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**Impacts of Agricultural Policy on Rural
Development in Belgium:
case study of the Flemish Region**

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ABSTRACT

In Belgium the regions (NUTS 1) are the competent authorities for the agricultural and rural development policy. This paper will focus on the case of the Flemish Region.

Urbanisation is the key problem of the countryside in Flanders. Immigration of city dwellers and the increased interest in the countryside as a 'consumption area' entails increasing land prices and new demands and pressures on agriculture. The challenge for this densely populated countryside is developing a viable agricultural sector meeting all these new demands. The current Flemish Program 2000-2006 based on Regulation EC 1257/1999 is mainly focused on agriculture.

The measures in this Agricultural Program can be divided into 3 main categories: economic, environmental and social. Economic orientated measures are investment support (f.e. diversification, setup of young farmers) and training actions for (young) farmers. The second category consists mainly of agri-environmental payments to farmers while the third category focuses on the non-agricultural aspects of the countryside, e.g. village renewal.

The Agricultural Program's Mid Term Evaluation conducted in 2003, estimated the earliest program impacts. It showed positive impacts on revenues and an increased environmental awareness of the policy's main target group, the farmers. An in depth analysis of farm diversification in one specific area calculated farm revenues and the number of jobs created. Also estimations for the whole local rural economy were made.

The Agricultural Program also has an impact on the existing governance structures for rural development. Because of the need for a more integrated and wider approach, a new forum, the 'Intergovernmental Rural Consultation Group', was installed recently.

KEYWORDS

Belgium, Flanders, agriculture, RDP, rural development

GUIDE TO THE READER

This paper is to be presented at the OECD Workshop on the Coherence of Agricultural and Rural Development policies, Bratislava, 24-26.10.2005. It will be part of a session focusing on the impacts of agricultural policies on rural development. Questions that will be raised in this session are:

- What has been the experience of different countries concerning the role of agricultural policy in rural development?
- To what extent agricultural policies facilitate or hinder rural sustainable development?
- To what extent do agricultural policy measures such as support for young farmers, early retirement, farm investment, credit, marketing and processing contribute to enhancing the competitiveness of rural areas?

- To what extent do agri-environmental schemes contribute to rural development?
- Are agricultural policies being implemented at the expense of other available policies to generate rural growth?
- To what extent are agricultural measures well targeted to specific needs of diverse rural areas?
- What methodologies and indicators are used to monitor and evaluate impacts?

The desired outcome of the workshop is to identify the characteristics and approaches that could enhance the coherence of agricultural and rural development policies. The paragraphs hereafter will try to answer some of these questions based on the Flemish situation.

We will first discuss the specific characteristics of the rural areas and the agricultural sector in Flanders. Then the policy in Flanders will be stated. Based on studies that have been done for Flanders recently, the impact of the agricultural policy on rural areas will be illustrated for investment support, diversification and landscape appreciation. The current debate in Flanders on how the whole countryside should be developed can be seen as the political consequence of the (broadening) agricultural policy. Finally some overall conclusions will be drawn.

1. CHARACTERISTICS OF THE RURAL AREA

Flanders has a densely populated countryside. In contrast with most of the rural areas in the world, the problem is not remoteness or a low population density, but over-pressure. Together with 10 other European regions out of 8 Member States, Flanders is therefore a member of the Peri-Urban Regions Platform Europe or Purple. The goal of this platform is to recognize the specific peri-urban agenda in the European regulations on rural development and structural funds. Table 1 below gives some characteristics like population density, surface and average price building land of the Flemish Region in comparison with the Walloon Region.

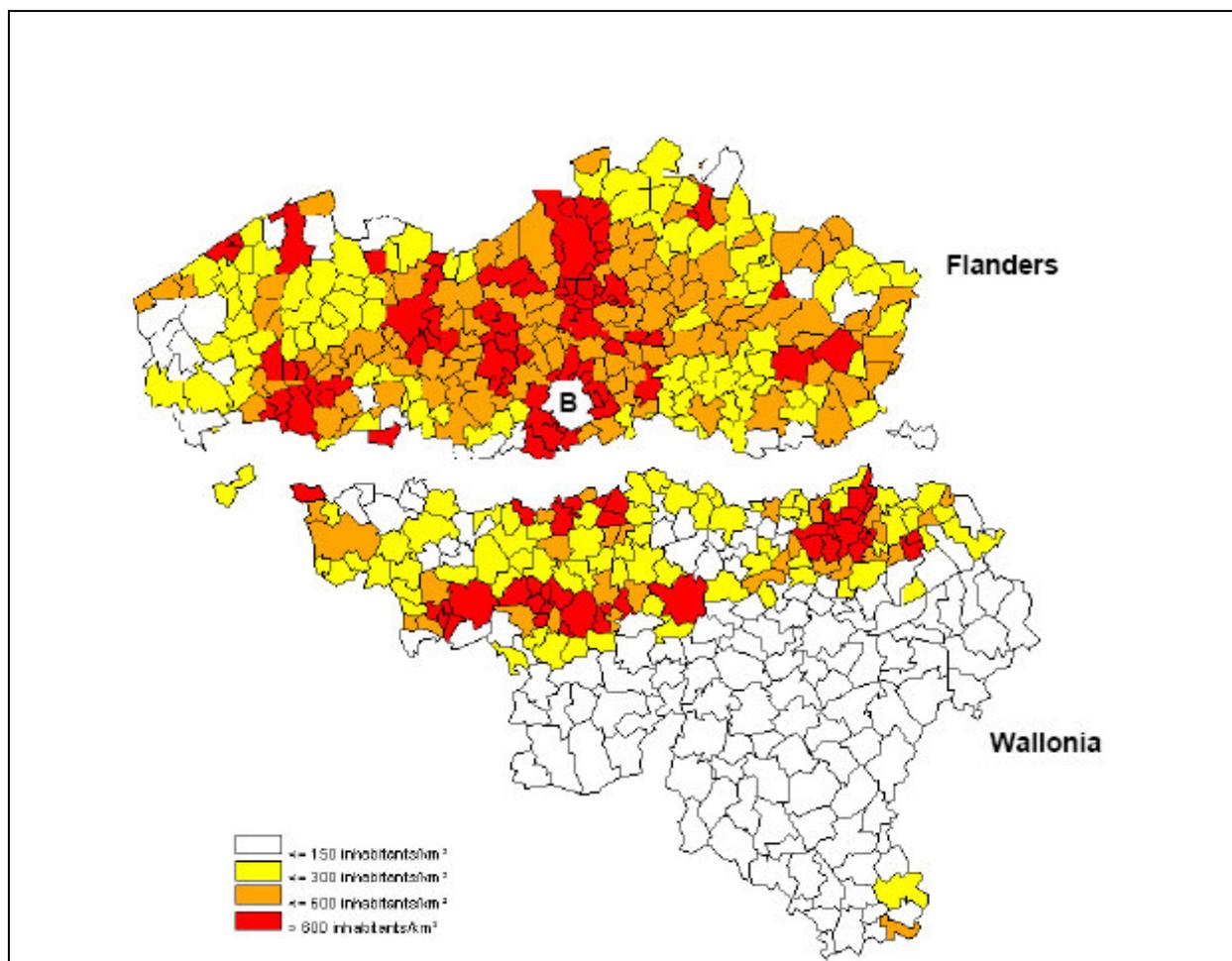
Table 1: Characteristics of Flanders and Wallonia

	Flanders	Wallonia
population	5.9 million	3.4 million
density	437/km ²	200/km ²
surface	1,350,000 ha	1,684,400 ha
Average price building land*	61.99 euro/m ²	21.14 euro/m ²

*Source: NIS, 2003 - * NIS, 2001*

Applying the OECD threshold of 150 inhabitants per square kilometre on Belgium gives a picture as shown in Figure 2. The map is drawn at the NUTS 4 level. In order to allow the reader to get familiar with the two regions Flanders and Wallonia, they are graphically separated. The non coloured area is then considered as rural area. With this perception, the northern region Flanders hardly has any rural areas, but also in the south, Wallonia, a conglomerate of towns and urban sprawl appears.

Figure 2. The OECD's delimitation criterion used on Belgium



Source: Lauwers et al., 2005

According to this OECD criterion, only 12% of the Flemish surface can be considered as rural. This does not correspond to local perceptions. Moreover, agriculture uses about 50% of the total Flemish area, so only a small part of Flemish agriculture will be found in rural areas.

Recent Belgian research by Lauwers et al. (2005) learned that a new approach is possible. Results, based on a misallocation analysis, show that the local perceptions of rurality are associated with much higher population density thresholds than the one used in the OECD delimitation. For Flanders, a population density threshold of about 600 inhabitants/km² is proposed.

The research concludes that the population density remains a worthy proxy indicator, only the threshold values have to be adapted to local realities. Appropriate thresholds can easily be detected with a scientific sound method instead of fixing rather arbitrary values. The approach to identify the threshold of population density that minimizes misallocation of rural/urban area with reference to an “a priori” local perception of rural should then lead to different thresholds for different countries.

2. CHARACTERISTICS OF THE AGRICULTURE

Although Flanders has a densely populated countryside, the agricultural sector uses about half of the surface. About 35.000 farms are using more than 600.000 ha of farmland. Because of the limited surface, farms focus on high yields using external inputs. Consequently, average price for farmland is high compared with Wallonia (Table 2). Also environmental pressure is very high and has only recently come to decrease. In Wallonia, agriculture is less intensive and less specialized. Most of the intensive livestock (pigs) and dairy farming and horticulture are found in Flanders, where cattle breeding and industrial crops are more frequent in Wallonia (Table 3).

Table 2: Characteristics of Agriculture in Flanders and Wallonia

	Flanders	Wallonia
Farmland (in use)	633,678 ha	759,924 ha
Average price farmland *	1.95 euro/m ²	1.05 euro/m ²
# farms	35,303	17,771
mean surface farm	17.94 ha	42.76 ha
full-time labour (persons)	68,811	28,889

Source: NIS, 2003 - * NIS, 2001

Table 3: Type of cultivation in Flanders and Wallonia

	Flanders	Wallonia	Belgium
% of farmland			
grassland	29.0%	46.1%	38.3%
Cereal	22.3%	23.4%	22.9%
fodder crops	25.5%	11.5%	17.8%
Industry	7.4%	11.6%	9.7%
horticulture	7.8%	1.9%	4.6%
% of farms			
Cattle	53.7%	73.9%	60.5%
Pigs	19.8%	6.4%	15.3%
Poultry	8.9%	15.6%	11.2%

Source: NIS, 2003

3. CHARACTERISTICS OF THE AGRICULTURAL AND RURAL DEVELOPMENT POLICY

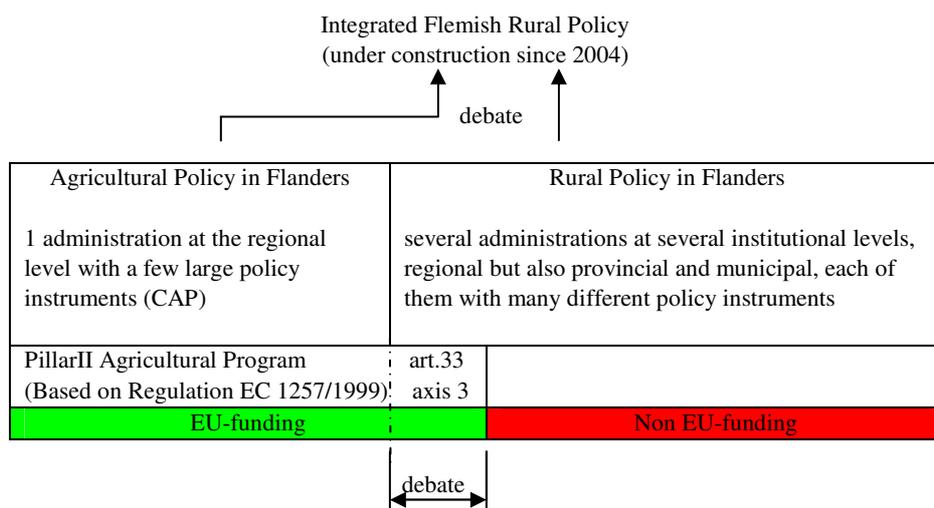
In 2001, the Federal Ministry of Agriculture ceased to exist. The agricultural policy, which is in large part an EU-directed policy, is now set at regional level. Close consultation between Flanders and Wallonia is however important, since the EU considers Belgium and not the regions as its counterpart.

Most of the instruments for a rural development policy are competences of the regional governments. But where agricultural policy is coordinated at regional level (NUTS 1), rural development policy has many different policy levels involved (regional, provincial, municipal, ...).

The agricultural policy in Flanders concerning the further development and reorientation of the agricultural sector is written down in the ‘Flemish Rural Development Program 2000-2006’ or RDP (‘Pillar II of the CAP’). However, this name is somewhat misleading because the program is in fact an Agricultural Development Program using EU-funding with only some minor rural development components in it. To avoid confusion with the rural development policy, this EU-based RDP as it is applied in Flanders, will be called ‘Agricultural Program’ in this paper.

An integrated rural development approach at regional level in Flanders did not exist until 2004. Since then, preparations are being made to develop the so called integrated Flemish Rural Policy. The difference with the program of Pillar II (the Agricultural Program) is that this program is not only EU-based and consequently not fully dependent on EU-funding. Its scope is much broader and the agricultural policy is only seen as a component of the rural policy. Figure 1 gives an overview.

Figure 1. Agricultural and Rural Development Policy in Flanders.



For decades, rural areas in Flanders were seen as residual space where the agricultural sector was the only player. The agricultural policy consequently focused on increasing and intensifying the agricultural food production. Changing demands in society shifted the agricultural policy away from the production focus. The sector has been strongly influenced by the introduction of environmental objectives (e.g. nitrate directive) and the liberalization of the world markets (decreasing prices). Furthermore, a lack of spatial planning in Flanders in the past resulted in a densely populated countryside with high pressures on the remaining open space by economic drivers (industry, commerce, transport, recreation, services), city dwellers and environmentalists (e.g. Natura 2000).

Agriculture still uses most of the open space in Flanders, but it nowadays has to respond to new demands and compete for the open space with other players who perceive the countryside as an attractive place to settle or to recreate and spend leisure time (the countryside as a ‘consumption area’). The new economic drivers, city dwellers and environmentalists have a positive impact on the rural economy as a whole. But on the other side there is the loss of specific characteristics and the identity of the rural areas.

Through a diversity of instruments and incentives, efforts are being made to introduce functions of nature, landscape and environment into the farming core-business. Agricultural policy in Flanders consists of many components:

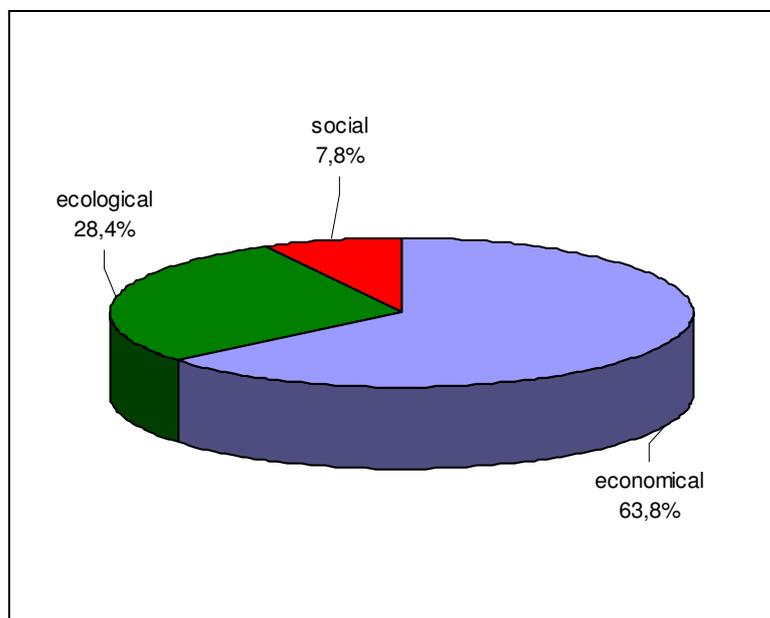
- price and income support (CAP Pillar I);
- development policies (CAP Pillar II, the Flemish Agricultural Program);
- environmental and spatial policy in Flanders which influences indirectly the agricultural sector.

While price and income support aim at maintaining the agricultural activity on the countryside, the development policy (The Agricultural Program 2000-2006) aims primarily at improving the economic viability of the agricultural sector. In this Program special attention is given to the diversification of activities in the agricultural sector and the increased care for the environment. In fact, the challenge for this densely populated countryside is developing a viable agricultural sector meeting all these new demands.

The measures in the Agricultural Program can be divided into 3 main categories: economic, environmental and social. Economic orientated measures are investment support (f.e. diversification, setup of young farmers) and training actions for (young) farmers. The second category consists mainly of agri-environmental payments to farmers while the third category focuses on the non-agricultural aspects of the countryside, e.g. village renewal. Total budget of about 500 million EUR is not equally distributed. Most of the expenses are consumed by economic measures (64%), while ecological (28%) and social measures (8%) consume a smaller part (Figure 3).

A lot of economic orientated measures do however have an ecological part. For instance, the more environmental friendly investments are, the higher the support will be. Instruments focusing only on the environment are the agri-environmental schemes. There were about 90.000 contracted hectares in Flanders in 2003. However, several agri-environmental measures (AEM) can be applied to the same parcel, so the real surface under one or more AEM is estimated to be about 60.000 hectares, or 10% of the Flemish farmland. The two main management agreements provide support for soil cover and for water-related management agreements as part of the manure policy. Total number of hectares and expenditure data per measure are given in Table 4.

Figure 3. Percentage of ecological, social and economic expenses in the Flemish Agricultural Program in 2003



Source: Mira T Environmental Report, 2004

Table 4. Number of hectares and expenditure for AEMs in the Flemish Agricultural Program in 2003

Measure	contracted surface (ha)	%	expenditure (1000 EUR)	%
Soil cover	39.582	43,26%	1.978	12,15%
Mechanical weeding	2.627	2,87%	346	2,13%
Reduction of fertilizers and pesticides in ornamental plant cultivation	767	0,84%	72	0,44%
Conservation of genetic diversity of local species threatened by extinction *	3.704	4,05%	200	1,23%
Management of meadow birds	499	0,55%	227	1,40%
Management of field edges	308	0,34%	225	1,38%
Restoring, planting and maintaining of small landscape elements	5.602	6,12%	186	1,14%
Botanical Management (Nature Management)	1.934	2,11%	612	3,76%
Reduced fertilizers compared to the standard 'Vulnerable area water' (Water Management)	30.709	33,56%	10.540	64,77%
Conversion of traditional to organic pig farms	6	0,01%	5	0,03%
Organic farming	2.861	3,13%	667	4,10%
Integrated fruit production	6.613	7,23%	1.214	7,46%
TOTAL BUDGET	91.508	100,00%	16.272	100,00%

Source: Annual Progress Report Agricultural Program Flanders, 2003

4. IMPACT OF THE AGRICULTURAL POLICY

a) impact of investment support on farm income and environmental situation

The Agricultural Program's Mid Term Evaluation conducted in 2003, estimated the earliest program impacts. It showed positive impacts on revenues and an increased environmental awareness of the policy's main target group, the farmers. Conclusions were based on Farm Accountancy Data Network (FADN) calculations and a survey among dairy cattle farmers.

Example: dairy cattle farmers

Investment support in the Agricultural Program is available for almost every farming type, as long as the criteria for support are fulfilled. To answer the evaluation questions on investments, the evaluator focused only on one type of farming, the specialized dairy farmers. Out of the Flemish FADN, 87 farms of which data was available for the period 1995-2001 were selected. In that period, 32 farms made investments and therefore received investment support, 26 farms made investments but without investment support and 29 farms made no investments at all.

Investment support is a measure already existing since 1994. Because insufficient data were available for the period 2000-2002 (no data for 2002 were available) and because the measure now included in the Agricultural Program does not differ much of the one before 2000, data from 1995 on were taken into account to answer the Agricultural Program evaluation questions.

Because of the large amount of data in the FADN, almost all economic indicators at farm level concerning the three groups could be calculated. Table 5 gives an example of a calculation of revenues from milk and meat production per worked hour. All figures are statistically significant and show the economic advantages of investment support.

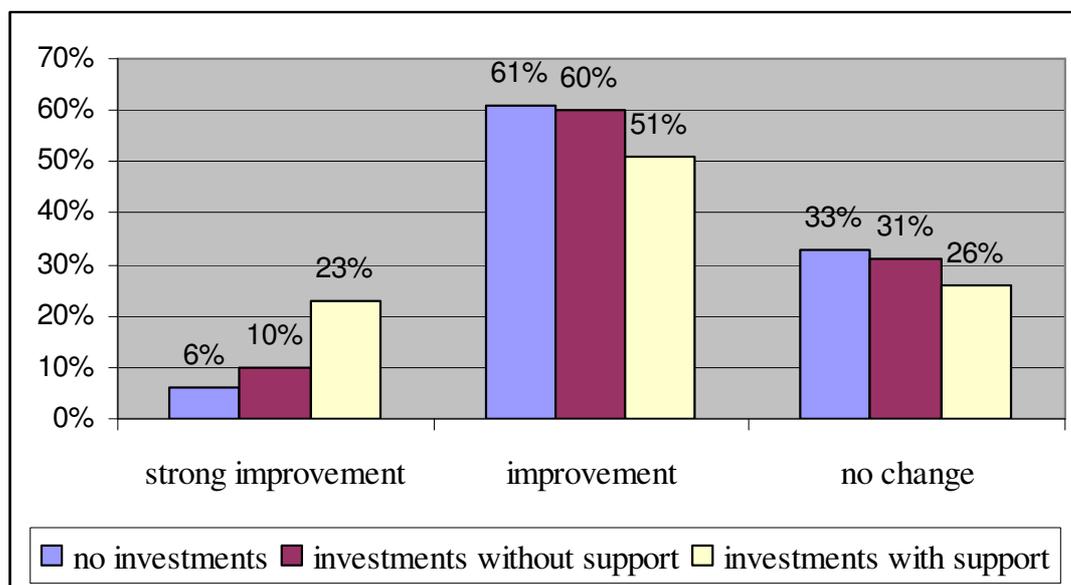
Table 5. Revenues from milk and meat per worked hour (euro/hour) in three groups of farmers

Revenues of milk and meat per worked hour (euro/hour)	1995	1998	1999	2000	2001
Investments with support	26,95	30,37	30,84	32,23	34,53
Investments without support	24,10	29,25	28,61	30,52	30,09
No investments	22,85	25,04	24,79	24,96	26,43

Source: Mid-Term Evaluation Agricultural Program Flanders, 2003

Because these farmers were also part of a survey, they were asked how their environmental situation had changed since 2000. Although not all investments are directed at environment, Figure 4 gives an indication of the positive impact of investment policy of the Agricultural Program on the environment according to the farmer's perception.

Figure 4. Perception of environmental improvement in three groups of farmers



Source: *Mid-Term Evaluation Agricultural Program Flanders, 2003*

b) impact of support for diversification of farm activities on rural areas

In Flanders, diversification of farm activities is supported since 2000. The Mid Term Evaluation conducted in 2003 already showed positive impacts. This was confirmed in 2005 with an in depth analysis.

In the most rural province of Flanders, a large survey and a detailed follow up of 30 farms during one year was conducted. According to the survey, about 18% of the farms were involved in diversification activities. As diversification being a new activity, its contribution to the rural economy was estimated at nearly 1000 jobs. The contribution of diversification, being a new activity, to the rural economy was estimated to be almost a thousand jobs. Turnover of diversification activities of farms was calculated to be 100 million euros. (Calus et al., 2005). Extrapolating these numbers to the whole agricultural sector in Flanders, gives diversification a share of 10% in total turnover of the agricultural sector.

Analogous research in the urban fringe around Brussels showed that the number of farms adopting diversification activities is even higher. About 26% of the farms has developed diversification activities in order to increase their income. Comparing the results between a more rural province and the urban fringe around Brussels could lead to the conclusion that diversification of farm activities is more frequent in more urbanized areas.

c) impact of agricultural policy on rural landscapes: a first attempt to measure landscape perception

Most people expect the countryside to be a place where they can relax and recreate, where wildlife can flourish, where historical and archaeological sites are preserved and where one can enjoy quietness. As such the expectations about agricultural territories are essentially the same as those about other territorial components such as forests, nature reserves and historic landscapes.

In order to comply with these new demands in Flanders, it is necessary to determine public expectations concerning rural landscapes. Furthermore it is essential that public expectations and the perceptions within the farming communities can be matched. This is what the Belgian research of Rogge et al. (2005) is about.

Based on a pilot area in Flanders, a method for objective and reproducible methodology for the assessment of landscape perception, was developed. This study focuses on the differences in perception between several target groups: farmers, country-dwellers and landscape experts.

First results show the demand for a multifunctional landscape by country-dwellers and landscape experts. Farmers should see these (new) demands as an opportunity rather than a treat.

d) towards a better integration of rural policies

Since the start of the Agricultural Program, there has been a political debate on how the Flemish countryside should be further developed. While the Agricultural Program clearly showed the new role of agriculture in the countryside, it was not clear how that countryside itself should be developed. The Agricultural Program's Mid Term Evaluation (2003) stated that a more integrated approach for the Flemish countryside was needed.

Therefore, in 2004 and for the first time, a minister competent for rural policy was installed. The Flemish rural policy aims at the sustainable development of rural areas in Flanders. Consequently it targets on the economic, ecological and socio-cultural aspects of the rural areas. The main challenge is to get the different sectors in these areas to become more closely knitted and geared to one another while maintaining and stimulating the vitality of these areas. This vitality is being set by a growing economy, good living circumstances and a service level that is adjusted to the needs of the rural inhabitants, a dynamic social structure and a strong perception of cultural identity, a healthy living environment and an attractive landscape. The needs and opportunities of rural areas are different, therefore it is necessary that the scale of the rural policy and the content match the needs of the targeted area. In this view, it is imperative that local and provincial governments are closely involved in the rural policy. The choice for this intergovernmental approach arose not only from this constant interaction between sectors but also from the fact that the policy of every government level intervenes in / has an influence on the development of the rural area.

To realise this, the Intergovernmental Rural Consultation Group (IRCG) was installed. This IRCG groups all ministers of the Flemish government, the deputies competent for rural areas of the provinces and local government representatives. This concept is a means to put rural areas and related issues on the political agenda of different government levels. The IRCG will facilitate the exchange of information, the stocktaking of bottlenecks and the search for solutions. Concrete actions will be delimited and the consultation will directly and indirectly give new impulses to the development perspectives of the rural areas.

The tasks of the IRCG are:

- follow up of the implementation of the Flemish Rural Policy
- formulating policy proposals and advice towards the Flemish government and the Flemish parliament

- promoting intergovernmental co-operation and cross policy fields co-operation in rural areas
- better tuning of regulations, instruments and initiatives that have an impact on the rural area and its inhabitants
- providing information for the implementation of European programmes in Flanders such as the Agricultural Rural Development Programme (second pillar of the Common Agricultural Policy) and the cohesion policy.
- mapping and evaluating the financial instruments destined for rural areas.

The IRCG is supported by three working parties, which are discussing bottlenecks and developments of the three main functions of the rural area: working area, living area and recreation and leisure area. These working parties are composed of experts, civil servants and representatives of social organisations and of course delegates from the IRCG itself. The discussion in these working parties will result in advice on specific or general needs, problems or opportunities in rural areas or in policy recommendations in which a well defined question or assignment is put forward towards the Flemish government or the Flemish parliament. These advices and recommendations can result in research, further discussions, pilot projects or in concrete propositions towards different policy levels.

The different policy levels involved have of course different objectives and tasks. The Flemish government sets the frame and has a range of instruments at its disposal. These can be new specific instruments for the rural areas but can also be existing sector related instruments such as for example land consolidation, existing structures for sub-regional socio-economic policy, instruments of spatial planning and mobility planning. The municipalities account for the basic care and for the quality of the living areas. The provinces stimulate and substantiate area targeted policy processes. Provinces negotiate with the rural actors in order to have a differentiated application of the instruments and an optimal integration of the different social sectors.

CONCLUSION

Urbanisation is the key problem of the countryside in Flanders. Immigration of city dwellers and the increased interest in the countryside as a 'consumption area' entails increasing land prices and new demands and pressures on agriculture. The challenge for this densely populated countryside is developing a viable agricultural sector meeting all these new demands. Therefore, the current Flemish Agricultural Program (based on Regulation EC 1257/1999) is mainly focused on agriculture.

First results show positive impacts of diversification activities of farms. There is a significant contribution to farm income, labour and turnover for the whole rural area. Agriculture also has an important impact on landscape. The challenge will be fulfilling society's new demands. The most important impact of the agricultural policy however is a political one. In 2004, a broad discussion of the future of the rural areas in Flanders started. In 2006, this should lead to an integrated Flemish Rural Policy.

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