for Agricultural productivity and Sustainability (EIP-AGRI) is discussed. Market management measures are part of either the Common Market Organisation\(^2\) (CMO) of agricultural products on the one hand, or the dairy market safety net. The three groups of policy instruments will be discussed simultaneously. Where possible, the impact on resilience of policy goals and policy instruments will be distinguished.

1.3 Direct payments
Direct payments take up the lion’s share of the EU CAP budget. This is no different at the Belgian or Flemish level. Of the €4.2 billion Belgian CAP budget for the period 2014–2020, €3.6 billion was allocated to direct payments. To obtain a rough figure of the share of direct payments that flows to the Belgian dairy sector, we have to look at older documents. From 2007 to 2009, the dairy sector received 28% of the total direct support\(^3\) budget of Flanders. The ratio of direct support to farm income was 32% for dairy farmers at that time (Deuninck and Vrints, 2012). By 2013, this ratio had lowered to 31% (Department of Agriculture and Fisheries, 2015a). Dairy farmers are less dependent on direct payments than beef cattle farmers, arable farmers, or farmers combining either beef or dairy farming with arable farming. They are however much more dependent on them than pig farmers or horticultural producers. More recent figures on the distribution of direct payments over agricultural subsectors in Flanders were not readily available.

1.4 Market management measures
1.4.1 The Common Market Organisation
The CMO determines the rules for trading an extensive set of agricultural products, including milk and milk derivatives, on the European market. Besides marketing standards, which specify the requirements for products in order to enter the market, also import quota are set out. Depending on the existence of a bilateral trade agreement, third countries can export higher or lower amounts of (dairy) products to the

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\(^2\) Milk is just one of the agricultural products integrated into the Common Organisation of the Markets in agricultural products (CMO Regulation (EU) No 1308/2013)

\(^3\) The term “direct payments” was only introduced with the 2013 CAP reform
European single market, with or without paying an import levy. The CMO thus plays a significant role in shielding EU producers from international competition, by reducing import. Perhaps the most tangible instrument of the CMO for milk was the milk quota regime. The milk quota, installed in 1984 to control (restrict) the production of EU dairy producers, expired on 1 April 2015.

Secondly, the CMO provides the legal framework for Producer Organisations (POs), including the derogation from some EU competition rules. The set of regulations called “the Milk Package” (approved in 2012 and 2013) introduced the possibility for POs in the dairy sector to negotiate contract terms on behalf of their members. The package also sets out specific EU rules for inter-branch organisations, and entails measures enhancing transparency in the market and possibilities for the supply management of cheese covered by a Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI), under specific conditions.

1.4.2 The dairy market safety net

Besides the CMO, a set of market management measures for the dairy sector exist which are altogether referred to as the “dairy market safety net”. Market management measures are either long-term, recurring measures or exceptional (irregular) measures. Recurring measures include the public intervention buying of skimmed milk powder (SMP) and butter, and the financial support for private storage of SMP, butter and PDO and PGI cheeses. These measures replace the higher level of milk price support that accompanied the milk quota system for three decades. The intervention price of (standardised) milk was gradually lowered from 2004 to 2015, when the quota were lifted. Public intervention purchases and support for private storage are only initiated when the price of either SMP or butter are exceptionally low. Dairy farmers are currently much more exposed to price volatility and competition than they were under the quota regime. The budget needed for the public intervention policy depends on the purchase and sales prices of SMP and butter. The exact budget for the private storage policy could not be retrieved.

Exceptional measures include the €150 million support package for the voluntary reduction of milk production of 2016. The budget of exceptional measures is low as compared to the budget of direct payments or the rural development programme, but not negligible: the Belgian budget was €3.82 million for voluntary milk production reduction in 2016. Market management measures are generally perceived as highly “distortive” instruments; therefore the share of market management measures\(^4\) in the overall CAP budget was reduced from around 76% in 1992 to around 6% in 2013 (Flemish Government, 2013).

1.5 Rural development programmes

The Flemish rural development programme (RDP) 2014 – 2020 is structured around four main themes: “young farmers and the future of the agricultural sector in Flanders”, “investing in innovation and education”, “increasing the economic and ecological resilience and sustainability of the sector”, and “strengthening the viability of rural areas through a high quality connection with the sector” (Department of Agriculture and Fisheries, 2015b). These four themes are the core of the wider motivation of the selection of EAFRD measures for the Flemish RDP, done by the Flemish government. There are no budgets allocated to the specific four themes; the allocation is done at the level of the concrete EAFRD measures. The budget breakdown of the concrete EAFRD measures gives an idea of the priorities of the Flemish

\(^4\) Whether the replacing coupled support, decoupled support and direct payments are not instruments that affect markets, is of course debatable
Government, and possible implications for farmers’ resilience (Table 1). The Belgian RDP budget, including co-financing by the member state but excluding transfers from Pillar 1 to Pillar 2, is €1.57 billion. The budget of the Flemish RDP 2014–2020 is €671 million, and was raised by a 50/50 contribution of the EAFRD and the Flemish region (€288 million each), plus another €96 million which was transferred from Pillar 1 to Pillar 2 by the Flemish region.

Table 1: EAFRD contributions to the Flemish RDP (absolute budget numbers are the sum of Pillar 2 and transferred Pillar 1 funds). Source: Department of Agriculture and Fisheries (2014).

<table>
<thead>
<tr>
<th>Measure</th>
<th>Budget (€)</th>
<th>Budget (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>M01: Knowledge exchange and extension</td>
<td>15,082,653</td>
<td>3.93</td>
</tr>
<tr>
<td>M02: Firm advisory and management services</td>
<td>7,876,004</td>
<td>2.05</td>
</tr>
<tr>
<td>M04: Farm investments in material assets</td>
<td>206,288,063</td>
<td>53.75</td>
</tr>
<tr>
<td>M06: The agricultural firm and business development</td>
<td>31,533,607</td>
<td>8.22</td>
</tr>
<tr>
<td>M07: Basic services and infrastructure development in rural areas</td>
<td>15,591,194</td>
<td>4.06</td>
</tr>
<tr>
<td>M08: Investments for the development of forest areas and the viability of forests</td>
<td>3,934,462</td>
<td>1.03</td>
</tr>
<tr>
<td>M09: Establishment of producer groups and – organisations</td>
<td>500,000</td>
<td>0.13</td>
</tr>
<tr>
<td>M10: Agri-environmental and climate measures</td>
<td>69,562,536</td>
<td>18.13</td>
</tr>
<tr>
<td>M11: Organic agriculture</td>
<td>4,423,976</td>
<td>1.15</td>
</tr>
<tr>
<td>M16: Cooperation</td>
<td>2,440,492</td>
<td>0.64</td>
</tr>
<tr>
<td>M17: Risk management</td>
<td>3,142,949</td>
<td>0.82</td>
</tr>
<tr>
<td>M19: LEADER – community-based local development</td>
<td>19,189,945</td>
<td>5.00</td>
</tr>
<tr>
<td>M20: Technical assistance to Member States</td>
<td>4,200,000</td>
<td>1.09</td>
</tr>
<tr>
<td>Total</td>
<td>383,765,881</td>
<td>100.00</td>
</tr>
</tbody>
</table>

In practice, the RDP offers farmers the opportunity to participate in a wide set of concrete support schemes. Farmers choose to participate in a scheme individually. Therefore, tracing down the share of rural development support that flows to a specific agricultural subsector (in our case: the dairy sector) is hardly possible (Vlaams Parlement vraag nr. 688, 2017).

2. Data

The policy documents listed in Table 3 were coded using NVivo® software for policy goals and policy instruments. Scoring was done based on a Likert scale (Table 2).

Table 2: Likert scale used to score the enabling or constraining character of policies

<table>
<thead>
<tr>
<th>Question: To what extent do the policy’s goals and instruments enable or constrain the characteristic?</th>
<th>Answers enabling</th>
<th>Answers constraining</th>
<th>Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not clear</td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

5 The EU finances €648 million and Belgium €922 million
<table>
<thead>
<tr>
<th>Enabling Level</th>
<th>Constraint Level</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not enabling</td>
<td>Very constraining</td>
<td>1</td>
</tr>
<tr>
<td>Slightly enabling</td>
<td>Constraining</td>
<td>2</td>
</tr>
<tr>
<td>Fairly enabling</td>
<td>Fairly constraining</td>
<td>3</td>
</tr>
<tr>
<td>Enabling</td>
<td>Slightly constraining</td>
<td>4</td>
</tr>
<tr>
<td>Very enabling</td>
<td>Not constraining</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 3: List of policy documents used for the analysis. References to the source of these documents are given in section 4.

<table>
<thead>
<tr>
<th>Description of the policy document</th>
<th>Publisher</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium - Rural Development Programme (Regional) – Flanders (full RDP proposal)</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2014</td>
</tr>
<tr>
<td>Brochure “Landbouw tuinbouw 2015 Vlaanderen”</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2015</td>
</tr>
<tr>
<td>Brochure “Vlaams Programma voor Plattelandsontwikkeling PDPO III - 2014 - 2020”</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2015</td>
</tr>
<tr>
<td>Brochure “VLIF-investeringssteun voor land- en tuinbouwers”</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2018</td>
</tr>
<tr>
<td>Report ‘Herverdeling van de rechtstreekse steun binnen Vlaanderen: Ex-ante evaluatie van de wetgevende voorstellen van de Europese Commissie’</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2012</td>
</tr>
<tr>
<td>Website ‘Crisismaatregel vermindering melkproductie’</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2015</td>
</tr>
<tr>
<td>Website ‘VLIF-steun voor de land- en tuinbouw’</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2016</td>
</tr>
<tr>
<td>Brochure ‘Food &amp; Farming – Focus on Market Safety Nets’</td>
<td>EC - DG AGRI</td>
<td>2015</td>
</tr>
<tr>
<td>Report ‘Mapping and analysis of the implementation of the CAP’</td>
<td>ECORYS, IEEP, Wageningen University &amp; Research</td>
<td>2016</td>
</tr>
<tr>
<td>Website ‘Policy instruments for the dairy sector’</td>
<td>European Commission</td>
<td>2017</td>
</tr>
<tr>
<td>Brochure “Mededinging” en de Gemeenschappelijke Marktordening’</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2017</td>
</tr>
<tr>
<td>Report ‘Samenwerking in de keten: producentenorganisaties en branchieorganisaties’</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2012</td>
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<tr>
<td>Proposal by the Flemish Minister of Agriculture to the Flemish Government, for the implementation of the CAP 2020 reform on direct payments</td>
<td>Flemish Government</td>
<td>2013</td>
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<tr>
<td>Brochure ‘De biologische landbouw in Vlaanderen. Stand van zaken 2017.’</td>
<td>Flemish Dept. of Agriculture and Fisheries</td>
<td>2016</td>
</tr>
<tr>
<td>Formal request to the Flemish Minister of Agriculture in the Flemish Parliament</td>
<td>Flemish Parliament</td>
<td>2017</td>
</tr>
<tr>
<td>Website “European School Milk Scheme”</td>
<td>EC – DG AGRI</td>
<td>2018</td>
</tr>
</tbody>
</table>
3 Analysis

3.1 Score matrices
Tables 4, 5 and 6 illustrate the co-occurrence of codes assigned to policy text fragments. A high co-occurrence of codes at lower (higher) Likert scale levels points at a constraining (enabling) character for robustness/adaptability/transformability.

Table 4: Co-occurrence matrix of robustness categories and scores

<table>
<thead>
<tr>
<th></th>
<th>Robustness_0</th>
<th>Robustness_1</th>
<th>Robustness_2</th>
<th>Robustness_3</th>
<th>Robustness_4</th>
<th>Robustness_5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term focus _Goals</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
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<tr>
<td>Short-term focus _Instrum</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Protecting status quo _Goals</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Protecting status quo _Instrum</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Buffer resources _Goals</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Buffer resources _Instrum</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Other risk management _Goals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Other risk management _Instrum</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 5: Co-occurrence matrix of adaptability categories and scores

<table>
<thead>
<tr>
<th></th>
<th>Adaptability_0</th>
<th>Adaptability_1</th>
<th>Adaptability_2</th>
<th>Adaptability_3</th>
<th>Adaptability_4</th>
<th>Adaptability_5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle-long term focus _Goals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Middle-long term focus _Instrum</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Flexibility _Goals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Flexibility _Instrum</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Variety and tailor-made responses _Goals</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Variety and tailor-made responses _Instrum</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Social learning _Goals</td>
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<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Social learning _Instrum</td>
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<td>0</td>
<td>0</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>
Table 6: Co-occurrence matrix of transformability categories and scores

<table>
<thead>
<tr>
<th></th>
<th>Transformab_0</th>
<th>Transformab_1</th>
<th>Transformab_2</th>
<th>Transformab_3</th>
<th>Transformab_4</th>
<th>Transformab_5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term focus _Goals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Long-term focus _Instruments</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Dismantling incentives that support the status quo _Goals</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Dismantling incentives that support the status quo _Instruments</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>In-depth learning _Goals</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>In-depth learning _Instruments</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Enhancing &amp; accelerating niche innovations _Goals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Enhancing &amp; accelerating niche innovations _Instruments</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

The sections 3.2, 3.3 and 3.4 will provide a textual version of “Table 5” in the guidelines (D 4.1).
3.2 Robustness

3.2.1 Short-term focus

a) To what extent is a focus on the short-term enabled or constrained by the policy goals? Score: 4/5.

The market safety net for the dairy sector was created to prevent exceptionally low milk prices. It is supposed to protect dairy farmers from price volatility, at least on the downward side. The goal of this set of policies is short-term focussed, because the policy stabilises market conditions as they are now. As such, the dairy market safety net enables a short-term focus. As stated by the European Commission:

“The EU’s dairy policy dates from the 1960s. It helps to create stable market conditions for EU milk producers and processors.” (European Commission, 2017)

b) To what extent is a focus on the short-term enabled or constrained by the policy instruments? Score: 0/5.

Instruments of the dairy market safety net are very short-term focussed: some product volume is removed from the market in order to counter oversupply at a certain moment in time. These interventions take place almost regardless of expected (near-) future price evolutions. In the case of public intervention, the public tenders for skimmed milk powder and butter are even initiated automatically.

However, the very short-term focus of the dairy market safety net does not guarantee the robustness enabling character of policy. On the contrary, the short-run intervention in milk powder may contribute to market instability in the medium-run. The public intervention generates a stock of SMP and butter which places a burden on the market, that may negatively affect future milk prices. For example, the EC’s SMP stocks accounted for more than 20% of the total annual European production by the end of 2017. Therefore, we believe that the impact of a short-term focus of policy instruments on the robustness of the dairy sector is unclear.

“... it creates a burden on the market that may have a depressing impact on future powder and milk prices. By that the short-run needless intervention in milk powder may contribute to market instability in the medium-run. This then not only backfires to farmers, but can create future market instability as well as a further need for future intervention.” (Jongeneel, 2017)

3.2.2 Protecting the status quo

a) To what extent is protection of the status quo enabled or constrained by the policy goals? Score: 5/5.

The level of direct payments that a firm receives, depends on its payment entitlements (the amount of direct payments per eligible hectare the firm is entitled to), and the eligible acreage of the firm for which it requests direct payments. The level of payment entitlements received by Belgian farms is determined historically; it depends on the level of support that this firm received under previous Pillar I policies (coupled support, ...). This by itself implies a very strong protection of the status quo with respect to support to different groups of farmers. Currently, the EU moves to an internal convergence of payment entitlements: differences between payment entitlements within a country have to be lowered. The Flemish Minister of Agriculture confirms that the differences between payment entitlements of Flemish farmers cannot be justified anymore:

“Omwille van die reden zijn de toeslagrechten in Vlaanderen vrij hoog (gemiddeld €488 in 2012 – de op twee na hoogste waarde na Malta en Nederland). Tegelijk zorgt dit voor aanzienlijke
waardeverschillen tussen de toeslagrechten. De waarden gaan van <€ 100 tot >€ 5000 in Vlaanderen. Deze grote verschillen in waarden zijn niet meer te rechtvaardigen.” (Flemish Government, 2013)

Yet, Flanders (as well as Wallonia) did not choose to converge direct payment entitlements to a flat rate per hectare by 2019, as some member states did. Flanders is a slow mover with respect to internal convergence (ECORYS, IEEP and Wageningen University & Research, 2016). As such, the status quo with respected to exit and entry of farms, and the practices that farms currently apply, is protected. As the dairy sector was the largest recipient of decoupled support in previous CAP regimes, this protection of the status quo with respect to direct payments generally favours the dairy sector. The following example quotation illustrates well the goal to protect the status quo at the implementation of the previous CAP reform:

“Uitgaande van het feit dat alle begunstigden in Vlaanderen tussen 2012 en 2019 hun ontkoppelde directe steun al met gemiddeld 2.144 euro zullen zien dalen, is het wenselijk dat bijkomende verliezen als gevolg van interne convergentie zoveel mogelijk beperkt worden. Een overgang naar een flat rate is onhaalbaar, en zou de continuïteit van Vlaamse bedrijven bedreigen. Vlaanderen dient daarom te kiezen voor het scenario dat voor de minste herverdeling zorgt in 2019: ...” (Flemish Government, 2013)

The redistributive payment scheme under Pillar I was not implemented by Flanders at the 2013 CAP reform. Redistribution was said to have both desired and undesired effects, such as a shift of subsidies towards agricultural activities that use lower amounts of land. The following exemplary quote by the Flemish Minister of Agriculture again demonstrates the objective of protecting the status quo with respect to differences in direct payments per firm:

“Analyses tonen aan dat een herverdelende betaling in Vlaanderen zal leiden tot bijkomende, maar niet altijd gewenste verschuivingen in directe steun tussen producenten. Zo zullen melkveebedrijven, die in Vlaanderen een gemiddelde grootte hebben die het algemene gemiddelde overtref, door een dergelijke betaling directe steun verliezen ten voordele van landbouwbedrijven die gebruik maken van een kleiner areaal (zoals producenten van groenten en fruit).” (Flemish Government, 2013)

The dairy sector is advantaged as well by the choice of the Flemish Government to maintain coupled support for the production of veal calves. The profit obtained from selling male calves for veal meat production is believed to make a contribute significantly to dairy farms’ profitability. Supporting the status quo is again the objective, as illustrated by the following coded quote:

“Als gevolg van de invoering van het nieuwe systeem van directe steun, en in het bijzonder interne convergentie, dreigen alle Vlaamse kalvermesters een belangrijk deel van hun sinds 2012 ontkoppelde directe steun te verliezen. Dit komt bovenop het concurrentieel nadeel dat de Vlaamse producenten ondervinden t.o.v. de hogere, historisch gegroeide, steunniveaus in naburige productielanden. Dat alles vormt een bedreiging van de economische leefbaarheid van de sector. [...] Een gekoppelde steun voor de kalversector kan helpen verhinderen dat een te snel inkomensverlies zorgt voor onaanvaardbare negatieve effecten op het inkomen van de kalvermesters en de melkveebedrijven.” (Flemish Government, 2013)

In conclusion, we believe that the direct payments policy is implemented in a way that a protection of the status quo is strongly enabled.
b) To what extent is protection of the status quo enabled or constrained by the policy instruments? Score: 5/5.

Direct payments aim to make farming more profitable within the current conditions. By doing so, farms are not encouraged to adapt or transform, in order to reach a state with possibly more resilient, sustainable, etc., operating conditions. The dairy market safety net instruments have a similar effect: by controlling market conditions, and blocking sudden changes in market conditions, the current dairy farming systems are protected. Direct payments and market safety net instruments (which together take the lion’s share of the CAP budget at EU level) thus protect the status quo, with respect to farms and farming strategies.

The following quote clearly demonstrates how direct payments are seen as a righteous source of income for farmers to compensate them for costs invoked by societal demands to EU agriculture:

“Dit onderdeel heeft als doelstelling om het inkomen van landbouwers te ondersteunen, omdat de markt in bepaalde sectoren niet zorgt voor voldoende inkomsten, maar ook als compensatie voor publieke diensten die niet vergoed worden door de markt (vb. [...]), en als vergoeding voor de hoge EU-normen inzake voedselveiligheid, milieu en dierenwelzijn.” (Flemish Government, 2013)

Direct payments provide a strong incentive for older farmers with high direct payment entitlements to keep farming operations ongoing, even though the future trajectory of the firm is of little interest to them. This mechanism (among others) has invoked heavy criticism on direct support policies. The instrument of direct payments thus protects the status quo to a great extent.

Also the allocation of 53.7% of the Flemish RDP budget to support for investments in material assets can be seen as a policy choice that protects the status quo. The agricultural subsectors in Flanders that are more competitive on the international market such as dairy, pig, fruits and vegetables production, are all capital-intensive sectors. By heavily supporting further investments in material assets, the pursuit of competitiveness through output increase is encouraged. This is already the dominant strategy in the dairy sector as well as in other sectors. The investment support instrument thus enables a continuation of the status quo. Remarkably, one of the three stated goals of the investment support instrument is to increase farmers’ resilience (Department of Agriculture and Fisheries, 2018). However, no further information on what is understood under resilience is given.

The public opinion on the environmental sustainability and animal friendliness of dairy production might become a challenge for the Flemish dairy sector in the near future. The attention of NGOs and consumer groups for environmental and animal welfare issues related to dairy production is rising. In this regard, the diverse EU promotion programmes for the dairy sector (generally 50% co-funded by other public or private funds) can be seen as an aim to protect the status quo. Especially school milk programmes aim to stimulate the demand for milk.

“The EU School Milk Scheme is intended to encourage consumption among children of healthy dairy products containing important vitamins and minerals. First established in 1977, the scheme not only has a nutritional character, but also an educational character and therefore helps contribute to the fight against obesity among children.” (European Commission, 2018)
3.2.3 Buffer resources

a) To what extent is the development of buffer resources enabled or constrained by the policy goals? Score: 3/5.

As described in the previous section 3.2.2.b (and illustrated by the first example quotation of this section), direct payments are motivated as a regular source of income that compensates for foregone profits rather than as a buffer resource for farmers. Yet, direct payments can be seen as a resource that provides a buffer against market fluctuations. When taking that view, the previous arguments apply: direct payments take up the lion’s share of the Flemish as well as the EU CAP budget, and therefore buffer resources are a priority of both policy goals and instruments. In that logic, a positive score for the buffer resources enabling character of the CAP’s Pillar I could be justified.

However, there are good arguments to assign a neutral score as well: because of the general motivation of direct payments as a compensation for foregone profits, no explicit references to farmers’ buffer resources were found in the consulted policy documents. There is a strong emphasis on farmers’ competitiveness in general, but the development of buffer resources to overcome periods of difficulty (i.e. liquidity, savings, or assets that can be sold rather quickly) is not addressed. Given the importance of buffer resources for farmers’ robustness, a neutral score seems more justified than a positive one.

b) To what extent is the development of buffer resources enabled or constrained by the policy instruments? Score: 5/5.

When taking the view that direct payments provide a buffer resource to farmers, a score of 5 should be given to the enabling character of policy instruments for the development of buffer resources. A more specific policy that realises the development of buffer resources was implemented at the 2013 CAP reform: a share (about 1%) of the EU direct payments budget will be set aside for agricultural crises. If the budget is not used for this purpose, it will be distributed in the form of direct payments afterwards. The following example quotation illustrates this policy:


3.2.4 Risk management

a) To what extent are other modes of managing risks enabled or constrained by the policy goals? Score: 5/5.

Improving the resilience and sustainability of the agricultural sector is one of the four strategic themes of the Flemish Rural Development Programme (RDP). Resilience is often named together with risk management in the policy documents issued by the Flemish Department of Agriculture and Fisheries. The following two example quotations illustrate how improving resilience is a top priority, and how improving risk management is seen as a major element of this:

“Focussen op het verhogen van de weerbaarheid en verduurzaming van de landbouwsector in al zijn facetten. [...] Anderzijds wordt ingezet op het economische aspect met aandacht voor de versteviging van de positie van de primaire producenten in de landbouwketen, de crisisbestendigheid van de sector (opvangen en verminderen van de gevolgen van volatiliteit van
afzetprijzen en kostprijzen) en de ontwikkeling van risicobeheer.” (Department of Agriculture and Fisheries, 2014)

“Het landbouwbedrijf moet voldoende weerbaar zijn om ook in de toekomst zijn positie te bestendigen. Een belangrijke uitdaging hierbij is de versterking van de plaats van de landbouwsector in de keten. De Vlaamse actoren zien mogelijkheden op het vlak van modernisering, diversificatie, risicobeheer, samenwerkingsvormen, … […] Daarnaast moet er aandacht zijn voor crisisbestendigheid, zodat het landbouwbedrijf gewapend is tegen tegenvallende externe factoren zoals weersomstandigheden of volatiele marktprijzen.” (Department of Agriculture and Fisheries, 2014)

Only 0.82% of the Flemish RDP budget is dedicated to risk management, which puts the emphasis on risk management of policy documents in perspective. On the other hand, this amount is not negligible, especially since it is dedicated to a new policy in the RDP: the budget is dedicated to the establishment of a general insurance scheme for weather-related crop damage in a public-private partnership.6

Market management measures, known as the dairy market safety net, are motivated as risk management tools as well. The following example quotation, taken from a brochure that discusses the dairy market management measures taken over the last few years, illustrates this point of view well:

“The EU’s policy response has focused on targeting income by addressing immediately the cash-flow difficulties farmers are facing, by stabilising markets, by maximising the use of existing measures, and by raising issues about the functioning of the supply chain.” (DG AGRI, 2015)

The same view is shared by the Flemish policymakers who implemented the 2013 CAP reform. At the time of the reform, the Flemish Government stated that market management measures will remain important for the agricultural sector, because of increasing price volatility of input and sales prices, among other reasons:

“Niettemin blijft het marktbeleid van strategisch belang voor de landbouwsector, onder andere omwille van de toenemende volatiliteit van zowel verkoop- als aankoopprijzen.” (Flemish Government, 2013).

From the perspective of the farming system, that includes policies and policymakers, risk management is a top priority, and the existing instruments do increase the farming system’s robustness. Therefore we assign a score 5 to the risk management enabling character of policy goals. However, one could adopt the point of view that market management measures insulate farmers from volatility and shocks, and as such constrain the development of risk management by farmers themselves. In that case, a strongly negative score can be motivated.

b) To what extent are other modes of managing risks enabled or constrained by the policy instruments? Score: 4/5.

Although better risk management is one of the priorities of the Flemish RDP, implementation of risk management measures under the RDP is lagging behind. The establishment of a co-financed insurance scheme for weather-related crop damage, foreseen for the 2014-2020 period, has not been completed up to now. The latest news indicates an implementation in 2018 at the earliest. Thus, up to now, only the

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6 The rural development programme fund would co-finance 50% or 65% of a private insurance premium
disaster relief fund has provided help for farmers affected by weather-related crop damage, and policy instruments do not yet enable management of weather risks strongly.

Dairy market safety net instruments strongly protect dairy farmers from downward price spikes. Given the moderate impact and moderately high budgetary requirements of the dairy market safety net instruments, a high score for the risk management enabling character of these policies seems adequate. As compared to previous CAP regimes where intervention prices were substantially higher, the current market management measures only operate at very low market prices (i.e. 40% of the long-term average milk price). Dairy farmers are thus still exposed to a great deal of price risk.

Whether these risk management measures effectively increase dairy farmers’ robustness is another question, as was discussed in section 3.2.1 (on the short-term focus). Building stocks of milk products at times of oversupply may backfire at farmers later in time. And as stated in the previous section on policy goals, an effective reduction of price volatility by policy instruments may constrain the adoption of risk management strategies by individual farmers. If this analysis would concern only farmers’ actions and not the farming system as a whole, a negative score for the risk management enabling character of the market safety net instruments would be more adequate.

Relevant as well for the risk management enabling character are the recent instruments that facilitate the creation of producer organisations (POs) and inter-branch organisations. POs receive derogation for some rules of the EU antitrust regulation, for example the possibility to coordinate production levels and – timing, or the possibility to bargain collectively and thereby reduce the market power of buyers. Coordinating production could prevent the occurrence of oversupply, and in this way limit the vulnerability of farmers to price volatility. The goal of this policy is thus related to (price) risk management. The following quote taken from the original EU Directive 261/2012 illustrates the goal of this policy:

“… de productie beter op de markt af te stemmen, wat betekent dat de landbouwers hun beslissingen over wat en hoe te produceren, baseren op prijssignalen, teneinde de concurrentiepositie van de zuivelsector te verstevigen en de duurzaamheid van de sector in een geglobaliseerde omgeving te verbeteren.” (Bijttebier, Taragola and Debruyne, 2017)

The establishment of POs in the dairy sector is possible since the adoption of the set of Regulations known as the ‘Milk Package’ in 2012. In Flanders, this call was answered with the establishment of the POs “Beste Melk” and “Dairycam”, which represent the suppliers of the two largest private processors Danone and Friesland-Campina, respectively. The Flemish RDP provided funds for the establishment of these POs. The EC’s attention for the development of dairy marketing PO’s will affect Flanders less than the EU in general, as the largest dairy processor in Flanders, Milcobel, is a cooperative, and cooperatives have a long tradition in the Belgian dairy sector.

7 Intervention prices were gradually lowered since 2004
3.3 Adaptability

3.3.1 Middle long-term focus

a) To what extent is a focus on the middle-long term enabled or constrained by the policy goals? Score: 5/5.

No explicit references to a middle long-term focus were encountered in the analysed documents. The Flemish RDP does however refer to adaptive capacity explicitly when motivating the support for investments in material assets, as can be seen in the following example quotation:

“Bijgevolg is het essentieel om al deze sectoren kansen te bieden om blijvend te investeren. In de nodenanalyse geeft nood 05 (concurrentiële landbouwbedrijven met voldoende aanpassingscapaciteit om te voldoen aan markt- en beleidswijzigingen) duidelijk aan dat investeringen nodig blijven zowel om concurrentieel te blijven als om te voldoen aan milieu- en kwaliteitseisen.”
(Department of Agriculture and Fisheries, 2014)

As investments in material assets reflect decisions made with a middle long-term focus, the high priority given to this type of support (in terms of budget allocation, i.e. 53.7% of the RDP budget) enables a focus on the middle-long term strongly. Depending on the specific investment made, the decision covers a shorter or longer term. In the case of construction works (e.g. stables) the depreciation period can reach up to 30 years, which can be regarded as a long-term decision. However, the majority of investments typically supported (for example machinery and adaptations to infrastructure) covers a term of only ten to twenty years. In this way, adaptation is much more facilitated than transformation.

The focus on adaptability in the motivation of this type of support to farmers also stands out in the following example quotation, which translates as follows: “Through investment support, farmers are encouraged to adapt their firm (structure) in order to keep up with changing conditions. …”.

“Via investeringssteun worden de land- en tuinbouwers aangemoedigd hun bedrijfsstructuren snel aan te passen aan de gewijzigde omstandigheden. Investeringssteun zorgt er voor dat de investeringskosten significant verlaagd worden waardoor de noodzakelijke investeringen sneller uitgevoerd worden en de financiering ervan vlotter verloopt. Deze maatregel draagt alzo bij tot het strategisch PDPO III thema om de weerbaarheid en de verduurzaming van de landbouwsector, zowel ecologisch als economisch, te verhogen met zowel aandacht voor de externe als interne verduurzaming.”
(Department of Agriculture and Fisheries, 2014)

b) To what extent is a focus on the middle-long term enabled or constrained by the policy instruments? Score: 4/5.

The investment support policy is important in terms of the amount of support individual farmers can receive. For recipients of investment support, the received amounts are typically in the same range as annual direct payments (10-15,000 € per firm). As direct payments are continuous and investment support is limited to the limited number of investments in material assets that can be done on one farm, direct payments still surpass investment support in the total contribution to farmers’ revenues. The following example quotation illustrates the focus on adaptability of this specific policy instrument:

“Concrete actie 1: investeringen die de weerbaarheid van het land- of tuinbouwbedrijf verhogen. […] Via deze sub-maatregel worden land- en tuinbouwers aangemoedigd de interne structuur van
het bedrijf bijtijds aan te passen aan de snel veranderende omgevingsfactoren om weerbaar te blijven en verder te verduurzamen.” (Department of Agriculture and Fisheries, 2014)

Although the investment support policy aims to increase farmers’ adaptive capacity, it may have adverse effects in this regard. By stimulating investments and consequently the use of loans, it may stimulate the level of debt of a given firm. In a situation of debt, it is very well possible that the adaptive capacity of a farm is reduced. As stated in the introduction, the debt structure and asset specificity of dairy farming generally constrain adaptability.

### 3.3.2 Flexibility

a) To what extent is flexibility enabled or constrained by the policy goals? Score: 2/5.

One new instrument of the Flemish RDP aims to stimulate bottom-up invention and innovation, with the goal of providing a flexible support channel for innovation by farmers:

“Er is nood aan een maatregel die pure innovatie en vernieuwing stimuleert die van bij de landbouwer zelf of van bij een groep van landbouwers ontstaat en waarbij ook de effectieve realisatie van de innovatie wordt ondersteund. In PDPO II kregen pure innovatieve investeringen of projecten vaak geen kans, o.a. gezien bij de “gewone” investeringssteun gebruik wordt gemaakt van limitatieve lijsten met subsidiabele investeringen.” (Department of Agriculture and Fisheries, 2014)

This is the only reference to flexibility encountered in the consulted policy documents. Therefore, we consider that enabling flexibility is not a goal of agricultural policies in Flanders, and this theme receives too little attention as compared to other aspects of resilience. As a lack of attention for flexibility by policymakers creates a risk of policies constraining flexibility being developed, we consider a negative score to be more adequate than a neutral score here.

b) To what extent is flexibility enabled or constrained by the policy instruments? Score: 3/5

A major change in the direct payments policy by the 2013 CAP reform was the shift from a fixed amount of direct payments per firm to a variable amount, consisting of a basic payment and several possible add-ons, such as greening payments, payments for small farms (not implemented in Flanders), etc.

“In 2015 worden nieuwe betalingsrechten toegekend op nagenoeg het gehele landbouwareaal. Deze betalingsrechten zullen niet langer recht geven op één jaarlijks bedrag, maar op een basisbetalings en één of meerdere gerelateerde betalingen, allen eveneens jaarlijks.” (Flemish Government, 2013)

As such, member states have more flexibility to implement the direct payments policy according to local conditions, and individual farmers have more flexibility to choose for the type of direct payments they are willing to accept (they can partially opt-in on direct payments, and refuse the conditions of some premiums). The flexibility given to member states allows them to develop more tailor-made made policies in turn: in the case of Flanders, the premiums for (a) naturally disadvantaged regions and (b) small farmers are not implemented because the requirements for (a) cannot be fulfilled and young farmers receive support already by the RDP. The relevance of flexibility in the direct payments scheme, and the variation in farmers’ willingness to accept the conditions of direct payments was demonstrated by the high

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8 And it is only an implicit reference
resistance to the introduction of Greening payments at the 2013 CAP reform. One of the main arguments of opponents was that the Greening requirements leave too little flexibility for farmers to use their land as they see fit.

The Greening requirement to maintain the acreage of permanent pasture at the regional level is especially relevant for the dairy sector. Although initially it was proposed to demand a maintenance of permanent pasture at the firm level (Flemish Government, 2013), the Flemish Government finally chose to demand maintenance of the acreage only at the regional level, and as such allowed farmers to pool their permanent pastures. The flexibility of this policy was thereby increased.

In the previous section 3.3.1 we discussed how the majority of the Flemish RDP budget is allocated to co-financing investments in material assets. We also argued that stimulating investments may reduce farmers’ adaptive capacity by increasing their level of indebtedness. This is again relevant, as farmers with a high level of indebtedness have less flexibility to choose another strategic orientation than the one they chose previously; firms can get “locked in” a certain development strategy. The investment support policy may thus enable the adaptability of dairy farmers, by lowering the costs of necessary investments, but equally constrain it, for the reasons mentioned.

Another policy evolution that is relevant, is the following: the European Commission considers setting an EU-wide obligation for PO members to deliver all milk to their PO, as is currently the case for fruit and vegetables POs (European Commission, 2016). In the Flemish case such an obligation would barely affect dairy farmers: those who deliver milk to a PO, already deliver 100% to one processor (except for a small quantity for direct sales). In other countries, such an obligation might have a large impact. We do not take this possible future measure into account for the scoring, as this policy is not yet implemented.

In conclusion, the flexibility-enabling character of policy instruments is strongly ambiguous, and dependent on the situation of the individual farm. Generally, EU policies tend to attach more importance to flexibility than was the case in previous decades. We opt for a neutral score.

3.3.3 Variety and tailor-made responses

a) To what extent are variety and tailor-made responses enabled or constrained by the policy goals?

Score: 4/5.

When implementing the CAP 2013 reform, the Flemish Government involved stakeholder bodies in the decision-making process. For Pillar 1 decisions, related to greening and environmental aspects, the Department of Environment, Nature and Energy was involved as well. The strategic advisory bodies comprising most of the stakeholders, i.e. MINA (for Environment, Nature and Energy) and SALV (for Agriculture and Fisheries) had the opportunity to react and advice the original concept note. This testifies of an intention of the Flemish Government to implement the 2013 CAP reform in a way that takes regional conditions into account as much as possible.

Whereas CAP Pillar 1 policies support all EU farmers\(^9\) in a relatively uniform way, Pillar 2 policies support more specific actions with specific targets. A summation of the different measures adopted by the Flemish RDP is given in Table 1. Targets include the economic, ecological and social performance of farms. Flanders chose to transfer a high share of the Pillar 1 budget to Pillar 2 (10% from 2018 onwards), and thus chose to finance policies that are more varied and tailor-made to specific challenges. The proposal of the

\(^9\) More precisely: all ‘active’ farmers
Minister of Agriculture (see following example quotation), and subsequent decision of the Flemish Government to give extra support to Pillar 2 reflect the goal to develop more varied, tailor-made responses.

“Vlaanderen stelt dat een versterking van PDPO (pijler II) met, op termijn, 10% directe steun middelen (pijler I) wenselijk is. Een versterking van Pijler II moet de budgettaire beperkingen van het Vlaamse plattelandsbudget voor 2014-2020 verminderen, en onder meer mogelijk maken dat maatregelen ter ondersteuning van investeringen inzake duurzaamheid meer slagkracht krijgen.” (Flemish Government, 2013)

The scoring of the enabling character of policy goals thus faces a trade-off: how to weigh the uniformity and one-size-fits-all approach of direct payments and market safety net measures against the more varied and tailor-made character of the (Flemish) RDP?

Another policy that aims to enable varied and tailor-made actions by farmers (and related stakeholders) is the EIP-AGRI Thematic Networks instrument. Thematic Networks are created around specific themes, often agricultural practices, for which practitioners see a need of bringing together existing knowledge.

“Thematic networks are innovative projects, funded through Horizon 2020, that aim to find solutions for the most urgent needs of agriculture and forestry production. They do this by involving a range of actors from science and practice. These networks aim to collect existing best practices and research results that are close to being put into practice, but that are not sufficiently known and used by people in the field.” (EIP-AGRI Service Point, 2015)

b) **To what extent are variety and tailor-made responses enabled or constrained by the policy instruments? Score: 3/5**

The arguments raised in the previous section 3.3.2 on the increased flexibility of direct payments due to modularity, i.e. the split in a basic payment, greening payments, etc., hold as well in this case: the reformed direct payments scheme allows farmers to apply for subsidies in a more varied way. The current modular system of direct payments enables a varied uptake of direct payments by farmers better than the previous direct payments policy did. However, direct payments still could be regarded as a one-size-fits-all policy.

Essentially, the dairy market safety net instruments are “one size fits all” solutions, constraining tailor-made solutions. However, progress was made recently to establish more varied, tailor-made policies. Mainly the subsidies for voluntary milk production reduction, given in 2016, allow a more varied response by farmers as compared to public intervention purchases and subsidised private storage: farmers who face lower opportunity costs for lowering milk production can opt-in on the scheme, while farmers with higher opportunity costs (e.g. having long term milk delivery agreements) can opt to maintain the level of production. The Commission evaluated the milk reduction scheme as a successful instrument; it will be applied again in the future, and may partially replace public intervention purchases.

As discussed in the previous section on policy goals, Pillar 2 policies support more specific actions with specific targets than Pillar 1 policies do. The main Pillar 2 policy in terms of budget, i.e. support for investments in material assets, aims to stimulate varied and tailor-made responses as well. The following example quotation states that a wide array of types of investments is supported, in order to be able to respond to diverse needs.
“Er is een brede waaier aan types investeringen om te kunnen inspelen op de diverse noden, zoals geformuleerd in de nodenanalyse. Investeringssteun is immers een van de meest aangewezen tools om noden rond waterbeheer, energie-efficiëntie, klimaat etc. aan te pakken.” (Department of Agriculture and Fisheries, 2014)

The LEADER programme, part of national or regional RDPs, is by far the most varied and tailor-made instrument, as it is based on a bottom-up approach. To acquire LEADER funds, Local Groups (private-public partnerships) can submit a local development strategy, i.e. a region oriented long-term vision.

In conclusion, CAP Pillar 1 instruments are close to one-size-fits-all solutions. Efforts have been made however to make the dairy market safety net instruments and direct payments requirements more varied. Pillar 2 instruments, at least in the Flemish RDP, do enable varied responses. Both a negative and positive score could be motivated, so we opt for a neural score.

3.3.4 Social learning

a) To what extent is social learning enabled or constrained by the policy goals? Score: 4/5.

The Flemish RDP addresses social learning as a policy goal, albeit not explicitly. The RDP links the sharing of knowledge to the support channels for demonstration projects, extension actions, collaborative actions under the LEADER programme. At the regional level, policies that encourage social learning are thus to be sought in the RDP. The policy goal to encourage social learning is illustrated by the following example quotation:

“In Vlaanderen wordt reeds heel wat innovatie op bedrijfsniveau gerealiseerd. Hierop willen we verder inzetten via een stimulerend beleid via demonstratieprojecten, vorming, steun voor innovaties op het landbouwbedrijf, voorlichting, … - met oog op kennisversterking en objectieve kennisdeling. Hierbij moet vooral het praktische aspect van innovatie en kennisdeling voor ogen worden gehouden.” (Department of Agriculture and Fisheries, 2014)

The RDP also acknowledges the importance of knowledge sharing for the entry of young farmers:

“Om de (jonge) Vlaamse bedrijfsleiders te begeleiden en de instap te stimuleren en te faciliteren, dient blijvend ingezet te worden op kennisoverdracht, advisering en innovatie in de sector. Dit kan via opleiding en vorming, maar ook via diverse samenwerkingsverbanden.” (Department of Agriculture and Fisheries, 2014)

Stated policy goals related to social learning are not often focussing on adaptability. From the documents consulted, it appears to be the case that enabling social learning might as well be a way to stimulate farmers’ robustness. Therefore, we assign only a moderately positive score to the adaptability enabling character of Flemish policy goals on social learning.

b) To what extent is social learning enabled or constrained by the policy instruments? Score: 4/5

The intention of EIP-AGRI is to support agricultural knowledge and innovation systems, in the various forms in which they occur. Networking around Europe to make new knowledge readily available is stated as one of the objectives of EIP-AGRI. This instruments is clearly targeted at social learning. Its impact on the EU farming system as a whole is still limited, as it reaches a limited number of farmers and is a lightweight in terms of budget as compared to other EU agricultural policies.
Also the Flemish RDP refers to Operational Groups of the European Innovation Partnership (EIP-AGRI) as an instrument to facilitate the sharing of knowledge (cf. following example quotation). By the reimbursement of costs made by farmers to participate in Operational Groups, the RDP aims to stimulate this form of exchange.

“In een operationele groep organiseren land- en tuinbouwers, adviseurs, onderzoekers, ondernemers en/of andere actoren zich rond een bepaald vraagstuk, zoeken ze een oplossing en werken ze samen aan concrete innovaties. Operationele groepen voeren projecten uit gericht op het testen en toepassen van innovatieve praktijken, technologieën, processen en producten en met als doel het verspreiden van de resultaten naar de praktijk.” (Department of Agriculture and Fisheries, 2014)

Again, as was the case for the tailor-made character of policies, policies that encourage social learning are to be sought under Pillar 2. Pillar 1 policies pay little to no attention to this theme. In addition, policy instruments targeting social learning often do not target the adaptive capacity of farmers, but rather the development of knowledge that allows them to increase their robustness.

3.4 Transformability

3.4.1 Long-term focus

a) To what extent is a focus on the long term enabled or constrained by the policy goals? Score: 4/5.

One of the four strategic themes of the Flemish RDP is to “invest in innovation and education in order to achieve a future-oriented approach to individual, business-related and more general societal challenges” (Department of Agriculture and Fisheries, 2014) (own translation). The primary reason to set this priority is the lack of generational renewal that characterises the Flemish (but also the Belgian and European) agricultural sector. The following two example quotations illustrate how facilitating generational renewal is a priority policy goal:

“Binnen de Vlaamse landbouwsector verloopt de generatiewissel zeer moeilijk. […] Uit een peiling bleek dat slechts 14% van de Vlaamse bedrijfsleiders ouder dan 50 jaar over een vermoedelijke opvolger beschikken. Daarom is het wenselijk dat Vlaanderen maximaal blijft inzetten op jonge starters, en deze Europese verplichting ook budgettair ten volle benut.” (Flemish Government, 2013)

“Een financiële tegemoetkoming is nodig zodat de landbouwer van start kan gaan met een levensvatbaar landbouwbedrijf dat voldoet aan alle regelgeving. De financiële lasten mogen niet te zwaar en te lang in de tijd gespreid zijn omdat de financiële middelen bij de snel wijzigende omgevingsvoorwaarden bij voorkeur ingezet worden voor investeringen gericht op structuurverbetering.” (Department of Agriculture and Fisheries, 2014)

Also in the implementation of the direct payments policy, generational renewal was prioritised. Flanders chose to allocate the maximum amount of the direct payment budget (which is 2%) to payments for young farmers. Supporting young farmers and facilitating generational renewal likely increases the transformability of the dairy sector. However, depending on the modalities and conditions of this support, starting farmers may equally well be encouraged to orient their decisions in the same direction as the majority of dairy farmers did before. The following example quotation illustrates that the conditions of receiving support as a young farmer do reflect a certain (normative) view on farming and viable farms:
Conditions with respect to minimal farm size, minimum amount of investments, etc. can constrain the transformability of the sector instead of enabling it. Therefore, a long-term focus of policies that support young farmers does not guarantee the enabling of transformability.

With respect to the CAP 2021-2027 reform proposal it is interesting to note that the intention is to double the budget for agri-food research and innovation under the Horizon Europe research programme, up to €10 billion. In addition, the need to support actions that stimulate the transfer of knowledge among generations and facilitate succession planning is mentioned.

b) To what extent is a focus on the long term enabled or constrained by the policy instruments? Score: 2/5

As discussed in the previous section on policy goals, the Flemish RDP has a dedicated support channel for starting farmers. Young farmers (< 40 years) who start an agricultural firm (< 5 years in business) can receive a payment of €40,000, €55,000 or €70,000 euros, depending on the firm’s turnover.

The Flemish RDP also provides funding for innovative projects. Unlike the much larger scheme of support for investments in material assets, which covers well-established innovations, this instrument aims to stimulate highly new innovations and inventions on agricultural firms. By creating a special support channel for innovative projects in agriculture, the Flemish RDP shows a long-term focus.

With respect to direct payments, the existence of a separate scheme of direct payments for young farmers (2% of the budget) likely contributes positively to generational renewal. However, since the other 98% of direct payments provide an incentive for old farmers to retain ownership of their farm, the overall contribution of Pillar 1 policies constrains a long-term focus.

In the first section on short-term focussed policies, we argued that dairy market safety net instruments are very short-term focussed instruments. By preventing extremely low milk prices (less than 40% of the long-term average milk price), dairy farmers are somewhat insulated from shocks. The incentive to really transform the firm following such a shock is thus lowered.

Again the counteracting incentives of different policies cause a dilemma for the overall scoring of the policies: support measures for young farmers (either as direct payments or RD support) and support for innovative projects enable a long-term focus; direct payments and market safety net instruments constrain it. Since the policy goals with respect to a long-term focus are so diverse, we assign a neutral score to them. As the instrument that constrains a long-term focus, i.e. direct payments, overrules the other policies by far in terms of budget implications, we opt for a moderately negative overall score.

### 3.4.2 Dismantling incentives that support the status quo

a) To what extent is the dismantling of incentives that support the status quo enabled or constrained by the policy goals? Score: 2/5.

In section 2.2 we argued that direct payments protect the status quo with respect to entry and exit of firms. In addition, we can argue that direct payments reduce incentives to transform farming businesses

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10 The starting farm’s turnover may vary considerably, as many young farmers inherit an existing farm.
(or the wider farming system), as they improve the profitability of the current farming practices. In that perspective, the (continued) reduction of direct payments during the current CAP term dismantles the incentives that support the status quo. Two policies lie at the basis of this reduction: the EU “external convergence” policy, which lowers differences in the level of direct payments per hectare across member states, and the EU “internal convergence” policy, which lowers differences in direct payment entitlements between individual farmers, within one country. As previously discussed, the Flemish dairy sector was an above-average beneficiary of direct payments in Flanders. In addition, Belgian (and thus Flemish) farms are above-average beneficiaries of direct payments as compared to the European average. Therefore it will see its share in the Belgian direct payment budget decrease.

““In 2019, het laatste jaar van de hervorming bedraagt de totale Belgische directe steun envelope 505 miljoen euro, dit is een daling van ongeveer 11,5% ten opzichte van het jaar 2012. De daling die België ondervindt is groter dan gemiddeld als gevolg van externe convergentie, dit is de beslissing om de verschillen in de gemiddelde directe steun per hectare tussen de lidstaten te verminderen.” (Flemish Government, 2013)

The European external and internal convergence policies thus enable a dismantling of the incentives that support the status quo. For the implementation of internal convergence policies, member states were given different options. As explained before in section 2.2, Flanders (just as Wallonia) chose for the “Irish” model that implies the slowest convergence of direct payment entitlements. As such, Flanders is a slow mover with respect to internal convergence (ECORYS, IEEP and Wageningen University & Research, 2016). Knowing that member states have the possibility to implement flat rate payment entitlements, instead of varying payment entitlements that are based on the historical levels of support, it is clear that the Flemish Government chose to dismantle the incentives that support the status quo not more than was required by the EU.

As previously discussed, the Flemish Government did choose to transfer a relatively large amount of Pillar 1 to Pillar 2, which favours a more positive score for this theme.

At the European level, the shift from a regime of milk quota and classical price support to a dairy market safety net implies a dismantling of incentives that protect the status quo. The following example quotation taken from a brochure on the market safety net sums up the general policy goal well:

“Price evolution has been accompanied by a shift in focus, and in measures, from an inward-looking European agricultural policy towards strong market orientation.” (DG AGRI, 2015)

As an overall score for the policy goals, we opt for a moderately negative score.

b) To what extent is the dismantling of incentives that support the status quo enabled or constrained by the policy instruments? Score: 2/5

The same argument regarding market management measures holds when discussing policy instruments: the latest reforms of market management measures have intended to increasingly expose EU farmers to international competition. The decrease of the CAP budget share allocated to market management measures (from ± 76% in 1992 to ± 6% in 2013) reflects this policy choice. Especially the abolishment of the milk quota reduced the protection of the status quo in the dairy sector. In the current safety net system, interventions are only triggered when the milk price drops to 21 eurocents per kg of milk (about
40% of the long-term average milk price). Consequently, the total supply of milk is less under control of policymakers, which could lead to more volatile milk prices.

With respect to direct payments, the arguments of the previous section on policy goals remain valid as well. Direct payments represent a strong protection of the status quo in the entry and exit of farms. The general trend in Europe is to reduce this protection, but Flanders and Belgium as a whole are not willing to go fast in this evolution.

In conclusion, much recent policy changes enable the dismantling of incentives that support the status quo with respect to entry and exit of farms, and transformation of farms. However, direct payments, still the largest CAP instrument in terms of budget, essentially provide incentives that support the status quo. We thus give the enabling character of policy instruments a moderately negative score.

3.4.3 In-depth learning

a) To what extent is in-depth learning enabled or constrained by the policy goals? Score: 1/5.

The Flemish RDP frequently addresses learning in general. It does so because it has adopted the EAFRD Priority 1 (‘knowledge transfer and innovation’). More specifically, the EAFRD sub-priority 1C (‘fostering lifelong learning and vocational training in the agricultural and forestry sectors’) is often mentioned in the motivation of different RDP support measures. The RDP also sets out the regulations for the firm advisory services which all EU member states are obliged to offer (EU Directive 1306/2013).

Remarkably, when discussing the goals of policy instruments that address learning, self-reflection or in-depth learning are never addressed (neither explicitly nor implicitly). Even the section that motivates the support for firm advisory services (“KRATOS”) never addresses these concepts. This, and the fact that the (compulsory) support for firm advisory services is mainly tailored to starting farmers, points at very little attention to in-depth learning of policy goals. Therefore, we assign a strongly negative score to the enabling character of policy goals towards in-depth learning.

b) To what extent is in-depth learning enabled or constrained by the policy instruments? Score: 2/5

As stated previously, self-reflection and in-depth learning are not addressed in the consulted policy documents. Learning in general is, and it is not unlikely that farmers reflect on their activities and strategy when making use of firm advisory services. The firm advisory services supported by the Flemish Government are organised in separate modules: the business plan, financial and business advice, cross-compliance for direct payments, requirements for greening payments, biodiversity, climate, water, soil and safety at work. The first two modules are reimbursed for 50%, the other modules for 80%. A farmer can choose to participate in a subset or in all of these modules. As the modules are developed by the private companies who perform the advisory services, no further details on their content is available in the consulted policy documents.

Because the policy instruments that cover learning in general do not specify requirements on self-reflection (or in-depth learning), a neutral or negative score for this theme seems the most appropriate. On the other hand, instruments to stimulate learning in general are well-developed, and it is likely that these trainings will spark self-reflection with the participating farmers. Both a moderately negative or neutral score could be motivated, but we opt for a moderately negative one.
3.4.4 Niche-innovations

a) To what extent is the enhancement and acceleration of niche innovations enabled or constrained by the policy goals? Score: 4/5.

As was mentioned already in section 3.4.1, the Flemish RDP contains an instrument to support innovative projects, that are more inventive, long-term focussed and risky than common, incremental innovations. The Flemish RDP states that this instrument is necessary to stimulate true innovation and invention, which is insufficiently supported by the support channel for investments in material assets.

“Er is nood aan een maatregel die pure innovatie en vernieuwing stimuleert die van bij de landbouwer zelf of van bij een groep van landbouwers ontstaat en waarbij ook de effectieve realisatie van de innovatie wordt ondersteund. In PDPO II kregen pure innovatieve investeringen of projecten vaak geen kans, o.a. gezien bij de “gewone” investeringssteun gebruik wordt gemaakt van limitatieve lijsten met subsidiabele investeringen.” (Department of Agriculture and Fisheries, 2014)

Supporting highly innovative projects in general does not specifically accelerate niche innovations. The innovations supported may align with mainstream farming practices as well as with niche farming practices.

Explicit support to niche farming practices (not necessarily innovations) is foreseen in the Flemish RDP in the form of support for organic farming and support for small farms. Organic (dairy) farming is still a niche activity in Flanders: in 2015, the number of certified organic dairy cows was 2,984, or less than 1% of the total number of dairy cows (Timmermans and Van Belleghem, 2016). Although small farms are not per definition applying niche practices, it is clear that the dedicated support channel for small farms of the Flemish RDP targets niche innovations. According to the Flemish RDP brochure, support for the development of small farms targets farms that either develop new crops, new production methods, alternative commercialisation strategies, or are exploited as a part-time activity of the farm manager:

“Voor bepaalde types van bedrijven en sub-sectoren zijn de voorwaarden om te kunnen genieten van de overnamesteun voor jonge landbouwers of van de investeringssteun niet haalbaar. Vaak betreft het bedrijven die nieuwe teelten of alternatieve vormen van productiemethodes en commercialisatiesystemen ontwikkelen of actief zijn op bedrijven die traditioneel geëxploiteerd worden in bijberoep of verbonden zijn met diverse vormen van diversificatie.” (Flemish Department of Agriculture and Fisheries, 2015b)

The focus on niche innovations of this instrument is also demonstrated by the following example quotation: it is stated that the instrument aims to support farmers “… to evolve into farms that focus on sustainability, changes in activities or structures, or the attractiveness of the countryside in the way they produce and commercialise, in what they produce, or in the way the business is run”.

“De sub-maatregel […] draagt in eerste instantie bij tot focusgebied 2A: het verbeteren van de economische resultaten van de landbouwbedrijven en het faciliteren van de herstructurering en modernisering van landbouwbedrijven. Via deze maatregel worden landbouwers met financiële steun aangemoedigd om te evolueren naar een landbouwbedrijf dat qua aard van de producten, productie- en commercialisatietechnieken, of de vorm van exploitatie een focus legt op duurzaamheid, vernieuwing van activiteiten en structuren, aantrekkelijkheid van het platteland,...” (Department of Agriculture and Fisheries, 2014)
More broadly, the choice of the Flemish Government to transfer a relatively high share of the Pillar 1 budget to Pillar 2 can be seen as a policy choice in favour of “niche” farming practices. Whereas Pillar 1 policies do not distinguish “mainstream” or “niche” farms, Pillar 2 policies do. However, the current proposal for the post 2020 CAP budget foresees a cut in Pillar 2 expenses that is proportionally larger than the cut in Pillar 1 expenses. If the proposal would be implemented as such, we must be much more critical on the policy goal to support niche-innovations.

In conclusion, we argue that the Flemish government has specifically targeted niche innovations in the implementation of the second pillar of the CAP. A score for the enabling character of policy goals needs to take into account that the general policies of the first pillar often help mainstream practices more than niche practices (for example, the dairy market safety net does not distinguish differentiated types of milk). Therefore, we opt for a moderately positive score.

b) To what extent is the enhancement and acceleration of niche innovations enabled or constrained by the policy instruments? Score: 3/5.

As already discussed, The Flemish RDP created instruments to support small, niche-oriented farms and organic farms. Farms that are too small to be eligible for material asset investment support or support for young farmers are entitled to support for the development of small farms. Organic farms are entitled to a payment per hectare, which differs by the type of land use and the status of the farms as either in conversion or certified organic.

In addition, the Flemish RDP holds an instrument that supports collaboration between rural and urban stakeholders. This instruments supports collaborative projects on local food sourcing and renewable energy, a new and highly niche strategy in Flanders.

“Deze maatregel wil mogelijkheden bieden aan plattelandsactoren om samen met de naburige stad of steden te werken aan deze dynamiek. Samenwerking tussen actoren die in verschillende regio’s of lidstaten zijn gevestigd, komt eveneens in aanmerking voor steun. Binnen deze maatregel is samenwerking mogelijk op basis van lokale voedselvoorzieningen en hernieuwbare energie.” (Department of Agriculture and Fisheries, 2014)

Policy instruments that encourage niche-innovations thus exist. They are exclusively found in the RDP. However, these instruments are only lightweights in terms of budget as compared to the Pillar 1 instruments that do not distinguish “mainstream” and “niche” farming practices. The strong emphasis on support for investments in material assets in the Flemish RDP also holds the risk of supporting mainstream practices rather than niche practices, as support is only granted to the investment in listed, well-known assets. Therefore we assign a neutral score to the enabling character of policy instruments.

3.5 ResAT Wheel

Figure 1 represents the ResAT wheel for policy goals (a) and policy instruments (b). The colours represent the scores motivated in the sections 3.2, 3.3 and 3.4. Table 2 shows how the scores are represented with the traffic light colours.

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11 The amount of support in this scheme is 7000, 11000 or 15000 euros per year, depending on the firms’ turnover.
Figure 1: ResAT wheel representing the scores for (a) policy goals and (b) policy instruments.
4 Stakeholder check

A stakeholder check was conducted with 16 participants of a workshop in Brussels, on the 4th of September. A total of 45 stakeholders from diverse backgrounds was invited to the workshop by e-mail. The 16 participants represented farmers’ unions, banks, technology providers, the Flemish Government, extension agents, agricultural consultants, milk processors, retailers, and the union of organic farmers. The representation is considered to be good, given that the invitation was sent during the summer holiday period and only five weeks in advance. The workshop consisted of a general presentation of the SURE-Farm project, including short discussions, a short overview of the IFCN Dairy 2030 forecast, and an exercise on this policy analysis. During the general presentation, the idea of SURE-Farm Work Package 4 was already explained, and the objective of the exercise to come.

During the exercise, the participants were split up randomly over three groups. Each group was assigned one resilience theme (robustness-adaptability-transformability) to work on for the first 30 minutes. They joined one moderator, positioned next to the poster of his theme (the setting of the exercise is depicted in Figure 2). After these 30 minutes, the group moved to next theme and moderator. Each group covered two out of three resilience themes. During the first 10 minutes of each round, participants were asked to given written comments on a set of statements given to them. These statement were based on the argumentation developed in the ResAT policy analysis, described in section 3. This first exercise served to 1) prepare them for the group discussion to come and 2) provide feedback (a “check”) on some of the

Figure 2: Setting of the stakeholder check exercise on September 4th, Brussels.
arguments developed in section 3. After these 10 minutes, participants were asked to argue why they believe that some policies, or policies in general, deserve a positive or a negative score for one of the four ResAT indicators of the resilience theme that they were discussing. No distinction was made between policy goals and policy instruments, as this seemed not feasible with the diverse stakeholder group. Participants were handed over a three-page information sheet on the ResAT-indicators, with examples from the dairy sector, that could help them to understand the concepts used.

Arguments had to be written on post-its, and attached to a poster that specified the four ResAT-indicators of the resilience theme in question. Positive arguments had to be written on green post-its, negative arguments on pink ones, and arguments for a neutral or unclear score on light-yellow post-its (see for example the two posters with arguments on robustness, Figure 3). After the workshop, two to three pages of notes on the discussions on one resilience theme were written down by either the moderator or a note taker. The arguments described in these notes, and those raised in the written comments on the statements, are the basis for this stakeholder check. The remainder of this section describes the arguments raised by participants, and how these correspond to our argumentation. We do not explicitly compute a score for the ResAT indicators based on the participants’ positive/neutral/negative post-it arguments, mainly because many participants had difficulties in understanding the meaning of the ResAT indicators, and were not consistent in the use of positive/neutral/negative arguments. For example,

Figure 3: Posters with arguments from the first and second group discussion on robustness.
shortcomings in the implementation of instruments and the accompanying suggestions for improvement were written on negative as well as on positive-argument post-its. We use the same structure as in the previous section (3), where the argumentation of our own policy assessment was described.

4.1 Robustness

4.1.1 Short-term focus

There was strong agreement among participants that the dairy market safety net instruments are very short-term focused instruments. One participant even stated that the current intervention policy for skimmed milk powder (SMP), which regulates the purchase of SMP on the basis of only the general market price of SMP, is a very narrow-minded instrument that does not sufficiently take into account other market trends, for example the milk price on the middle-long term or even the price of butter on the short term. Also the fact that milk powder stocks put a burden on the market on the middle-long term was mentioned, to support the opinion that the dairy market safety net instruments are short-term focused. In one group it was argued that interventions in the dairy market constrain a correction of milk supply by the exit of farms or production reduction. In this way, low market prices are sustained longer in time than they would be in a free market. Hence, not everyone believes that the dairy market safety net instruments increase the robustness of the dairy sector in the long run. At least we can say that the workshop participants strongly confirmed our argument that the dairy market safety nets are highly short-term focused.

Interestingly, the two groups that discussed the short-term focus of policies mentioned a positive aspect of the short-term focussed character of the dairy market safety net instruments: they argued that it is precisely the short-term focus that enables these instruments to respond sufficiently quick to severe shocks. The instrument of intervention purchases could however be improved by specifying a ceiling to the quantity of SMP or butter that can be purchased per year, instead of continuing purchases until the market price has restored. Such a more precise instrument would reduce the long-term negative effects of the intervention purchases. Nonetheless, the short-term focussed character of the instruments would still stand out.

Some of the participants argued that direct payments are short-term focused as well, because supporting all farmers increases their income in the short run but compromises it in the long run, by sustaining oversupply. According to participants it would be better if direct payments were replaced by more targeted support for changes that farmers apply to become more competitive. This would reduce the short-term focus of policies and thereby increase their overall resilience enabling character. However, this recommendation is highly contradictory to the comment that several participants gave on the existing Flemish investment support policy, as is described later on. This policy is believed to over-incentivise investments in material assets (possibly with the goal of adaptation) by farmers, and thereby to stimulate unnecessary growth and debt of firms.

The participating stakeholders thus confirmed our arguments that a) the dairy market safety net is a highly short-term focussed policy and b) its short-term focus may enhance but as well constrain the robustness of dairy farmers. However, the short-term focus of the dairy market safety net instruments is often believed to be necessary, in order to respond sufficiently quick to shocks in the market.
4.1.2 Protecting the status quo

In our analysis (section 3.2.2) we argued that the choice of the Flemish Government to keep direct payment entitlements dependent on the support given to firms historically was a choice to protect the status quo, at least with respect to structural change. When asked whether this choice protects the status quo in the dairy sector in terms of structural change, participants had mixed opinions: some agreed, some disagreed, and many were unsure on what to answer. Those who agreed follow our argumentation, but others believed that the amount of support given in the form of direct payments is not enough to effectively steer decisions on entry, exit, or long-term strategical decisions of dairy farmers.

In addition we argued that maintaining a coupled support for veal calf production indirectly protects the status quo in the dairy sector. Again, participants had highly mixed opinions on this. Some believe that both sectors are sufficiently “coupled” for the support to significantly influence the dairy sector, others did not believe that this is the case. Also the argument that the dairy market safety net reduces the need for transformation, and thereby protects the status quo in the dairy sector, was met with mixed responses. Two arguments to support stakeholders’ disagreement where that a) intervention purchases provide a floor for the general milk price, but this floor is too low to significantly affect a firm’s profitability and b) these short-term profitability improvements have little effect on a firms’ long-term profitability.

It is clear that different stakeholders have very different views on how direct payments affect structural change in the dairy sector. The variable knowledge of the stakeholders on socio-economic disciplines constrained a profound discussion on this topic; not many were willing or able to elaborate on arguments that supported their view.

A few stakeholders indirectly confirmed that agricultural policies in general protect the status quo. They believed that policies should invest in more future-oriented measures such as farming education, or adaptation measures, than in simply existing as a farm. Another indirect confirmation of the status quo protecting character of agricultural policies can be recognised in the following argument: some stakeholders shared the opinion that policies are not doing well in creating an environment that stimulates entrepreneurship. The diverse sets of obligations and support measures are believed to incentivise farmers to keep things the way they are, instead of triggering a proactive attitude on the development and strategic orientation of their farm. Similarly, it was argued that collective action both among farmers and among different supply chain partners is too little incentivised. According to one participant, policies leave too little space for autonomous organisation among supply chain partners, and in this way fail to facilitate the development of new supply chain arrangements in which farmers could be better off than they are currently (think of vertical integration, contract farming, …).

An interesting concluding argument was made by one participant (and agreed on by several others): he/she argued that protecting the status quo is desirable if it is done at a higher level, i.e. the production of food and other goods and services by farming. How the provisioning of these goods and services is achieved should be left more to the initiative of farmers and other actors, and market forces. Protecting the status quo with respect to individual firms was said to be not necessarily beneficial for the higher level objectives.

It is difficult to conclude whether stakeholders generally supported the view that agricultural policies strongly enable a protection of the status quo, given the somewhat difficult interpretation of “the status quo” for participants, and the limited extent to which they supported their views with arguments.
4.1.3 Buffer resources

In our own policy assessment, we argued that direct payments can be seen as a buffer resource given to farmers. This view is not shared by many of the participating stakeholders. When asked whether direct payments provide a sufficient buffer for periods of low milk prices in Flanders, all participants disagreed. One of the reasons for their disagreement mentioned is that the amount of support is generally too low to represent a significant buffer. A few stakeholders shared the opinion that policies should stimulate the development of buffer resources by farmers themselves more, and allow farmers less to rely on the fund for natural disasters for compensation in the case of irregular weather events.

When discussing buffer resources, it was pointed out that the huge amount of (capital) resources that dairy farms nowadays hold, could be sold in difficult times and hence can be seen as a buffer resource. For example, dairy farms usually possess an amount of land that corresponds to a large amount of capital, as they use relatively large amounts of land and the price of land in Flanders is high (around €50,000 per hectare on average). As farmers are by necessity rich in (capital) resources, it could be argued that they are rich in buffer resources. However, the resources they possess, including land and often all machines, are needed to perform their production activities, and hence cannot be sold in case of need without altering the functioning of the farm. Consequently, the (capital) resources that are part of a dairy farm are rarely seen as buffer resources. This view was clearly illustrated by the statement of one participant that direct payments do not provide an incentive to develop buffer resources because they provide an incentive to buy land. The participant thus does not view land as a buffer resource.

Land may very well be the most important resource that dairy farmers generally possess, as it is the only asset that increases in value over time, and not decreases. Currently, direct payments are partly “capitalised” in the price of land: they drive up the price of land by increasing the demand for it. This has both a positive and negative effect on the establishment of buffer resources by farmers: positively, it increases the value of land and thus farmers’ buffer resources. Negatively, it makes it more difficult for farmers to acquire land. The same principle applies to the CAP in general: by subsidising a production activity, the production factors needed for this activity become more expensive due to an increased demand for them. Rising prices for agricultural production factors are a threat to farmers’ robustness, according to the participating stakeholders. These are again arguments that contest the idea that direct payments enable the development of buffer resources, as was argued in section 3.2.3.

Acquiring the large amount of resources that is needed to run a farm is a severe challenge for young farmers. One participant mentioned that the support given to young farmers can be seen as support to help them acquire these resources, and thus as support for the development of buffer resources.

Similarly, the Flemish policy of support for investments for material assets was mentioned as a policy that facilitates the acquisition of assets and thus resources (by subsidising 15% or 30% of the cost), and can be seen as a policy that enables the development of buffer resources. The presence of material assets on a farm can help farmers to receive credit from banks, which is another pathway to buffer resources. However, by incentivising the purchase of assets, the policy discourages the saving of liquid (fluid) capital, and thus constrains the development of “quick-release” buffer resources. In addition, Belgian fiscal policies strongly encourage farms (and firms in general) operating as a legal person to invest the profits obtained in successful years in assets, rather than saving them as liquid (fluid) capital. The choice to tax especially profits of farms (and firms) thus constrains the development of a readily available financial buffer. In the Flemish dairy sector, only a minority of the farms has a legal person status. The majority
(which are natural person firms) pays flat rate taxes, and hence does not have the fiscal incentives to reinvest all profits.

The discussions on buffer resources pointed out that the large amount of capital resources that farmers possess cannot easily be exploited as buffer resources, since selling them means selling components of the farm. The different policy instruments that support the acquisition of (capital) resources thus do not support the development of buffer resources that can be exploited. The stakeholder feedback points towards a negative score for policy goals and instruments rather than a neutral or positive one, like we chose in our assessment.

4.1.4 Risk management

We argued in the previous section that risk management is a major priority in current policy goals. However, the participating stakeholders clearly disagreed on this statement. One comment was that too little efforts have been made to establish a true risk management instrument. When asked why the implementation of crop insurance schemes is lagging behind on the targets set by the Flemish Government in 2014, there was strong agreement that this is probably due to the high cost of crop insurance, and the difficulty to market weather-related risks on a regional scale (i.e. Belgium or even Western Europe). In addition, the participants found it especially problematic that farming education pays little to no attention to risk management, and the potential of insurance in farming. On the other hand, a positive contribution to the enabling of risk management by farmers was the creation of the European milk market observatory, which is believed to have improved transparency on milk prices.

Regarding policy instruments, we argued that the promotion of producer organisations could potentially be an important instrument to manage market risks, by coordinating production and bargaining with milk processors. Participants have mixed opinions on the performance of Flemish PO’s in managing (price) risks. It was argued that milk price risk could be mitigated by PO’s, but the fact that Flemish dairy PO’s are tied to one buyer, largely takes away their bargaining power. The one-to-one link between PO’s and milk processors is not obliged by law, but more a norm (or code). Another factor that reduces the bargaining power of PO’s is the fact that they do not own the milk; ownership is transferred from farmers directly to the milk processors. This “handicap” could be circumvented by making strong internal agreements, that guarantee solely collective bargaining. But currently, these agreements are lacking. A participant mentioned that farmers could be less exposed to risk if they would collaborate more with their trading partners, and incorporating the vertical dimension in the policies on PO’s would thus increase their effectiveness. Both groups who discussed robustness came to the conclusion that PO’s could improve the robustness of farmers, but the way this instrument is currently implemented is not good enough to fully realise their potential.

Again, the support for investments in material assets policy was mentioned in the discussion. According to some participants, investments that are risky can be obtained relatively easily from this support channel. They believe that the Flemish government could reduce the support to risky investments by evaluating the riskiness of an investment more strongly.

The positive score we gave to policy goals for enabling risk management was thus not supported by the stakeholders. Also our moderately positive score for policy instruments is not in line with the general view of the stakeholders on risk management enabling policies (both goals and instruments): too little, too late.
4.2 Adaptability

4.2.1 Middle-long term focus

Our positive scores for the middle-long term focus enabling character of policy goals and instruments are largely based on the strong prioritisation of investment support in the Flemish RDP, and the motivation of this prioritisation in terms of farmers’ adaptability. The workshop participants generally agreed that investment support is indeed a strong priority of the RDP, and the RDP in this way enables a middle-long term focus of farmers. Some participants argued however that the supported investments are to be situated also on the long term, i.e. ten to twenty years, and the policy thus also has a long-term focus.

Many participants agreed that support for investments in material assets helps dairy farmers to adapt to changing conditions, by reducing the cost of physical adaptations. The list of eligible investments also contains many novel techniques. One participant stated that some eligible investments are even oriented on transformation, such as investments that enable on-farm processing of products and direct sales. On the other hand, some participants mentioned that farms’ adaptability may be constrained by encouraging large investments, such as a milk robot, manure processing facility, etc., because these are not reversible and often leave the farmer with debt. The stakeholders thus developed a similar argumentation as we did in section 3.2.1: they confirmed the importance of investment support for farmers’ adaptability, and the both positive and negative effect it may have.

Some suggestions were made for an improvement of the resilience enabling character of the Flemish investment support policy. To lower the flexibility constraining character of done investments, assets should be chosen that are more polyvalent or flexible. These could be machines that can perform a larger number of operations, or constructions that are more easily convertible for other types of use. More polyvalent assets could be rewarded with higher reimbursement rates (similar to the sustainability distinction that is used currently), or the polyvalence of an asset could be incorporated in the score of a support request (which determines its likelihood of being granted). Another suggestion was to pay more attention to collective investment in assets. Currently, the policy is oriented strongly towards individual investments. Encouraging farmers to share assets between two or more firms would greatly increase the cost-efficiency of these firms and the policy instrument, according to some participants. A third suggestion was to pay more attention to the business plan of a farm, that is already required to accompany a support request. Apparently, the standard for these business plans is not high, and the quality of the business plans developed is consequently low. If the requirements to the business plan were stronger, it would better ensure the appropriateness of the investment.

An interesting remark on the adaptability of dairy farmers in Flanders that is not mentioned in our own assessment was made by one participant. She argued that the many dairy farmers who grow pigs as well, or have extensive arable farming activities, have a lower adaptive capacity with respect to dairy farming than specialised dairy farmers. Being more specialised in dairy farming urges a farmer to be more innovative in this field, she argued. Therefore, policies that aim to take a more long-term view and enhance adaptability should encourage specialisation, at least where it would lead to more innovative practices.

In conclusion, the participating stakeholders generally agreed with our arguments on the adaptability enhancing and constraining effects of the Flemish investment support policy. They also believed that this instrument is intended to enhance farmers’ adaptability. Not everyone agreed on the middle-long term
focus of this instrument though: some believe that it focusses on the long term rather than the middle-
long term.

4.2.2 Flexibility

In our own assessment we argued that the 2013 CAP reform made direct payments a more flexible instrument, by giving farmers the choice to opt in on greening payments and comply with the associated requirements, or not. The workshop participants had mixed opinions on this: some agree on our argument, but the majority believed that the reformed policy actually reduces the flexibility of farmers: they believe that direct payments are “a right”, and the reform forces them to comply with extra requirements (the greening requirements) for 30% of the eligible acreage, without compensating for these extra efforts.

In our assessment we also argued that the new dairy market safety net instrument of voluntary production reduction is more flexible than the traditional intervention instruments. One participant raised this argument as well, and thus confirmed our assessment.

Interestingly, a participant pointed at a policy instrument that was not specifically addressed in our analysis (section 3.3.2): the support for agro-environmental measures, established under the Flemish RDP. Given the importance of agro-environmental measures in the Flemish RDP budget (18%) and the relatively high amounts of support that individual farmers can receive through this scheme it is an important instrument. It is a flexible instrument because it offers many different support options to farmers who wish create a biodiversity-rich landscape. Participation however is entirely voluntary, and so the instrument does not constrain farmers who do not want to spend time on such activities. Arguably, agro-environmental measures enable variety and tailor-made responses more than flexibility: the instrument encourages a variety of nature-friendly practices, according to farmers’ individual preferences.

Some participants expressed the belief that policies could enable farmers’ flexibility by reducing the regulation of agricultural and food production activities. Especially food safety regulations and environmental regulation of farming were said to constrain dairy farmers’ flexibility. For example on-farm processing of dairy products requires now very high investments, which is in part due to strict food safety legislation. Strict regulation may therefore constrain adaptation and transformation. Another example is the PAS-regulation, a policy instrument to reduce ammonia deposition on protected nature areas. The regulation is especially inflexible because it obliges some dairy farms to apply ammonia-reducing techniques or reduce their herd size, in case the first option cannot sufficiently limit the emissions of a given farm. In some rare cases, farms are even obliged to abandon livestock farming. According to a participant, the instrument should have taken the age of farm managers, the business plan and done investments into account when planning the emission reduction of farms around a given protected area.

In conclusion, few stakeholders agreed on our argument that the reformed direct payments policy now is more flexible. Others argue that farmers have to accept more restrictions to their farming activities to maintain the level of support they received previously, and therefore the policy change restricts flexibility. The use of voluntary measures by the RDP was acknowledged as positive for the flexibility enabling character of policies, but little discussed. Environmental and food safety regulations (which are not determined by the CAP) were considered to be especially relevant for farmers’ flexibility, and negatively affect it. Although policy goals on flexibility were not discussed explicitly, the discussion seems to confirm our rather negative score chosen in the assessment. At the side of policy instruments, the contrasting
characteristics of the two pillars of the CAP make an overall assessment difficult. In general, stakeholders seemed to experience policies as more constraining for flexibility than as enabling.

4.2.3 Variety and tailor-made responses

In our assessment, we argued that the dairy market safety net instruments disregard the variety there is among dairy farms in Flanders. Participants agreed on this statement, and confirmed that dairy farmers and processors who aim to create value added are relatively less supported by these instruments. In addition, participants mentioned that the instruments do not take sustainability efforts or the degree of specialisation into account.

Also our argument (section 3.3.3) that the Flemish RDP offers a wide array of support measures, which target different types of farms and “styles” of farming, was generally confirmed by the stakeholders. One participant mentioned that especially the free advisory services offered by the Flemish Government (“KRATOS”) offers tailor-made services to farmers, based on the specificities of their farm. This is a significant improvement as compared to the pre-2014 RDP. Consequently, these advisory services are more popular with farmers; the budget for the module on Energy & Climate for the 2014-2020 period is already spent. To date, 210 farms\textsuperscript{12} were advised on energy & climate, 181 farms advised on the business plan and 131 farms advised on workplace safety. On a total of almost 25,000 farms in Flanders, this number is still limited. This demonstrates the small share of voluntary, targeted measures in agricultural policies.

In our assessment we argued that the EIP-AGRI is a policy instrument that aims to produce tailor-made solutions, and takes into account the variety among farms. This was confirmed during the workshop, where the possibility to define EIP project topics in a bottom-up way was praised in this regard. However, also the limited acquaintance of farmers with the EIP was confirmed (as will be discussed later).

An interesting comment was made on the varied and tailor-made character of agricultural policies in general. According to one participant (but many agreed with him), policies too easily assume that farmers are entrepreneurs. In reality, many farmers want to work in farming, but do not want to take the risk and financial responsibility that come with managing a farm. Creating options for people who want to work as a farmer but do not want to manage a farm would strongly enhance the tailor-made character of agricultural policies, and could strongly reduce the need to support farmers financially. These options could include contract farming, access to futures markets through intermediaries, or even the facilitation of the merging of farms where one farmer becomes an employee and the other one the manager. Indeed, many agricultural policies are currently tailored to individual farm ownership (e.g. direct payments, support for young farmers, ...), and discourage the integration of farms.

The stakeholder feedback thus generally confirms our argumentation on the enabling character of policies for variety and tailor-made responses: market management measures disregard the variety among dairy farmers, while Pillar 2 measures, which are voluntary, enhance variety among dairy farms. The limited acquaintance of farmers with Pillar 2 measures and EIP initiatives however limits their impact on the dairy sector. A neutral or negative score thus seems appropriate.

\textsuperscript{12} This number concerns all kinds of farms, not only dairy farms
4.2.4 Social learning

The workshop participants did not come up with many arguments on social learning spontaneously. The two groups discussing the adaptability-indicators confirmed that some policy instruments aim to improve knowledge sharing among farmers, but these are isolated instruments, with limited impact. From previous research, we know that Flemish farmers are generally believed to have rather individualistic preferences and behaviour. It is therefore no surprise that no-one disagreed on the statement that there is a lack of willingness to cooperate in the Flemish dairy sector, which inhibits knowledge to be shared among farmers. One participant added on this that knowledge is shared within families, “from father to son”, but not between firms, as they see each other as competitors.

In one group, someone argued that policies do pay attention to peer to peer learning and collaboration among farmers, but not to learning and collaborating between partners from different stages of the supply chain. Other participants agreed that such collaborations could yield important insights for farmers with respect to challenges and appropriate adaptations. This relates to the comment made in section 4.1.2: not encouraging farmers to collaborate with other supply chain partners means a continuation of the status quo in many cases.

In our assessment, we pointed at the strong enabling character of the EIP initiatives and LEADER project for social learning. Most participants share our impression that the EIP and its offer to farmers is little known among Flemish farmers. The same is true for the collaborative projects financed by the LEADER programme. These policies are highly dependent on agricultural advisors that advertise them to farmers; without these middlemen, hardly any farmers would be reached. A better advertisement towards agricultural advisors might increase the effectiveness of these policies strongly.

Although the discussions on social learning were rather limited, we believe that they generally confirm our assessment: a few policy instruments explicitly aim to improve knowledge sharing among farmers; as these instruments are not well known among farmers and the participation is low, their impact is limited.

4.3 Transformability

4.3.1 Long-term focus

In our assessment we argued that the agricultural policies in Flanders with a long-term focus are those which target young farmers, or innovative projects. The workshop participants had highly mixed opinions on the sufficiency of the support given to young farmers in Flanders. The availability of significant amounts of support for taking over a firm, and the prioritisation of young farmers in the investment support scheme were named as positive elements. On the other hand, some participants argued that the levels of support given are only sufficient in the case of small to medium size farms. In addition, it was argued that support for young farmers could be more effective in reducing the financial risk of starting a farm, if it was implemented in a way that takes risk into account.

We also argued that the support given to young farmers is counteracted by the direct payments given to all farmers, because these stimulate underperforming and older farmers to stay in business. When presenting this argument as a statement to the participants, some did strongly agree, but some did not. One participant mentioned he disagreed because the definition of “active farmers”, who can receive direct payments, was refined in Flanders; the participant believed that this local implementation of the policy ensures that only active farmers are subsidised.
Some participants pointed at areas for improvement of the long-term focus of agricultural policies. One critique was that the Flemish investment support policy may constrain farms’ transformability, as subsidies to some long-term investments require farmers to remain active in the specific sector for which the investment was done. Another critique was that a real long-term focus would require the government to implement more accompanying measures when making important policy changes. The example given was that of the milk quota abolishment: in order to ensure the establishment of fair milk prices after the quota abolishment, the government should have created the right market conditions, including higher transparency on milk prices throughout the supply chain.

Interestingly, participants pointed at a trade-off between the flexibility and the long-term focus of policies. They stated that if policies are adapted too frequently, they fail to provide steady conditions over time for farmers to operate in, and in this way constrain a long-term focus. A relevant timeframe in this regard is the time needed to depreciate an investment. For example, if permitted emission levels are adapted (reduced) over shorter time intervals than a dairy stable is depreciated, a dairy farmer incurs extra costs that he could not foresee at the time of investing in the stable.

The stakeholders participating in the discussion thus partly confirmed our arguments: generational renewal is a big challenge in Flanders, and a long-term focussed policy should address it. Young farmers do indeed receive a lot of attention in policy goals and instruments, but the participants were not so much convinced that policies do succeed in facilitating generational renewal. Regarding the negative impact of direct payments in general on generational renewal, our arguments were less supported. We assume that not all stakeholders would agree on giving a moderately negative score to policy instruments for this reason.

### 4.3.2 Dismantling incentives that support the status quo

In our assessment we argued that direct payments and market management measures are the main policies which provide incentives that support the status quo, and these incentives have been dismantled to some extent in the current CAP term. Participants generally agreed with the statement that the net decrease of direct payment entitlements for Flemish dairy farmers, due to internal and external convergence, will remove barriers for structural change in the sector. Some specified that this will be the case because farmers will have to give more priority to certainty and control risks better, or because a shift of means from the first pillar to voluntary measures under the second pillar of the CAP will stimulate firms to apply structural adaptations. The majority of workshop participants also expected that the abolishment of the milk quota in 2015 will, on the longer term, increase the variety among dairy farms in Flanders. Participants stated that increased competition will force “each dairy farm to find its own way to be competitive”, which may include “care farms, bed and breakfast farms, direct sales, organic production”. One participant however did not agree, because “dairy farmers will have no choice but to grow, together with their peers. Small dairy farms will not be able anymore to cope with the requirements of the dairy processing industry in the future.”

Interestingly, some stakeholders pointed out that cultural factors may be as important for the sustaining of the status quo as financial incentives are. Two factors are believed to contribute in this way: the belief that upscaling is always the path to greater competitiveness, and the strong individualism which is believed to characterise (Flemish) farmers.
Another important comment that goes beyond the assessment of the CAP was the following: according to some, farming education in Flanders currently contributes to the sustaining of the status quo, by paying too little attention to economic and managerial skills for farmers, and by not challenging the belief that scale enlargement is the way forward, regardless of the conditions. Other participants confirmed that a general lack of knowledge of economics indeed constrains critical reflection on the strategy of the farm. A suggestion was to urge young farmers to reflect critically on the business plan of the farm they want to start. Starting a farm should be seen more as a project, than as the natural choice to take over the firm of the parents.

In general, the stakeholders thus agree on our findings that incentives that protect the status quo in the direct payments and dairy market safety net policies are being dismantled. There was less support for the evaluation of these policies as being protective of the status quo. To increase the transformability of the Flemish dairy farming sector, some beliefs should be challenged and addressed in farming education.

### 4.3.3 In-depth learning

We started the section on in-depth learning in our assessment with the observation that in-depth learning, and self-reflection, are not addressed in policy documents. It is therefore no surprise that few participants had a clear opinion on the enabling character of policies for in-depth learning. Instruments were mentioned that could enable in-depth learning, such as the support for innovative projects, EIP and demonstration projects, where researcher and other stakeholders are often involved.

Some stakeholders shared the opinion that the advisory services (“KRATOS”, discussed also under Social learning) and knowledge sharing platforms offered to Flemish farmers do enable self-reflection for farmers who are open to this, and are by themselves inclined to critically reflect on their activities and the environment they are operating in. The full potential of these trainings / advisory services is not exploited as it is difficult for the Flemish government to determine the exact content of these trainings. The trainings are performed by a third party, which is chosen based on its offer in a public tender. After the public procurement is completed, the government has very few levers to force the third party to make adjustments to the exact content of the trainings. Forcing the third party to stimulate self-reflection with participating farmers was said to be difficult; it is not so easily laid down in the specifications of a public tender.

One participant argued that LEADER demonstration projects and EIP operational groups on the one hand, and the trainings on energy & climate and alternative business models on the other hand do encourage critical reflection. A good property of LEADER and EIP projects in this regard is that project topics can be defined bottom-up by farmers. However, even the bottom-up initiated projects have so far addressed robustness and adaptability, but not really transformability (except projects on alternative business models).

The same argument as in the previous section on protection of the status quo is relevant here: starting farmers should be stimulated more to reflect critically on the project they have in mind for their farm. Paying attention to adaptability and transformability, or even simply socio-economic trends in farming education could enable young farmers to do so.

The workshop participants thus confirmed that there is very little attention for in-depth learning in policy goals. Some believe that some of the trainings payed for by the Flemish government do enable this type of learning, if the farmer in question is inclined to critically reflect on his activities. Still, no feedback was
provided that calls for a revision of our negative scores for policy goals and instruments, with respect to in-depth learning.

### 4.3.4 Enhancing and accelerating niche-innovations

We argued in our assessment that the Flemish government created specific support schemes for niche-innovations, i.e. the support schemes for innovative projects, organic farming, and small farms. The general finding of the discussions that niche farming practices are sufficiently supported is thus no surprise. Remarkably, some participants shared the opinion that niche farmers are often better off (economically) when their niche remains a niche, than when the mainstream farming sector adopts their practices. Therefore, they argued, policies should not accelerate niche innovations too much, and agricultural policies are already supporting niche-innovations sufficiently. This idea is in contrast with the ResAT premise that niche-innovations lie at the basis of transformations of the wider agricultural sector, and therefore should be enhanced and accelerated.

A participant mentioned that the support for mixed grass-clover forage production (an agro-environmental measure of the RDP) is an important instrument for the dairy sector. Growing grass-clover forage reduces the dependency of dairy farmers on purchased feed, which is an important challenge for the Flemish dairy sector. As relatively high amounts of support are available for the production of grass-clover forage this instrument could be regarded as an important lever for transformability. However, the instrument is not very well known among farmers and should be better advertised in order to have a truly large impact. Participants agreed that this a general problem: highly specific policy instruments, which are often the ones that better enable adaptability or transformability, are often little known among farmers.

Although the discussions on the enhancement and acceleration of niche-innovations were rather limited, we believe they confirm our assessment: there is relatively much attention for niche practices in the Flemish RDP, and farms applying such practices have access to several types of support. A positive score in the ResAT wheel thus seems justified. Making “mainstream” farmers more acquainted with the possibilities of these instruments could increase their impact.

### 4.3.5 A general comment on transformability

An interesting general comment was made on the transformability-enhancing character of agricultural policies in Flanders. A few participants shared the opinion that several instruments exist that could enhance the sectors’ transformability (KRATOS trainings on diverse themes, support for innovative projects, support for young farmers, ...) , but currently fail to do so because the instruments are not implemented with transformability in mind. This comment points at a lack of attention for transformability in policy goals, rather than a lack of the capacity to enhance transformability of policy instruments. A participant formulated the critique as follows: the government is doing not enough to construct a vision for the future of agriculture; they need to think out of the box themselves and communicate their vision on agriculture, if they want the sector to think out of the box.

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13 Why organic farms and small farms are still a niche in Flanders is explained in section 3.4.4

14 These are local implementations of CAP instruments
5 Overall analysis of strengths and weaknesses

In our assessment, we discussed how dairy market management measures, direct payments and rural development measures scored in the ResAT indicators. Policies other than the CAP, either at the European or regional level, were discussed where especially relevant. The stakeholder check with 16 participants involved more broad discussions on policies, both the CAP and others. In this concluding section we will present the main findings of our assessment and the stakeholder check.

Transformability of the farming system is much less part of policy goals than robustness or adaptability are. Even policy goals that focus on the long term rarely address transformability, or themes closely related to it. Consequently, existing policy instruments that could strengthen characteristics of transformability (e.g. trainings, knowledge sharing platforms, ...) often miss this opportunity. Paying more attention to transformability when implementing these instruments could certainly make a difference for their transformability-enabling character. The opposite is observed for the robustness and adaptability enabling character of policies: these themes receive more attention, but the policy instruments are not in place yet, or not implemented as such that they can realise the policy goals. Examples of this case are the slow development of crop insurance schemes, the limited impact of rural development measures, etc.

Dairy market management measures, currently named “the dairy market safety net”, are highly short-term focussed instruments that respond to milk price shocks quickly. Their pronounced short-term focus is needed to ensure sufficiently quick responses to price shocks, but introduces some risks with respect to the long-term effects of their interventions. By simply purchasing milk powder or butter until market prices have reached again a threshold, stocks are created that put a burden on the market in the future. Therefore, the short-term focus of these instruments may compromise the robustness of the dairy sector on the longer term.

Many stakeholders confirmed that agricultural policies somehow support a continuation of the status quo, but there is no consensus on which policy instruments are responsible for this. Two main features of agricultural policy in Flanders where mentioned in this regard: 1) the supporting of all firms, regardless whether they are applying adaptations or innovations or not and 2) the discouraging of decentral organisation and self-organisation of supply chain arrangements. The Flemish Government does not actively (and perhaps consciously) encourage central organisation, but by prescribing many regulations and arrangements at the general level, decentral organisation is discouraged.

Protecting the status quo is often associated with direct payments. In our assessment we argue that direct payments indeed protect the status quo with respect to structural change in the dairy sector. While some stakeholders agree with our view, many stakeholders disagree with it. The impact of direct payments on structural change in the sector is thus controversial. It is clear that they provide an extra source of income, but this does not necessarily strengthen farmers’ robustness, as this extra income reduces the incentives to exit the farming sector and in this way sustains oversupply. The common view that direct payments constrain transformation in the sector by keeping older and underperforming farmers in business is also not supported by all stakeholders. The question is whether governments succeed in distinguishing active farmers from “passive” ones. At least this is a priority for the Flemish Government. An important remark is that different stakeholders have different understandings of “the status quo” in the dairy sector. Having a fruitful discussion on this topic thus would require a more narrow definition of the dynamics that are to be studied.
Another much-debated policy instrument is the support for farmers’ investments in material assets. The goal of this policy instrument is, besides of improving farmers’ competitiveness, to increase farmers adaptive capacity. In one way the instrument does so by lowering the costs of investments for adaptation, but it also stimulates farmers to invest savings in material assets which may be inflexible, and force them to stay with the strategy chosen at the time of investing. The policy also may constrain farmers from developing buffer resources, as the material assets purchased are not readily convertible to fluid capital in times of difficulty. The Belgian fiscal policy provides similar incentives: by taxing especially profits, farms who do not pay flat-rate taxes are stimulated to invest all profit in new (material) assets. The fiscal policy thus constrains the development of buffer resources.

In general, (dairy) farmers possess a great amount of capital resources, of which land is often the most important one. Farmers and other stakeholders generally do not view these resources as buffer resources, which can be sold to recover from shocks, as the resources are the physical components of a farm, which are needed to continue production. This explains why farmers often appear to be poor on buffer resources, while rich on (capital) resources in general. Also direct payments are not viewed as a buffer resource for farmers, but as a compensation for the profit losses that farmers incur due to the relatively higher societal demands to farming in the EU.

In contrast to CAP Pillar 1 policies, Pillar 2 policies (implemented as the Flemish Rural Development Programme) provide varied, tailor-made support measures for different types of farms and farming practices. Examples are the support for small farms, organic farms, for diversification to activities other than production, etc. By relying on voluntary measures, Pillar 2 policies also provide a flexible framework of support for farmers. Pillar 2 policies are thus the main policies that enhance (dairy) farms’ adaptability. Unfortunately, many of the RDP instruments are not well known among farmers, as they are more specific and tailor-made.

The support given to young farmers aims to secure the future of (dairy) sector in Flanders, and does provide substantial help to overcome the high cost of purchasing or establishing a farm, at least in the case of small to medium-sized farms. The question is whether this support is not annihilated by other support schemes, that incentivise farmers to stay in business and hence create barriers to the entry of young farmers. Young farmers could also be empowered by paying more attention to adaptability and transformability in farming education; stakeholders reported that these themes receive too little attention. In addition, a limited knowledge of economics and management with many farmers was said to constrain an entrepreneurial attitude, and critical reflection on the farms’ strategy.

This relates to the more general remark that policies and policymakers too easily assume that farmers are entrepreneurs. It was argued that many farmers want to work as a farmer, but not necessarily want to manage a firm. Policies however assume and often stimulate individual farm ownership (think of the support for young farmers for example). Creating more options for contract farming, franchising, or the management of farms as a form of sub-contracting could cater to the needs of farmers who are not entrepreneurial and do not care too much about their independency.
6 Reference list


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