



**A Nuffield Farming Scholarships Trust**

**Report**

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**John Oldacre Foundation**

**Insights from agricultural  
policies of selected non-EU  
developed countries**

**Jonathan Baker**

**August 2018**

**NUFFIELD**

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# A

## Nuffield (UK) Farming Scholarships Trust Report



*"Leading positive change in agriculture.  
Inspiring passion and potential in people."*

Date of report: August 2018

Title	Insights from agricultural policies of selected non-EU developed countries
Scholar	Jonathan Baker
Sponsor	John Oldacre Foundation
Objectives of Study Tour	To identify ideas and insights from the agricultural and land use policies of developed, non-European Union countries.
Countries Visited	Norway, Japan, Switzerland, South Korea and New Zealand
Messages	<ul style="list-style-type: none"><li>• UK and devolved Governments should consider a broader range of policy measures than direct support when crafting their agricultural and rural policies.</li><li>• Government, the public and farmers should determine which functions of agriculture they want to see emphasised.</li><li>• The UK and devolved Governments should recognise that the vitality of rural areas cannot be taken for granted.</li><li>• Farmers and their representatives must determine the relationship they want to have with Government(s).</li><li>• UK and devolved Government should reform reflectively. Future UK agricultural policies will be unprecedented. Policy makers should be humble and prepared to modify their reforms in light of negative impacts.</li></ul>

## EXECUTIVE SUMMARY

The European Union's Common Agricultural Policy (CAP) has shaped the UK's agricultural policy and landscape for forty years. As the UK leaves the EU there is an opportunity to look beyond the borders of the EU and seek inspiration from the policies of other developed countries.

This report presents insights from the agricultural policies of Japan, South Korea, New Zealand, Norway and Switzerland. The agricultural policies of these countries represent a broad interpretation of agriculture. Each nation recognises that agriculture is multifunctional and their policies seek to optimise these functions according to their own priorities and context.

The four common functions of agriculture were sustaining rural communities, environmental sustainability, economic development and food production. With the exception of New Zealand, the visited countries provided their farmers with a high degree of support through tariffs, subsidy, favourable tax arrangements and market control. In these countries there was limited desire for significant change in the total level of support. Policy makers, politicians and farmers felt that the existing arrangements were necessary to ensure agriculture continued to provide the required multiple functions. There were ongoing debates about how support was provided, with reforming voices tending to want a shift away from market protection or subsidy linked to production to direct support potentially with environmental conditions. With the partial exception of Switzerland and some yet to be implemented changes in South Korea, there was little sign that such reforms would succeed. In Japan and Norway in particular, few were calling for reforms due to the political influence of farmer representatives and public acceptance of existing policies and their impacts.

New Zealand provides little if any support to farmers and its farming industry is a global success story. There was however growing public pressure for the Government to intervene more in the sector. Water quality has been impacted by an increase in intensive dairy production and overseas investors have driven up the price of land, making succession for New Zealand farmers more difficult.

Seen from an international perspective, the proposed reforms in the UK are exceptional. The likelihood of the UK having four distinct agricultural policies and the move in England and Wales away from direct support to a policy of 'public money for public goods' are unprecedented. The UK can still learn from the countries visited. The report makes the following recommendations:

- UK and devolved Governments should consider a broader range of policy measures than direct support when crafting their agricultural and rural policies.
- Government, the public and farmers should determine which functions of agriculture they want to see emphasised.
- The UK and devolved Governments should recognise that the vitality of rural areas cannot be taken for granted.
- Farmers and their representatives must determine the relationship they want to have with Government(s).
- UK and devolved Government should reform reflectively. Future UK agricultural policies will be unprecedented. Policy makers should be humble and prepared to modify their reforms in light of negative impacts.

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## Chapter 1 Introduction



Jonathan Baker is a land use policy professional. He is currently a policy advisor in the Department for the Environment, Food and Rural Affairs (DEFRA) Future of Farming team. Prior to that he worked for the Country Land and Business Association (CLA), was a Research Fellow in DEFRA and worked for an environmental policy consultancy.

Jonathan and his family are from the South-West of England. Spending time on the farms of family friends and his great uncle, Jonathan's interest in the environment led to a focus on the environmental effects of agriculture. His first degree was at Bath Spa where the campus setting allowed him to spend plenty of time outdoors. After that he worked in business management for A&P Group in Falmouth before moving to London to undertake a Masters at Imperial College London where his interest in policy started.

## Chapter 2 Background to my study subject

The European Union's Common Agricultural Policy (CAP) has set the objectives, mechanisms and purpose of European agricultural policy. The CAP has been and remains a massive influence on farmers, the rural economy and the natural environment. As the UK leaves the EU this will cease and decision making over agricultural policy will return to Westminster for the first time in forty years.

Leaving the EU therefore presents a major opportunity to look at again at the UK's agricultural and rural policies. Policy makers, politicians, farmers and their representatives will need to consider, what sorts of policies are needed to optimise food production, environmental enhancement, rural communities and agricultural productivity.

Over the last forty years, little attention was paid to how countries outside of the EU framed, designed and delivered their agricultural policies. The ongoing debates about the shape of future UK agricultural policies remain bound to the ideas and interventions of the EU. This Nuffield project looked beyond the borders, ideologies and legacy of the EU and the CAP to identify and record ideas and insights from the agricultural policies of relevant non-EU countries.



## Chapter 3 Research Approach and Methodology

### Country choice

The research considered Japan, South Korea, Norway, Switzerland and New Zealand.

Table 1: High level itinerary shows when the countries were visited,

Table 1: High level itinerary

Country	When Visited
Switzerland	May 2017
Japan	July 2017
New Zealand	August 2017
South Korea	August 2017
Norway	March 2018

In general, these countries were chosen as they were economically developed and outside of the EU. There were additional reasons for choosing the specific countries:

1. Switzerland had recently undergone a major reform of their agricultural policy that saw direct support repurposed to achieve environmental goals. These reforms are consistent in concept with the proposed policy changes in England.
2. Japan and South Korea were specifically chosen as their agricultural policies are poorly covered in the English language policy literature.
3. New Zealand was chosen as it had famously undertaken a still unprecedented major reduction in agricultural support in the 1980s.
4. Norway has the world's highest level of agricultural support.

### Methodology

The method was largely qualitative with a series of semi-structured interviews supplemented by document review.

For each country a short research plan and policy summary were produced before travelling. The research plan included a summary of the country, an itinerary and a set of interview questions. These specific interview questions were adapted for each country based on the results of the initial desk top research.

The aim of the research was to speak to a wide and representative group of stakeholders including: policy makers; politicians; farmers; extension services; NGOs; and citizens. Interviewees were identified initially through an online search and a review of published Nuffield Reports. When contact was made with stakeholders in country, they were asked to volunteer other stakeholders. The planned interview itinerary for each country was supplemented by opportunistic interviews when in country. Staying on farms in bed and breakfasts, Airbnb and agri-tourism networks was found to be the best

way of finding farmers in non-English speaking countries. For South-Korea and Japan, the British, Korean and Japanese consulates provided some additional government contacts.

In country, interviews were recorded and transcribed after the meeting. A series of blogs were also produced when travelling<sup>1</sup>. Prior to and during the writing of this report, all notes and blogs were reviewed, analysed and synthesised to identify key themes, topics, specific ideas and quotes.

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<sup>1</sup> Available from: <https://nuffieldjbaker.wordpress.com/>

## Chapter 4 Analysis

This chapter analyses the different perspectives and approaches to agricultural policy in the countries studied. Appendix 1 sets out for each of the countries summaries of their key statistics and their overall balance of objectives in setting agricultural policies or measures.

### 4.1 What is agricultural policy?

**4.1.1** Agriculture is defined as “the science or practice of farming, including cultivation of the soil for the growing of crops and the rearing of animals to provide food, wool, and other products”. Government policies and measures do not focus on this narrow, technical concept of agriculture. Instead, agricultural policy has evolved into an umbrella expression for the efforts made by society and its Governments to manage land, non-urban communities, food production and the natural environment.

#### 4.1.2 What are the objectives of agricultural policies?

The tools through which the objectives of agricultural policy are defined reflect the constitutional and political histories of each country. Primary legislation, five-year plans, Framework Acts, policy statements and national constitutions are used to set out what Governments want to achieve. Across this variety of instruments, institutions and ideologies there is a high degree of commonality of objective amongst the five countries visited.

All five countries refer to economic, social (referred to as rural) and environmental objectives for agricultural policy. With the exception of New Zealand, the countries also seek to secure food supplies or other aspects relating to the provision of food for home populations.

Common across all countries although varying in emphasis and interpretation is the idea that agriculture is multi-functional, meaning that its value and goals should relate to more than “growing of crops and the rearing of animals”.

#### 4.1.3 Agricultural policy themes explored

This chapter uses five sections to explore how the developed non-EU countries which were visited, frame and implement their agricultural policies. The sections are themes that were observed across the countries visited and include: multifunctionality of agricultural policy; food production; social or regional policy; economic development; and environmental sustainability.

### 4.2 Multifunctionality

#### 4.2.1 Overview

In all of the countries visited, policy makers referred to multifunctionality in agriculture. With the exception of New Zealand, the respective legal basis for agricultural policy in all of the countries refers to multifunctionality explicitly or in comparable language. Different countries however focus on different aspects of multifunctionality to different extents and implement the concept in different ways.

For most of these countries, policies assumed that the more agriculture is exposed to market forces, the less agriculture is able to provide multiple functions. The exception was New Zealand which has

to date retained a relatively hands-off approach to managing multifunctionality through agricultural policy: New Zealand's reforms have seen a flourishing of the economic and food production potential of agriculture but at a social and environmental cost.



**Photo 1: Agricultural landscapes are complex and diverse reflecting geography and history. In this Swiss village north of Interlaken small pastures are part of domestic life linking communities, managing meadows, providing food and income.**

Through a combination of the residual political strength of farmer representatives and public support for farming, or a certain perception of what farming is, Norway, Switzerland, South Korea and Japan have built a complex and expensive set of policy interventions. The aim of these policies has, explicitly or not, been to limit change in rural areas. Within the countries, there was little observed desire for radical reform.

Where changes in policy were happening, the drivers tended to be external forces such as the WTO or, in the case of Norway and Switzerland, the EU. Proposed reforms were rarely transformative and not intended to reduce the total level of support provided to agriculture. Rather, reforms tended to correct a perceived under-delivery of a specific function – be it economic development in Japan, the environment in Switzerland or rural development in South Korea.

Agricultural policy is therefore primarily about the management of land use to optimise the functions of agriculture that require intervention. The decision about what 'requires' which intervention is however very dependent upon the culture and politics of a specific country.

Although multifunctionality is a common concept in all of the countries visited, the way it is put into practice varies hugely as discussed in the rest of this section.



### 4.2.2 Multifunctionality payments in Japan

Japan's approach to multifunctionality is mixed. The Basic Law for Food, Fisheries and Rural Areas specifically refers to the 'Fulfilment of Multifunctional Roles' from agriculture. From a European perspective it is not immediately apparent how Japanese policies specifically seek to achieve multifunctionality.



**Photo 2: Japanese paddy fields have huge cultural and environmental significance**

The main policy mechanisms in Japan are a system of tariffs and policies designed to sustain a high price for table rice. At the time of the visit, Japan subsidised feed-rice and the set-aside of paddy fields to ensure that the supply of Japanese table rice was balanced against demand. Observed from the outside, this policy would seem to have little consideration of multifunctionality. The objective instead is to support food production and to sustain the income of the hundreds of thousands of small farmers that make up Japanese agriculture.

Japanese consumers, farmers and policy makers view this differently: to them the production of rice is a multifunctional exercise. Paddy fields are viewed as a positive environmental land use, managing water and creating habitat. Keeping the price of rice high also supports rural communities and creates social links as a significant proportion of the rice produced in rural areas is traded or bartered rather than sold commercially.

Alongside these macro-policies, Japan has a series of 'multifunctional payments'. Multifunctional payments are an innovative policy unique to Japan but inspired by the EU's direct support and 'agri-environment' payments. The concept of 'multifunctionality' comes from Japan's Basic Law for Food, Agriculture and Rural Area (1999). That law makes no explicit mention of biodiversity, climate change or any specific environmental topic. 'Multifunctionality' instead includes 'conservation of national land, water resources and the natural environment to the formulation of a good landscape and maintenance of cultural tradition'.

In the early 2000s, the concept of multifunctionality was expanded upon and a set of 'functions' were expressed. These functions are similar to the ecosystem services regularly used in Europe, e.g.: flood protection; soil protection; 'health relaxation'; and, cultural tradition. Multifunctionality payments are key part of the 'Agriculture, forestry and fisheries region vitality creation plan'. In 2014 policy makers however noted that the current level of spend is insufficient to make significant changes to the rural economy.

Economists, policy makers and academics noted that although many of them want to see greater use of multifunctionality payments, the hugely influential JA Zenchu farmer cooperative was against such reforms. JA's concern is that the basis of these payments – income foregone and costs incurred – would be lower than farmers currently receive for producing rice. The likely result being a reduction in income for many part-time farmers, increasing the chances that these farmers will cease farming. In the view of those academics and policy makers, this would have a negative impact on the membership and political power of JA Zenchu.

The opposition of JA Zenchu has limited major reforms but the Government are bringing through some changes which are intended to see the consolidation of farm land and reduce the number of part time farmers. The budget for various multifunctional payments has also increased slightly in recent reforms. Other reforms are intended to reduce the influence of JA Zenchu.

#### 4.2.3 South Korea ongoing reforms to achieve multifunctionality

South Korea is experiencing a major and ongoing reform to agricultural policies under President Moon. The reforms are actively looking at removing some product specific payments and focusing more on general direct support and other interventions with the express purpose of delivering multifunctionality.

These reforms are rooted in the relevant Basic Law which notes that agriculture is *"a key industry carrying out economic and public functions by ensuring the stable supply of safe agricultural products and quality food for the citizens and contributing to conserving the environment of the national territory, agriculture shall be encouraged to serve as a foundation for the economic, social, and cultural development of the citizens"*.

South Korea already has a diversity of direct support programmes such as landscape crops<sup>2</sup> and environmentally friendly farming<sup>3</sup>. There are plans to boost domestic rural tourism which, compared to Europe, is under-developed. This is intended to provide a diversification opportunity for farmers, whose incomes are generally lower than urban workers.

#### 4.2.4 Norway – defensive multifunctionality

Norway has at various times emphasised multifunctionality within its agricultural policy but usually with an emphasis on the social aspects of agriculture. In 2002, various countries via the WTO were putting pressure on Norway to liberalise its high levels of agricultural support and tariffs. The Norwegian Government responded by publishing a report with the title 'Multifunctional - the Case of

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<sup>2</sup> Direct support to grow attractive crops such as oil-seed rape, sunflowers. Payments are also provided for growing trees around eye-sores.

<sup>3</sup> A set of direct support provided to farmers who reduce their pesticide use by half or entirely.

Norway'. This short report links Norway's agricultural policy and farming sector explicitly with a set of non-trade concerns (WTO-jargon) also referred to as public goods.

Ultimately the members of the WTO did not push through major reductions in the levels of trade distorting support and Norway was able to maintain its complex set of market interventions without major reform. Crucially, unlike the approach Switzerland has taken, reforms were not brought in to create policies which focussed on specific aspects of multifunctionality.



**Photo 3: Farming in Norway suffers from harsh climate, high costs and high employment even in the relatively benign area of Eidsvoll, north of the capital Oslo.**

Norwegian academics felt that rather than requiring changes in policy design, arguments about multifunctionality and public goods provided economic and political arguments to uphold the high degree of support Norwegian farmers receive. In discussion with politicians and policy maker it was confirmed that the current Government and the resultant policy focuses less on multifunctionality and more on food production, farmer incomes and pushing farming to be more competitive. Norway does have some environmental payments and conditions but these were relatively unambitious with few pushing for a major expansion of these programmes.

#### **4.2.5 Switzerland as a model in multifunctionality**

The Swiss constitution does not refer explicitly to multifunctionality but it does lay out a set of objectives related to market-oriented food production, dispersed population and environmental protection. The last round of reform in 2014 increased the emphasis on multifunctionality.

The reform resulted in a set of direct support programmes, each of which considers environmental, rural and food production goals. These programmes are supported through a robust set of tariffs which reduce the ability of third countries to compete on cost, and through land management policies which manage the development of agricultural land and seek to maintain food production across Switzerland.



### 4.2.6 Minimal intervention and multiple functions in New Zealand

New Zealand's Ministry of Primary Industries includes the following as its objectives:- growth; sustainability; protection; and, participation. As a food exporting nation, the production of food is not explicitly considered but the social, environmental and economic functions of agriculture are considered. What is distinct about New Zealand in this group of countries is the absence of an 'agricultural policy' per se. Instead of a package of programmes or schemes, New Zealand manages its agricultural land and communities through market forces and regulation.

Farmers and politicians in New Zealand did express a number of concerns suggesting that there was some desire to see more measures to protect the multiple functions of agriculture, in particular to deal with the loss of social links caused by larger, more efficient, corporate farms. Environmental groups and policy makers also sought stronger responses to environmental challenges.

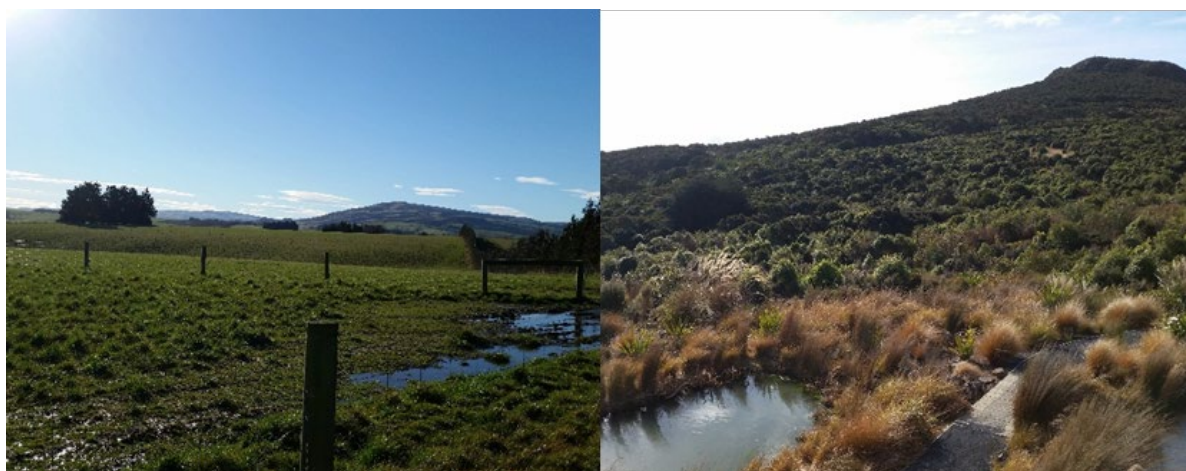


Photo 4: New Zealand's land use is sharply divided. With some areas dominated by agriculture (picture left, farm land outside of Dipton, South Island) with others being wild (picture right, Mount Cargill, South Island)

### 4.2.7 Multi-forms of multifunctionality

The interpretation of multifunctionality depends on the extent to which the country views the production of food as inherently multi-functional. Japan and Norway seemed to see agricultural production managed within the constraints imposed by the Government as providing multiple functions.

Others, notably the Swiss, have intervened to change how farmers manage their land so that more environmental outcomes are provided. South Korea is considering moving to a Swiss model but already has an established set of interventions to incentivise farmers to deliver multiple functions. New Zealand has to date relied on regulation and farmers competing in a market to provide what it wants from their sector. This may be changing somewhat with environmental and social concerns being regularly discussed.

## 4.3. Food production

**4.3.1** Calorific self-sufficiency provides a proxy for the extent to which countries prioritise or at least frame their agricultural policy in terms of food security and self-sufficiency. Table 2 shows this for the study countries. In general, the policies of those countries with higher levels of self-sufficiency refer less to food security and food production.



Table 2: Calorific self-sufficiency by study country.

Country	Calorific self-sufficiency <sup>4</sup>
New Zealand	185%.
United Kingdom	62%
Switzerland	54%
Norway	50.1%
South Korea	44%
Japan	40%

### 4.3.2 Prioritising food security within Japan

As the world's largest importer of food and a country exposed to unpredictable geology and geopolitics, food security is a national priority in Japan.

*83% of the Japanese public told a survey for the Prime Minister's Office that they felt insecure about the future supply of food.*

Japan's relevant law places "Securing a stable food supply" as the first principle of agricultural policy. Related policies are numerous and include an annually updated emergency food plan, a system to stockpile produce and a set of policies that are intended to ensure Japan's numerous, small and largely part time farmers keep producing food.

Japan has also developed a self-sufficiency potential index. This emerged from the stubbornly negative trajectory of 'self-sufficiency in calorie terms'. Policy makers realised they were unable to change the broader trends causing this and they needed to find an alternative assessment of food production. Crucially, they wanted a metric that could inform a policy response. Policy makers have therefore stopped setting targets to increase self-sufficiency, and instead looked to maintain or improve the potential to produce food. By considering 'how much food could we produce if we need to?' Japan has developed policies that focus on maintaining food producers and relevant infrastructure rather than on produce alone. Policy makers achieve this by providing production subsidies and a complex system of set-aside which is intended to keep the price of 'table rice' high for producers and therefore incentivise them to produce.

### 4.3.3 South Korea still at war

South Korea shares a history and land ownership pattern similar to Japan. It also has targets relating to food production and self-sufficiency. South Korea has taken a different strategic approach and rather than seeking to isolate food producers as Japan has through tariffs and artificial prices, Korea has looked to compensate farmers for liberalising their farming sector, along with other sectors, through Free Trade Agreements (FTA). Food producers have been compensated for this liberalisation through a system of direct support and targeted grants. Most of this direct support is for food production, with a small but growing number of direct support policies having a multi-functional purpose as discussed later.

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<sup>4</sup> [https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_food\\_self-sufficiency\\_rate](https://en.wikipedia.org/wiki/List_of_countries_by_food_self-sufficiency_rate)

#### 4.3.4 Norway – frozen food

Very much in contrast to the liberalisation of South Korea or the reliance on direct support of the EU and Switzerland, Norway has created a closed market for those products that Norwegian farmers can produce. Policy makers and politicians explicitly relate these policies to food production noting that the memory of Swedish imperialism and Russian expansionism are still fresh in Norway.

A system of high tariffs on products produced in Norway are designed to either stop (for most dairy products) or increase the cost of imported food products so that they match the cost of Norwegian products. The result is that the cost of food is 80% higher than world market prices. The production of food is however not the only priority: the internal market is heavily managed to ensure food is produced in a way that policy makers want.



Photo 5: Politicians and farmers argued that without support, Norway would not produce any food as costs are high and the climate harsh even in the relatively benign areas of Eidsvoll, north of Oslo.

#### 4.3.5 Food production as a prerequisite to Swiss neutrality

Switzerland, as a neutral nation in a continent of recent historical turmoil, sees the importance of producing its own food. A partial reliance on food imports during previous world wars placed Switzerland under pressure from both sides. Since 1996 the constitution specifically refers to food production and farmers are given not one, but two, forms of direct support that explicitly refer to the production of food. A recent referendum resulted in the Parliament approving a further amendment to the constitution which refers to food security.

Swiss agricultural policy has recently been reformed to deliver so called ‘public goods’ which primarily relate to the environment. However, within that reform individual producers are not able to use more than 50% (20% in some areas) of their farm to produce environmental goods. Policy makers justify this on the basis that they want land managers to continue producing food.

#### 4.4 Restrictions on use and ownership of farm land

All the nations visited, except New Zealand, also recognise that farm land is a specific type of land and they all limit its sale or conversion to alternative use in some ways. In Switzerland, Norway, South Korea and Japan, local authorities or their representatives are consulted when farm land is to be sold and their approval must be sought. Norway goes the farthest, requiring the purchaser of farm land to live on and farm it, or else they are required to sell it to someone who will.

Norway also limits land prices to reflect the likely agricultural return. Switzerland, Norway and Japan all have limited and reducing levels of available farm land and they have set national and, in some case, regional targets for retaining farm land in an effort to stop further loss to development. In all countries these policies were described as poorly implemented.

#### 4.5 Social, regional and rural policies

**4.5.1** All the countries visited recognise the contribution that agriculture makes to rural communities. Explicit in the policies of Norway, Switzerland, South Korea and Japan is the need to ensure that the social aspects of agriculture are retained or at least not weakened. New Zealand has to date not developed specific policies in this area beyond creating a trading and regulatory framework that allows food producers to be profitable businesses.

*Of the countries visited, Norway places the most emphasis on the social and rural aspects of agriculture.*

**4.5.2 Switzerland**, the only landlocked country visited, explicitly refers to the need to ensure a distributed population. Talking to politicians this is a strategic imperative to ensure that abandonment of land does not allow other nations to expand into Swiss territory. A similar desire motivates Norway, which as the least densely populated country of mainland Europe, has concerns about its borders with Russia.



**Photo 6: Hard work but well rewarded. Three generations of Swiss farmers manage their steep pastures in Beatenberg**

**4.5.3 Norway** One politician noted that Norwegian policy is based around the idea that *“the further away you are from Oslo and the smaller you are, the more we care”*. The total level of production is limited in many sectors through quota as is the size of individual farms which are legally not able to expand beyond a certain level of production. These policies are designed to ensure food is produced across the territory. The system of direct payments also supports this distribution policy by changing payment rates based on size (for example farmers receive more money for their first 10 head of cattle) and location (support levels are higher in the north than around Oslo). The details of all these support measures are settled annually in Norway’s Annual Agricultural Agreement, see Box 1.

Changing the level of direct support based on location – so called regionalisation – is also used in Switzerland. Swiss policy makers increase payment rates based on location with the aim of ensuring that those with poorer quality land receive more support. Norway also retains transport subsidies and compels all cooperatives to collect produce from anyone who produces it. A farmer noted that the egg cooperative must travel over 1,000km to collect eggs from a single egg producer north of Trondheim. The intention of these policies is to ensure agriculture continues to contribute to rural communities and economies.

**Box 1: Norway’s Annual Agricultural Agreement<sup>5</sup>**

Every spring since 1950 the Norwegian Government sits down with farmer representatives to agree prices, quotas and the amount of available funding for subsidies, rural development and environment programmes.

The agreement excludes taxation, regulation and tariff rates but it does cover the myriad policies deployed in one of the world’s most generous agricultural policies. The annual agreement is the single biggest determinant of the wealth and welfare of Norway’s 61,000 farmers.

The objectives for the policy are defined by the Government, ideally having been through the Storting (Parliament). The two most important goals were said to be the ‘income goal’ which seeks to keep rural incomes on a par with urban, and the related goal of maintaining agricultural production across the country.

In Norway, the focus on rural areas also extends beyond traditional agricultural policy and, for instance, includes a lower level of national insurance taxation for rural businesses, a reminder that there are a host of policies outside of even the broad framework provided by agricultural policies that can support rural communities.

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<sup>5</sup> For more information see <https://nuffieldjbaker.wordpress.com/2018/02/24/dispatch-from-norway-no-3-annual-agricultural-agreement/>





Photo 7: Norway's Storting (Parliament) usually waves through the Annual Agreement. In 2014 parliamentarians pushed back at the Government's plans to reform the sector including reducing the total level of support. The Government was required to return to the Storting with less significant proposals, that passed.

#### 4.5.2 Relative rural decline in South Korea

South Korea has seen a meteoric rise. Korean cities, in particular Seoul, have developed and expanded incredibly rapidly. Rural areas have not kept up with urban development and rural areas are seen as less attractive for workers. Rural land remains very important culturally.

After WWII the Allied General Command broke up land ownership in Japan and South Korea. This created a pattern of small landowners, no more than 2Ha in most areas of both countries, with the objective of spreading out political power. Attempts to consolidate land ownership to create more commercial units have not been successful.

*South Korea's constitution includes the principle of 'land-to-the-tiller'.*

*Technically renting land is illegal, although many landowners ignore this rule.*

In South Korea, the 'Special Act on the Improvement of the Quality of Life' commits the Government to enhancing the welfare of its rural population. It specifically refers to education and regional development. This is to be achieved through the very Korean initiative of 'master plans' to improve rural quality of life. These are produced every five years. The process is guided by the Committee for the Improvement of Quality of Rural Life which is chaired by the Prime Minister.

The master plans are developed and funded nationally and can be thought of as the successor of the highly successful Saemaul policy Korea developed in the 1960s (Box 2).

#### Box 2: Saemaul Undong

Translated as the New Village Movement, Saemaul Undong was a political initiative launched in 1970 by the then South Korean president Park Chung-hee. The objective was to modernise the rural South Korean economy based on the traditional communalism of Korea, which provided a set of rules for

self-governance and cooperation. The movement was intended to address the rural-urban divide as South Korea rapidly industrialised. In broad terms, Saemaul is a form of rural development that gives a rural community a set of resources – concrete, steel, fencing etc - and leaves them to use it as they wish.

The ‘Quality of Rural Life plans’ are more sophisticated than Saemaul reflecting Korea’s current state of development. These plans include interesting policies such as financial assistance for the vulnerable elderly, creation of agro-tourism villages and improvements in basic infrastructure. The result has been a sustained improvement in reported life satisfaction in rural areas (from 10.7% reportedly ‘satisfied’ in 2003 to 31.3% in 2013).

#### 4.5.3 Rural policies in Japan – fighting decline

Japan’s demographic challenges – an older and smaller population – mean the pressures on rural areas and farmers are especially severe. In 2005, there were over 2M farmer households, in 2015 there were 900,000 fewer. Over that time, small farms (less than 5Ha in Japan) decreased by 33% whereas large farmers (over 100Ha) increased by 165%. In 2001, 27.8% of farms were run by ‘business farmers’, meaning full time farm businesses. By 2015, this has risen to over 50%. Many of these business farmers have some non-farming income.

Staff in rural municipalities, the smallest level of local authority in Japan, were especially concerned by the trends in their rural areas. Historically, Japanese agricultural policies have been aimed at smaller farmers, partly due to the political power of the main farming cooperative JA Zenchu. A previous administration sought to change this policy by providing higher levels of support, grants and finance to business farmers. As told by academics and local politicians, this policy and the backlash from farmers – orchestrated by JA Zenchu - led to that Government falling.

Despite this failure of reform, the emphasis in Japan is changing. Partially this is due to a recognition that current policies are at best slowing rural depopulation and are at worse a barrier to larger, full time farms developing. Alongside a package of economic reforms to agriculture all levels of Japanese administration are trying to develop policies of “regional revitalization and rural invigoration”<sup>6</sup>.

Example projects include emphasising local specialities, cultural traditions, agro-tourism and managing the boars, bears and other wildlife that adversely affect rural agricultural villages. There are also grants, training and guaranteed jobs for young couples or families who want to move to remote rural areas, especially if they want to farm.

*Japan has resisted direct payments.*

The first form of direct payment started in 2000 (compared with 1992 in the EU) and the idea of direct support sits poorly in the Japanese context. The main reason given was that giving money directly to an individual was against the communal instinct. It would therefore be more accurate to refer to the small number of schemes that send money directly from the Government to farming communities as

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<sup>6</sup> Basic Plan (2015) Japanese Government English Summary

‘multifunctionality payments’; that is paid to groups and for particular actions and schemes- a policy adapted for the Japanese context (as described previously)<sup>7</sup>.

The first such payment is worth focussing on in this section. ‘Direct Payment to Hilly and Mountainous Areas’ was introduced in 2000. This scheme was intended to support farmers in difficult conditions by ‘compensating’ them for farming in challenging natural circumstances. The objective of the policy was to retain farm land and farmers in these areas to avoid further loss of farm land and rural communities. Individual schemes lasted for five years and individual farmers could not apply – it was a community level programme. The payments were calculated based on steepness and the income foregone for having a field of certain steepness was then provided.



**Photo 8: Farming in Japan can be a lonely job. This farmer in Iwate prefecture clears vegetation from water courses**

Policy officials felt that that these payments are unlikely to be enough to keep farmers in those areas, particularly when current farmers retire. Part of their purpose is to “show the farmers we care” about them and their communities.

#### **4.5.4 When farming is too profitable: New Zealand and corporate land ownership**

New Zealand has a very hands-off approach to agricultural policy. In discussion with farmers and politicians there were concerns that the increasingly attractive financial returns from dairying in particular were attracting corporate investors and the amount of capital needed to enter farming was beyond many interested New Zealanders. The then shadow Minister for Primary Industries talked about limiting corporate ownership of New Zealand farms. Corporate ownership is also limited in Japan, Korea and Norway. In recent years Japanese and Korean policy makers have sought to allow more corporate ownership of farm land to promote more ‘economic’ farming.

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<sup>7</sup> For more information see - <https://nuffieldjbaker.wordpress.com/2017/07/29/dispatch-from-japan-no-4-direct-payments-japanese-style/>



## 4.6. Economics

**4.6.1** The emphasis of this study was not on the economic aspect of food production per se. Although every country visited had a range of policies focused on promoting their produce, supporting supply chains, competition law, supporting processors and so on these aspects were not considered in detail.

**4.6.2 New Zealand** In terms of the broader framing of agricultural policy, New Zealand has the most emphasis on the economics. Farming is a major part of the economy (5% of GDP) and source of foreign currency. Officials in the Ministry of Primary Industries talked much of the then Government's desire to double exports by value (not quantity). The relationship between Government and industry was unique in New Zealand in that both parties were working to the same objectives: to secure and maintain markets for New Zealand produce.

### 4.6.3 Keeping farmers 'market focussed' in highly supportive agricultural policies

The other four countries visited have much less emphasis on exports and expressly include objectives such as "market focussed" agriculture into their policies. ("Market focussed" refers to farmers making decisions based on consumer requirements, not to access subsidy or support.) Swiss policy makers made much of the fact that subsidy accounted for around a quarter to a third of farmers income, the rest coming from the market. Norway's whole policy aims to cut off and manage Norwegian agricultural markets through price controls, quota and so on. Farmers are therefore seen to be market focussed, but within a controlled marketplace.

### 4.6.4 Picking winners in South Korea and Japan

When visited, South Korea was in an interesting moment. The incoming Government felt that the emphasis on economic development of previous administrations had not been successful. Farmers' incomes were significantly lower than urban workers and growth was poor outside some key sectors such as horticulture. South Koreans expressed significant interest in moving to a Swiss model of agricultural support – with the emphasis on multifunctionality not productivity or international competitiveness.

In South Korea and increasingly Japan, efforts were being made to differentiate between part time or lifestyle farmers and those with the skills, capital and inclination to be full time farmers. "Ninaites" in Japan and "Elite Farmers" in South Korea were identified and prioritised for funding, grant, training and loans. Both countries also had 'land matching' initiatives where the Government looked to consolidate the land holdings of commercial farmers by swapping land with part time farmers. These activities were of varying success but their necessity shows the level of intervention both Governments considered was needed to develop farming sectors which are dominated by small, part time farmers not primarily motivated by profits.

South Korea through its tradition of zoning and industrial strategy also looks to target specific areas or sectors which it thinks can contribute economically. To an outsider the main difference between the landscapes of South Korea and Japan are the large numbers of greenhouses in Korea. These are a result of targeted grants and financial support from previous administrations which sought to build on Korean excellence in horticulture.



#### 4.6.5 Norway- no mood to liberalise

Although the policies of Norway place many constraints upon individual farms, this is against the preference of the current Ministers for Agriculture. Ministers from the Progress Party have run the Ministry for Agriculture and Food for the last two administrations. The Progress Party wish to liberalise farming by reducing tariffs, removing limits on landownership and allowing farms to expand.

One farmer noted that when the current Ministers visit farms, it tends to be large farms and the objective is to convince farmers to support the Ministers plans to reform tariffs and allowing larger units. So far farmers and their representatives remain united and resistant to these proposed changes. Progress are a small party in a coalition which since the last election does not have a majority. Changes to policy have therefore been limited.

#### 4.7.1 Environmental sustainability

The extent to which environmental objectives policies are integrated into agricultural policies varied in the countries visited.

#### 4.7.2 Swiss farmers or park rangers

In Switzerland the agricultural and related environmental policies are almost completely integrated. The last four-year policy 'Agricole Politique 2014-2017' brought in a major reform shifting from Switzerland's generous system of area-based payments to a series of programmes of varying degrees of environmental ambition. Before accessing a comprehensive set of direct support programmes, Swiss farmers must now commit to national environmental conditions – referred to as proof of ecological performance (PEP)<sup>8</sup>.

*The Swiss emphasis on environmental sustainability, albeit within a multifunctional framework, stands out.*

Having achieved PEP, farmers can apply for other direct support, including payments for undertaking works to enhance landscapes, biodiversity, animal welfare and water quality. The scale, generosity and high conditions attached to the Swiss system stand out from the other countries visited. In fact, programmes explicitly aimed at 'environmentally friendly farming' were relatively minor in the other countries visited.

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<sup>8</sup> For more information see - <https://nuffieldjbaker.wordpress.com/2017/05/11/dispatch-from-switzerland-no2-policy-summary/>



Photo 9: Flower rich meadows contribute much to Switzerland's environment but also tourism industry. The meadows around Interlaken are a major tourist destination for Swiss and foreign visitors alike

#### 4.7.3 Norway and farmers first

Norway has a similar level of total support to farming as Switzerland but Norwegian policy does not prioritise environmental outcomes. The difference is explained in part by the fact that Norway has retained a wide range of instruments to support farmers, whereas the Swiss have made extensive and almost exclusive use of direct payments, as has the EU. There has been public, EU and NGO pressure in Norway to add environmental conditions to payments. However, increasing environmental conditionality is harder to achieve in a system that includes dozens of interventions most of which seek to distort the market rather than transfer funding directly to farmers.

As a member of the European Economic Area (EEA), Norway has the same environmental legislation as the EU and there is pressure to improve environmental outcomes from civil society and the European Commission. The direct support does come with environmental conditions but these are not much more than the regulatory baseline and certainly lower than those in Switzerland or even the EU.

A separate set of environmental programmes are available to Norwegian farmers. These are adapted by the local authorities and available to farmers through competitive processes. Local officials, farmers and farmer representatives noted that these programmes are oversubscribed but national policy makers all expressed a reluctance to expand these programmes significantly.

There is some pressure from the World Trade Organisation (WTO) to shift support to environmental schemes. The WTO sets limits on the amount of trade distorting support that countries can use and Norway's various production subsidies are at that limit. Environmental schemes are not considered trade distorting and countries can allocate as much as they want to them as long as certain criteria are met. Norwegian policy makers accept that they may have to shift support to so called 'green box' schemes but there is little internal pressure to do so.

#### 4.7.4 Food safety and farming incomes – drivers for environmentally friendly farming in Japan and South Korea

Japan and South Korea both have a set of requirements related to nutrient use on farms. These policies are managed at the municipal level but officials noted that the implementation was quite variable. Municipalities, via prefectures, were audited against the national standards but few felt this was as effective as it could have been. There was a much greater emphasis on other farmers keeping an eye on each other and officials / cooperatives stepping in only when required.

Although there are environmental problems associated with farm land in both these countries, the small proportion of farm land, large forests and water resources mean that with a few local exceptions Government officials at any level did not prioritise the environment. In fact, especially in Japan, there was a sense that agriculture in Japan is fundamentally good for the environment. This links into the long cultural tradition of agriculture, in particular paddy fields as a positive land use (see Box 3).

##### Box 3: Satoyama

Satoyama is a Japanese term for landscapes that combine productive activities with natural habitats. In such areas the influence of humans is an essential aspect of the ecosystem. In understanding this concept, it is possible to see how Japanese culture accepts the multi-functional nature of land used for food production.



**Photo 10: In rural Iwate, the landscapes are shaped by human activity. Paddy fields, plantation forestry and wild areas all creating a mosaic of uses and impacts. Each are appreciated by the local community and policy makers**

Compared to Korea, Japan has the more established and larger set of environmentally friendly programmes. These link into their multifunctionality payments and via labelling such as organic and reduced pesticide use which seek to find premiums in the market. The specific environmental programmes do therefore seek to achieve environmental outcomes but also to contribute to social and economic goals.



In 2007, Japan introduced Measures to Conserve and Improve Land, Water and Environment (MCILWE). It was anticipated that there would be continued abandonment of cultivated areas and that beyond a certain point this would affect the viability of communities to maintain the water infrastructure that is so vital for rice production in particular.

The MCILWE scheme provided funding at a community level to maintain and improve water infrastructure. Payments were not sent to individuals partly as there are a large number of very small farmers, and partly as there is no culture of the Government sending money directly to individuals. Water management activities have been traditionally managed by the local water union, an organisation similar to internal drainage boards in the UK, but as farmers leave rural areas the unions are running out of labour to do the work. The scheme seeks to address this and has two stages, the first included joint water management activities, such as fixing irrigation channels or traditional water wheels. Secondly, if a community engaged in this programme they could access the next level, which would reward the community for reducing their chemical inputs.

2011 saw the creation of the first structured ‘agri-environment scheme’. This second-generation programme was titled Direct Measures to Support Environmentally Sound Agriculture and replaced elements of MCILWE. DMSESA provided financial support to farmers who reduced their chemical inputs by half and who undertook an increasing set of pre-determined activities that were intended to increase biodiversity. Low pesticide production linked into the creation of a low pesticide label for food products.



**Photo 11: Food sold in a ‘market run by a farmer’s cooperative outside of Kyushu in Japan. The wooden boards are the names of the farmers selling their products. Many of the labels describe how much, or little, pesticide was used**

Over time additional activities have been added and prefectures can propose others. A major difference in the DMSESA scheme was the ability of farmers, at least after 2011 to engage as individuals, something that was not allowed in previous programmes. Policy makers noted that this change would have not been possible ten years ago. But the rapid structural change in the industry

means that there are now farmers big enough (or isolated enough) to implement individual agreements.

Farmers and staff in cooperatives noted that although consumers are interested in environmental outcomes, the main marketing benefit of products grown in 'environmentally friendly' ways was food safety. As the world's largest importer of food, Japanese consumers are often exposed to unsafe food products. Multiple and ongoing food scares have created demand for 'safe' products. Consumers have taken low use of pesticides as a useful proxy for safety.

South Korea have a set of similar programmes, albeit at the time of visiting at a smaller scale than in Japan. There are similar drivers in relation to food safety. At the time of the visit the Government was proposing a set of changes to agricultural policy. These included reforming the current set of policies and moving to a Swiss type system which was based on direct payments with environmental conditionality.

#### **4.7.5 Environmental regulation in New Zealand responding to public and consumer pressure**

New Zealand farmers get no or very little support from their Government and environmental regulation at the farm level had been relatively limited. This has changed over the last decade as the impact of increased dairying and related intensification of land use has caused problems with water quality in particular.

In 1991, New Zealand implemented the Resource Management Act (RMA). The RMA pulled together and replaced a whole host of existing legislation covering town and country planning, pollution consents, land use and environmental legislation. The RMA operates through a set of policy statements which are set nationally, interpreted regionally and implemented locally. At the farm level the RMA is implemented through resource consents. Land managers must apply for and have a resource consent to undertake certain activities as defined at regional or national level. From a farming point of view, there are some significant ongoing changes to resource consents.

For instance, in some regions farmers need to apply for a consent to change land use from beef and lamb to dairy. In others, farmers might be required to get a consent to clear native bush. There is a push to increase the level of consenting, in part to address the concerns about water quality. Farmers noted that in some areas it is effectively impossible to change from sheep or beef to dairying as the resource consent will be refused.

*It is likely that New Zealand has reached peak dairy, partly driven by environmental concerns and regulation*

WWF New Zealand's 'dirty dairying' campaign has been effective in raising the profile of water quality issues in New Zealand. The sector and politicians have both been forced to respond. Farmer cooperatives are aware of the potential negative impact on their reputation and are looking to raise standards on farm. This is being promoted through Farm Environment Plans although the level of change arising from these is variable. Some regional councils are also requiring Farm Environment Plans.



**Photo 12: After a period of intense land use change, farmers in New Zealand are under pressure to reduce their impact on the environment.**

The current and previous Government has looked to increase regulations with a view to making all rivers ‘swimmable’ during the 2020s. The last Government with its close links to farmers looked, in the words of one politician “to take the politics out of it” by setting up the Land and Water Forum (LAWF) in 2011– see Box 4.

Proposed regulations include requiring all farms to demonstrate a balanced use of fertilisers, set-backs (buffers) to water courses, all water courses being fenced and challenging reduction in e-coli and nutrients in water outflows. Existing regulations include fines for livestock being in water, acute pollution incidences and limits to land use change (in some regions). These requirements are arguably higher<sup>9</sup> than their comparators in the UK and show that even in circumstances where food production and the economic potential of farming are prioritised, environmental regulation is inevitable.

Policy makers noted that it was challenging to regulate the farming sector politically and practically – the costs of monitoring such a large and spread out sector are very high. They felt that having some sort of incentive such as grants or direct support to support change would have allowed them to be more ambitious in terms of what and when they set their policy goals.

#### Box 4: Land and Water Forum

Due to the conflict around agriculture’s contribution to water pollution, the Government adapted its traditional process for developing National Policy Statements (NPS) and asked the recently created Land and Water Forum (LAWF) to lead on the NPS for water. LAWF is a stakeholder forum, comprised of two groups – the small group (about 40 stakeholder groups) and the plenary group (over 100).

<sup>9</sup> Although those specific regulations are more restrictive than their UK equivalents such as Nitrate Vulnerable Zones, the total quantum of farm regulation in the UK is much higher as is enforcement, primarily through cross-compliance.

Stakeholders include the farming groups, NGOs, regional councils and iwi (the largest social units in New Zealand Maori society) and indigenous right groups.

The Government provided a term of reference and a set of quantitative targets that it wanted to achieve. Stakeholders were then tasked with creating a set of recommendations, based on group consensus, that Government could then take up.

Those involved with LAWF noted some frustrations in the process. A review of the Forum's recommendations suggests that few have been taken up directly by the then Government. Those that have, were substantially adapted. By 2017 four of the environmental stakeholders had left the Forum. Forests and Bird, one of the bigger NGOs, opined that the Government had snatched 'defeat from the jaws of victory' with the Forum having done the hard work to create a consensus view which the Government then chose not to take up. The relevant Minister's response was that Forests and Birds were 'extreme'.

In 2018 LAWF was put on hiatus and the Labour, New Zealand First and Green Party Government are developing their own approach to water quality policy.



## Chapter 5. Discussion

### 5.1 Farming representatives need a new relationship with Government

In countries where policies are highly supportive, the role of farming representatives is primarily to maintain the status quo whilst reducing the burdens of implementing existing policy on producers. Japan's JA Zenchu is the most successful example of limiting reforms. The Swiss Farmers Union talked of their desire to undo the reforms brought in in 2014. The Farmers Unions in Norway were clear that they wish to retain current support arrangements. They are able to achieve this through their participation in the Annual Agreement.



**Photo 13:** Without subsidy this mountain valley near Merligen would almost certainly be all forest. Swiss farmers representatives worked hard to ensure that their members continue to be supported to ensure this valley and others don't change.

In New Zealand, where the agricultural policy is fully liberalised, Government and the farming industry have a very different relationship. There, both parties work together closely to improve market conditions, identify and access new exporting markets, remove barriers to trade and exchange knowledge across sectors. The priorities of New Zealand reflect its status as a food exporter.

*A New Zealand official told me their role "is to get other Governments out the way"*

In England at least, the Government intends to liberalise agricultural policy, specifically, to remove direct support which makes up around 60% of farmers income. On current indications (July 2018), the UK Government's commitment to create incentives to improve the environment in England are not intended to be direct support by another name. By the mid-2020s, English agricultural policy would therefore be more akin to the policy in New Zealand than in Switzerland.

Within the EU the relationship between UK industry representatives and the respective Governments is more akin to the defensive model seen in Norway, Switzerland and Japan. If the UK Government's



proposals are implemented, farmer representatives will need to consider how they will adapt to support their members in a liberalised policy environment.

## 5.2 Farmers, prepare for policy ping-pong

In the run up to the 2017 election, farmers in New Zealand complained about the lack of clarity about future regulation. Both main parties had different positions about regulation of water courses and farmers did not know what regulations would be brought in after election day.

Farmers in South Korea also face major changes as new administrations look to reform their policies. Switzerland and Japan have policy programmes that last respectively for four or five years. Norwegian policy is set every year, albeit it within a long-term commitment to maintain farmers income.

Within the EU, agricultural policy moves around the rolling seven-year cycles of the CAP. There is five years of knowing more or less what's going on, bookended with two years of uncertainty as a new system is first created and then implemented.

After the UK leaves the EU this will change and there is the very real likelihood of policies changing every election, or more regularly. It is therefore essential that the industry and politicians create some form of cross-party consensus over the long-term need for rural support and potentially the objectives.

*Agricultural policy will therefore be exposed to political weather, as well as to the meteorological.*

## 5.3 Public perception of farmers

In the countries with policies based around very high levels of support – notably Japan, Switzerland and Norway – the respective parliaments all have a direct role in approving the agricultural policies and budgets. In all of these countries public support for their agricultural policies were said to be high and there was limited pressure for major reforms. It is worth considering why that is the case. Experts in country referred to strong links between farmers and the rest of the country, the historical importance of land and the fact that landownership is quite evenly distributed. The support does however come at a cost.

In Switzerland, agricultural policies had been reformed in part to meet the expectations of the public. Policy makers have used public polling to develop a set of programmes that would meet the public's goals around animal welfare and the environment. Although the level of support was generous, not all farmers in Switzerland were happy with the role the public had set out for them. A number argued against being 'park rangers' or 'gardeners' but the Government insisted that the public had a right to see their money spent in a way that reflected their priorities.

*Farmers therefore have a price to pay for public support.*

UK farmers and their representatives have tended to promote the argument that farmers are custodians of the environment and the 'original friends of the earth'. Such arguments frame farmers as producers of public goods while the contribution of farmers as businesses tends to be underplayed. Post-EU exit, UK agricultural policies will, at least in part, be shaped in response to public perceptions

of farmers. The sector will need to consider how its presentation of farmers may affect the resultant policies.

#### 5.4 Regulation is inevitable, Government support will help

New Zealand is often used as a short hand for low regulation, low support and highly efficient food production. Although the total amount of regulation is much less than in the UK, where regulations exist they are robust. The clearest example relates to water quality which has increased in political and public profile over the 2000s. The costs of meeting these requirements – such as fencing and changes to farm infrastructure – are high and there is no Government support.

As the UK leaves the EU, CAP mechanisms and support will be unravelled but it is highly unlikely that regulatory requirements will be. It is therefore important for farmers and policy makers that the Governments of the UK retain some carrots to provide alongside the inevitable sticks.



**Photo 14:** The Honourable Damian O'Connor is now New Zealand Minister for Primary Industries, at the time of meeting he was in opposition. His stated priorities were to reduce environmental impacts whilst adding value to New Zealand produce. Regulation will play an important part in achieve his Government's goals.

#### 5.5 Don't take rural for granted

Japan and Norway have a similar approach to agricultural policy. Both look to close and control the markets that their producers are best placed to serve. The emphasis in both countries is on rural and economic aspects of farming, less so on the environment. Norway's policies are costly but demonstrably effective. Rural populations are content and stable. Japan is however struggling to manage the impacts of a declining and aging rural population.

In response, Japan has proposed a further set of policies. These include proactive measures to attract younger people into the countryside and to keep farmers in especially remote areas farming. These programmes are however dwarfed by the scale of the problem. Talking to farmers and citizens in rural areas there was a very strong sense of decline. Large, empty schools were visited and as in South Korea, money is available to land owners who want to plant trees to shield eyesores such as

abandoned buildings. Rural development grants are also available to find some use for the empty houses that are now the dominate domicile in some remote areas.



**Photo 15: Rural areas in Japan are suffering from depopulation and abandonment**

Rural New Zealand also faces challenges, but these arise from the success of the farming industry. Farms are becoming larger, with less labour needs and increasingly owned by corporate enterprises, many foreign owned. Rural residents feel that this is adversely affecting rural communities. These trends are exacerbated by politically imposed limits on migrant labour, something farmers feel strongly against. For individual farmers, the traditional model of a 'milk-ladder' whereby farm workers buy cows to build up capital whilst working in another farm business - is often now closed off. Land prices in New Zealand have risen in recent year and the capital requirements to buy into a business are out of reach to most who do not have family help.

To date, rural development has not been part of the UK debate about EU-exit. International examples show that across the developed world, rural areas face many challenges. In the UK, local authorities and national Governments should be proactive in developing policies for rural areas at the same time that the CAP is removed.













































































## **5.7 Be creative**

Since the 2005 McSharry reforms, direct support is the highest profile and most significant measure deployed via the CAP. Other programmes and policy do exist but they are comparably minor. The visited countries deploy a more creative set of policies. Some of these specifically refer to land ownership and control, others include varying levels of support in different areas or to different groups such as excluding certain groups such as farmers over 65, different tax arrangements for rural businesses and multiple programmes of support for different problems.

As the UK leaves the CAP, policy makers should look again at the challenges farmers and rural areas face and reach deeper into their tool box. Table 3 presents some of the observed interventions.



**Table 3 The Tool Box - Observed interventions in agricultural policies**

<b>Environmental conditions on direct support</b>	Environmental conditions to access <i>any</i> support 	Result based schemes 	Community level 'multi-functionality' payments 	Multiple thematic direct payments  	Basic environmental requirements    
<b>Non-environmental conditions on direct support</b>	Size of land holding (minimum) 	Age (maximum) 	Agricultural qualifications 	Regionalisation of payments   	Payments to compensate for new trade deals 
<b>Tax</b>	Choice of paying some income tax to a 'home' rural local authority 	Tax averaging for farmers  	Tax incentives for joint farm ventures 	Hypothecated tax to fund rural areas 	Lower tax for rural businesses 
<b>Land Control</b>	Local authority / community having a right to refuse agricultural land sales   	Limits on corporate or foreign ownership of farm land   	Requirement to farm agricultural land 	Zoning of land types    	Limits on farm ownership   
<b>Localism</b>	Providing support to local communities to use as they see fit 	Self-regulation by farmers and farmer representatives 	Local groups prioritising environmental or rural development funding    	Local authorities looking to promote local agricultural produce  	
<b>Production support</b>	Headage / production payments   	Quota    	Guide prices  	Transport subsidies 	Tariffs    
<b>Other</b>	Farming cooperatives exempt from competition law  	Targeting support at 'elite farmers'  	Farm Environment Plans 	Farmer pensions 	Holiday cover 
<b>Rural development</b>	Regionally set development funding     	Rent reductions for new entrants 	Land matching to achieve consolidation 	Monitoring rural wellbeing 	
<b>Policy development</b>	Farmer bodies directly involved in policy formulation 	Referendums 	Consensus making groups 		

## 5.8 Reform reflectively

The UK Government's proposals for post-CAP agricultural policy are unprecedented globally. Firstly, a single country with four distinct policies is unique. Switzerland is a very devolved country with the 26 cantons having arguably greater powers than the UK's devolved administrations., but agriculture is a federal competence. It is not known what the impact of multiple policies within a relatively small UK

single market will be but without an existing template UK and devolved policy makers should be humble: it may be necessary to review these arrangements as their impact becomes clear.

The second area with no precedent relates to the plans for reforming English and Welsh agricultural policy. Removing all direct support and at the same time developing a system of 'public money for public goods' has never happened before. This alone would break new ground but at the same time the UK will be repatriating EU regulation and drawing up a new relationship with its single biggest trading partner. Swiss policy makers noted that they have a policy of only changing one element of their policy at a time – tariffs or subsidies. The UK is doing both, and due to the circumstances of EU-exit, with little ability to coordinate between the two.

The proposed reforms are radical and not without risk. The UK and devolved governments need to ensure they are watchful of the changes by monitoring measures for the defined objectives and that they retain mechanisms to mitigate their impact as needed.

Useful metrics may be the 'self-sufficiency potential index' used in Japan and South Korea (Table 3). It is noted that Norway and South Korea both monitor the wellbeing of rural communities and in Switzerland public opinion has been used to shape policies as are environmental metrics.

The UK Governments will need to establish measures or indexes so that the results or key objective to be achieved can be monitored. If the reforms result in a major reduction in the UK's ability to feed itself if needed or in major drops in rural-wellbeing, then some correctives may be required. Governments of the UK should be reflective whilst they reform and not be afraid to adjust their plans in light of the facts on the ground.

## Chapter 6 Conclusions

6.1 Agricultural policies, including the CAP, consist of much more than direct support. There are a wide range of possible tools – regulatory, financial, fiscal, legal and more – that can be used to influence and influence the management of agricultural land. It is however the direct transfer of money from public exchequers to farmers that dominates current policy discourse.

6.2 Across the visited countries, agricultural policy seeks to optimise the multiple functions of land use. Although this is not a zero-sum game there are trade-offs between each function and it is not possible to maximise all. An honest debate about which of these functions are more or less important and more or less in need of Government intervention is necessary.

6.3 Across the developed world rural areas face many challenges. The Governments of the UK have tended to de-prioritise rural areas assuming they will take care of themselves. What policies there are, have been implemented via the CAP. Post-EU exit this will change. The experiences of the countries visited suggests that proactive and wholehearted responses are needed to stop rural areas declining.

6.4 Farmer representatives in the UK have tended to defend the status quo. For example, seeking to maintain direct support, limit regulation and reduce any perceived limits on the freedoms of their members. The administration in England, and potentially other countries, plans to change the relationship between farmers and Government by liberalising agriculture and leaving farmers to be “self-reliant”. Across these reforms, farmers and their representatives will need to consider what they can offer their members and how they should interact with Governments.

6.5 The programme of reform in the UK is unprecedented globally. This should not necessarily check ambition, but Governments should be humble and track the impact that their reforms are having. There may be a need to change either the pace or direction of these changes as their impact is revealed.

## Chapter 7 Recommendations

- 1. UK and devolved Governments should consider a broader range of policy measures than direct support when crafting their agricultural and rural policies.** Policy makers, influencers and the public should look again at the available tools.
- 2. Government, the public and farmers should determine which functions of agriculture they want to see emphasised.**
- 3. UK and devolved Governments should recognise that the vitality of rural areas cannot be taken for granted.**
- 4. Farmers and their representatives must determine the relationship they want to have with Government(s).**
- 5. UK and devolved Governments should reform reflectively.**

## After My Study Tour

It is important to me that I proactively look to share what I learnt during the Scholarship. Through my blogs, a series of lectures in universities and to land managers I have connected with hundreds of people in UK agriculture. I also wrote several opinion pieces in Farmers Guardian, blogs for the Future of Farming and the Countryside Commission and articles for the CLA magazine.

The opportunity to visit these five countries, ask questions and meet with farmers, politicians and experts has had a major impact on me. The insights I gained enabled me to start a new job working in the Future Farming team within the Department for the Environment, Food and Rural Affairs (DEFRA). In DEFRA I lead policy coordination across the Agriculture Bill and my international experiences add colour and context to my work.

Although being a civil servant means fewer opportunities to talk publicly, I will continue to be a proud Nuffield Farming Scholar leading positive change in agriculture within my current role and beyond.



## Acknowledgements and Thanks

Thanks to family, colleagues, John Oldacre Trust, The Great Britain Sasakawa Foundation and Nuffield Farming Scholarship Trust for making this possible.

I am also greatly appreciative of the time and expertise of the people I met on this project, in particular: Hisako Nomura, Masa Honma, Masaya San, Naoki Amako, Naoki Matsumiya, Mari Izume, Takeshi Furusawa, Kazuhito Yamashita, Diane Kidd, Gavin Forrest, Bill de la Mare, Mike Jebson, Amber Bill, Damien O'Connor, Rowena Hune, Kim Reilly, Craig Simpson, Lloyd Macall, David Kidd, Jindo Park, Leif Forsell, Sigurd Siem, Hildegunn Gjengedal, Ian Robinson, Vidar Kapelrud, Anne Marie Aanerud, Sigurd-Lars Aspesletten, Pascal Konig, Mareike Jäger, Christen Hofer, Beat Roosli, Urs Zaugg, Gabriella Silvestri, Sarah Pearson-Perret, Thomas Meier, Luciano Ferrari, Rudi Berlie, Jonathan Hepburn, Ulla Kask and Thomas Walter.

Jonathan Baker

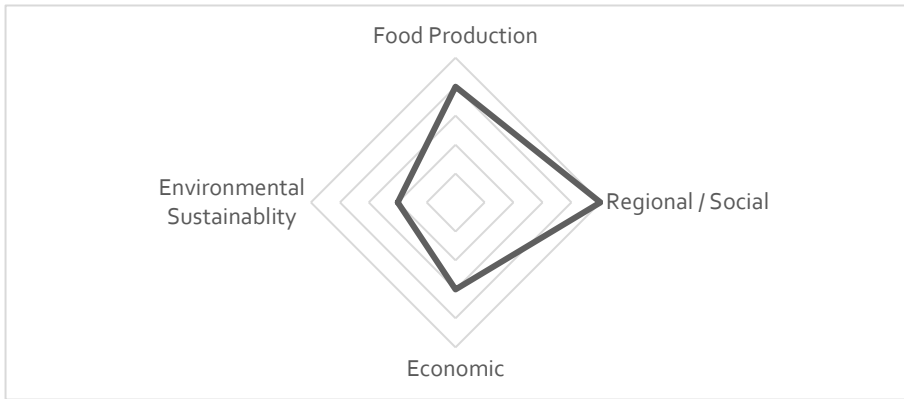
## Appendices

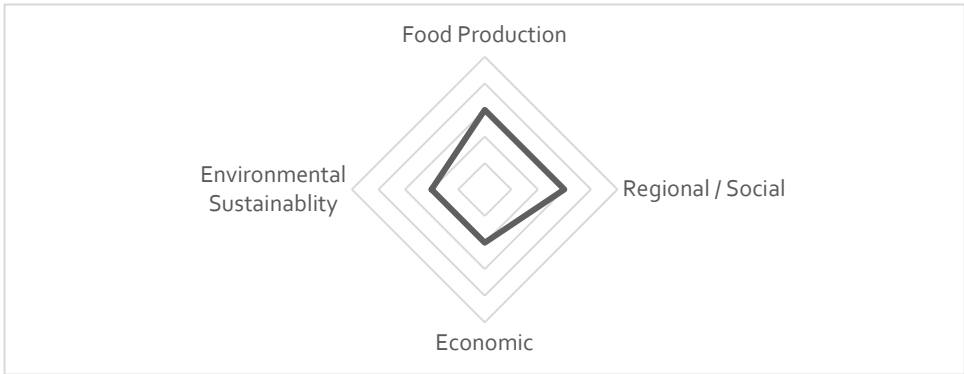
### Appendix 1 – Country Summaries

Sources: CIA Factbook, OECD Monitoring and Evaluation Report – Agricultural Policies 2017

These are set out in the following order:

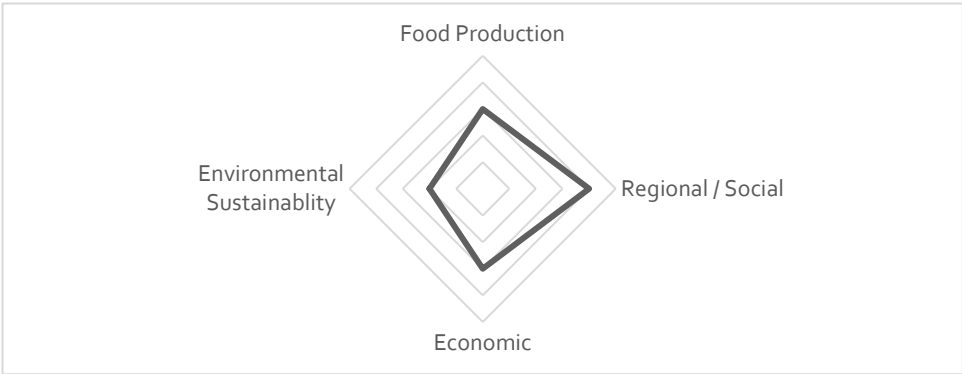
- Japan
- South Korea
- New Zealand
- Norway
- Switzerland

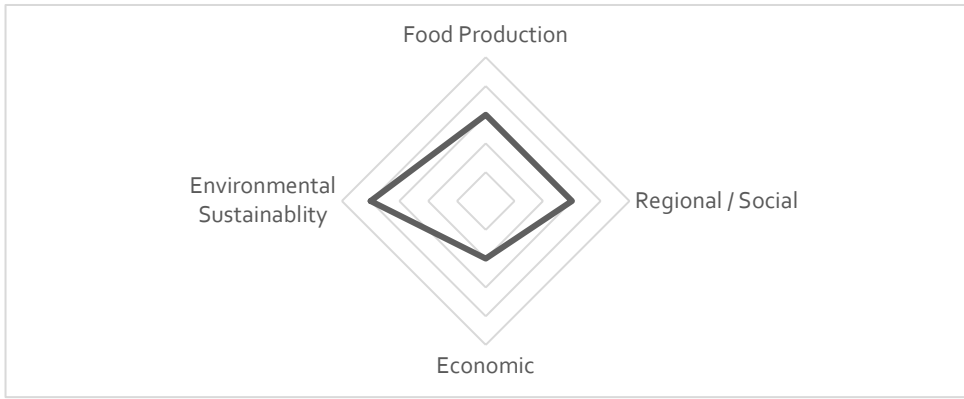
Japan			
<b>Population</b>	126,919,659 (July 2015 est.)	<b>Population density</b>	336 people per square kilometre (2015)
<b>GDP (Purchasing Power Parity)</b>	\$4.83 trillion (2015 est.)	<b>Contribution agriculture makes to GDP</b>	1.2%
<b>Proportion of land used for agriculture</b>	13%	<b>Nominal Producer Support Estimate (PSE)</b>	43.1% PSE in 2015 5th highest in the OECD
<b>Rural land ownership</b>	There are a large number of small, private landowners many of whom farm part time. Of the 2.5 million farming households only 420,000 are exclusively famers. Changing landownership remains technically and legally difficult.		
<b>Four things you need to know</b>	<ul style="list-style-type: none"> <li>68.5% of Japan is forest. <ul style="list-style-type: none"> <li>Agricultural land is limited and under-pressure from development and rural de-population.</li> </ul> </li> <li>Japanese agriculture is experiencing major structural change <ul style="list-style-type: none"> <li>In 2005, there were over 2M farmer households, in 2015 there were 900,000 fewer.</li> <li>Over that time, small farms (less than 5Ha in Japan) decreased by 33% whereas large farmers (over 100Ha) increased by 165%.</li> </ul> </li> <li>Japan is the world's biggest importer of food <ul style="list-style-type: none"> <li>Calorific self-sufficiency is 40% and this is declining over time.</li> <li>Japan has a set of policies related to food security.</li> </ul> </li> <li>Farmer cooperatives coordinated nationally by JA Zenchu are hugely influential <ul style="list-style-type: none"> <li>Japan's political economy is dominated by JA Zenchu and its millions of members.</li> <li>JA Zenchu manage the second largest bank in Japan.</li> </ul> </li> </ul>		
<b>Emphasis of agricultural policy</b>	<ul style="list-style-type: none"> <li>Japanese policy has to date prioritised food production and the social / regional aspects of agriculture. Current reforms place more emphasis on economics.</li> </ul> 		

South Korea			
<b>Population</b>	49,115,196 (July 2015 est.)	<b>Population density</b>	209 people per square kilometre (2015)
<b>GDP (Purchasing Power Parity)</b>	\$1.849 trillion (2015 est.)	<b>Contributes agriculture makes to GDP (%)</b>	2.3%
<b>Proportion of land used for agriculture</b>	18.1%	<b>Nominal Producer Support Estimate (PSE)</b>	48.9% in 2015 4 <sup>th</sup> highest in OECD
<b>Rural land ownership</b>	After the land reform of the 1940s landownership in Korea was dominated by small farms. This started to change in 2002 when the limits on the size of farms were abolished by the Farmland Act. Other measures support the consolidation of farm land with the aim of increasing productivity. Farms however remain small.		
<b>Three things you need to know</b>	<ul style="list-style-type: none"> <li>Experienced major post-war land reform and ‘land-to-the-tillers’ is part of the constitution. <ul style="list-style-type: none"> <li>70 years later the average farm is 1.12Ha.</li> </ul> </li> <li>Just 22% of land mass is farmland. <ul style="list-style-type: none"> <li>Much of South Korea is forested and hilly.</li> </ul> </li> <li>In 1960 it was one of the poorest countries in the world, now highly urban and wealthy <ul style="list-style-type: none"> <li>It took 120 years for the UK to industrialise, and agriculture to move from 40% of GDP to 5%. In Korea it took 30 years.</li> </ul> </li> </ul>		
<b>Emphasis of agricultural policy</b>	<ul style="list-style-type: none"> <li>South Korea’s policy has sought to maintain food production for strategic purposes whilst also contributing to maintaining rural communities. Current reforms may emphasis environmental sustainability more.</li> </ul> 		



New Zealand			
<b>Population</b>	4,438,393 (July 2015 est.)	<b>Population density</b>	15 people per square kilometre (2015)
<b>GDP</b>	\$168.2 billion (2015 est.)	<b>Contributes agriculture makes to GDP (%)</b>	4.1%
<b>Proportion of land used for agriculture</b>	43.2%	<b>Nominal Producer Support Estimate (PSE)</b>	0.66% in 2015 Second lowest in the OECD
<b>Rural land ownership</b>	<p>Since the 1950s there has been consolidation in the ownership of agricultural land. Some areas are dominated by part time farmers, referred to as 'lifestyle blocks'. A substantial amount of land is owned by the Crown. Some is leased for commercial use including for agriculture and forestry although there are state run farming businesses too. Following the Treaty of Waitangi, lands were returned to Maori groups. This was done via the return of Crown land.</p>		
<b>Four things you need to know</b>	<ul style="list-style-type: none"> <li>• No agricultural subsidies since they were removed in the 1980s <ul style="list-style-type: none"> <li>◦ In 1984 and the following years the various agricultural support systems were removed. After a period of turmoil New Zealand agriculture is now productive and profitable.</li> </ul> </li> <li>• Major increase in dairying during the 2000s <ul style="list-style-type: none"> <li>◦ Dairy cows doubled between the early 1980s to a peak of 6.5M in 2016.</li> </ul> </li> <li>• New Zealand exports 3% of world's dairy produce, but 33% of the volume that is traded internationally <ul style="list-style-type: none"> <li>◦ Much of this product goes to Asia with the Americas another important market.</li> </ul> </li> <li>• There is trouble in (free market farming) paradise <ul style="list-style-type: none"> <li>◦ Land prices have seen a sustained increase</li> <li>◦ Farmers are aging and there is a lack of new entrants</li> <li>◦ Lack of willing labour force, migrant and local, within agriculture.</li> <li>◦ Water quality has deteriorated due in part to the increase in dairying</li> </ul> </li> </ul>		
<b>Emphasis of agricultural policy</b>	<ul style="list-style-type: none"> <li>• New Zealand has a non-interventionist approach to agriculture policy focusing on economic returns. Environmental challenges and the Government's response, mean a greater emphasis on sustainability.</li> </ul> <div data-bbox="418 1563 1378 1957"> </div>		

Norway			
<b>Population</b>	5,207,689 (July 2015 est.)	<b>Population density</b>	14 people per square kilometre (2015)
<b>GDP (Purchasing Power Parity)</b>	\$356.2 billion (2015 est.)	<b>Contributes agriculture makes to GDP (%)</b>	1.7%
<b>Proportion of land used for agriculture</b>	3.2%	<b>Nominal Producer Support Estimate (PSE)</b>	60% 2 <sup>nd</sup> highest in OECD
<b>Rural land ownership</b>	Norway is one of the last countries in Europe where the structural development of agriculture is strongly state regulated through legislation and economic instruments. The result is an agricultural sector dominated by small farms. Forestry is dominated by the state but there are some major private forest owners.		
<b>Four things you need to know</b>	<ul style="list-style-type: none"> <li>Norway is huge <ul style="list-style-type: none"> <li>Norway is the 8th biggest country in Europe.</li> <li>If you pivoted Norway around Oslo, it would reach as far South as Rome.</li> </ul> </li> <li>Only 3.2% of Norway is farmland <ul style="list-style-type: none"> <li>Only 5% of farms get 90% or more of their income from farming; and this number is dropping.</li> </ul> </li> <li>Norway has developed one of the most supportive agricultural policy in the world <ul style="list-style-type: none"> <li>Policy includes tariffs, quota, direct payments, transport subsidies, favourable tax arrangements, headage payments, etc.</li> </ul> </li> <li>Farmer representatives help set the policies <ul style="list-style-type: none"> <li>Farmer representatives sit down with Government and agree how to meet an agreed income goal for farmers.</li> </ul> </li> </ul>		
<b>Emphasis of agricultural policies</b>	<ul style="list-style-type: none"> <li>Norway has refused to liberalise its agricultural sector citing food security and the need to maintain rural communities. Current Ministers wish to see greater emphasis on economic competitiveness.</li> </ul> <div>  </div>		

Switzerland			
<b>Population</b>	8,121,830 (July 2015 est.)	<b>Population density</b>	210 people per square kilometre (2015)
<b>GDP (Purchasing Power Parity)</b>	\$482.3 billion (2015 est.)	<b>Contributes agriculture makes to GDP (%)</b>	0.8%
<b>Proportion of land used for agriculture</b>	38.7%	<b>Nominal Producer Support Estimate (PSE)</b>	62.4% in 2015 Highest in OECD
<b>What is the general pattern of land ownership?</b>	Recent reforms have strengthened the rights of leaseholders and their successors and put restrictions on the sale of land, for instance the approval of local authorities is now required. These reforms were undertaken to promote active, agricultural landownership and to suppress the value of agriculture land.		
<b>Four things you need to know</b>	<ul style="list-style-type: none"> <li>Switzerland is rich and has one of the most supportive policies for farmers in the world <ul style="list-style-type: none"> <li>Budget surpluses are frequent and there is limited internal pressure to reduce the level of support</li> </ul> </li> <li>Farms are small, the average is 20Ha <ul style="list-style-type: none"> <li>Farm size is slowly increasing but farm land is being lost to development and forest spread at 2% a year.</li> </ul> </li> <li>Food production and maintaining a dispersed rural population are strategic priorities <ul style="list-style-type: none"> <li>Switzerland is keen to ensure its population remain dispersed across its landlocked borders.</li> </ul> </li> <li>Switzerland is incredibly devolved. The cantons and communes have a high degree of autonomy. <ul style="list-style-type: none"> <li>Farming, international trade and defence are the only totally national policy areas.</li> </ul> </li> </ul>		
<b>Current emphasis of agricultural policy</b>	<ul style="list-style-type: none"> <li>Swiss agricultural policy remains generous to support food production and rural communities. Recent reforms have placed more emphasis on environmental outcomes.</li> </ul> 		



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