

Overview and Discussion: Institutional & Policy Developments

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It is helpful first to define institutions. Wolz (1996) suggests that institutions limit the set of choices of individuals based on values and goals of a given society. They are the framework within which human interaction takes place. Within institutions, organisations can be thought of as instruments for keeping a social system going. The important point is that the rules of society are evolving and changing at different paces and it is necessary for the institutional framework to be modified in relation to the needs of society. Wolz, (1996), Havel (1996), Calatrava (1996) and Casabianca et al (1996) all indicate that societal and political changes have moved much faster than the institutional framework and as a result organisations in the Agricultural Sector are not being properly served.

The paper by Wolz (1996) provides insight into the current situation of Slovakian agriculture. Economic transformation meant that the agricultural sector was hit by stagnating product prices and a sharp decline in domestic demand, while at the same time there was an increase in the costs of production and a decline in state subsidies. Private land ownership has become the norm (76.4% privately owned in 1994). The ownership is highly fragmented with the average ownership between 0.5 and 2ha. The remainder of the land remains in state farms. It must be remembered that private ownership rights do not imply private farming because over 80% of the privately owned land is managed by producer co-operatives. At the other end of the scale, approximately 20,000 private farmers cultivate a few hectares each, to eke out a subsistence lifestyle. For both private farms and large scale co-operatives, farming is characterised by low input/low output systems and one of the main reasons for this is the difficulty of accessing credit. Wolz (1996) points out that today, credit cannot be arranged by the state but must be decided according to economic needs and potentials. On the one hand the small farmer has to be prepared to deal with a situation where his investment will not be successful and he may lose money. Such farmers are not keen to take any risks with their recently acquired personal property. On the other hand, banks in Slovakia insist on appropriate levels of collateral before lending. The result is that the target group of farmers (those with good prospects but no collateral) are unable to borrow. Banks are not interested in providing small amounts of credit to private land owners because transaction and monitoring costs are too high. Banks would be more sympathetic towards larger organisations farming in the form of co-operatives but the asset base of this type of organisation has decreased enormously because much of their land is now owned by private land owners.

The key point is that institutional change has not kept pace with requirements and therefore organisations have not developed. Banks have only partly taken on the role and operating rules of banks within a free market economy and insist only on collateral and external guarantees when allocating credit. Banks seem to prefer to take on the role of distributing

external donor funds rather than attracting internal funds from savings for distribution to a potentially profitable organisation. The institutional framework has failed to supply the requirements either of large or small farming organisations

Haval (1996) provides a further perspective on the transitional change within Central European economies. He emphasises the total orientation of research institutions towards production efficiency, which had occurred within the centrally planned economies. He indicates that the institutional framework for research within Czechoslovakia has not adjusted to new circumstances, demanded by a more open market for farming commodities. Haval does not provide us with any clear guidance about what kind of institutional framework for research is required to support food production from the land in an open market but then this is not surprising since this issue has not been properly addressed within the member states of the European Union. In fact, circumstances where the centrally planned economies guaranteed the sale of all produce at a steady price, really bears a close proximity to the situation that existed within the European Union prior to 1990. Up until this time production efficiency was crucially important and because of the centrally determined relationship between prices and inputs, production efficiency led to highest gains.

It is doubtful whether the European Union has addressed the issue of needed institutions for the support of agricultural research within a free market economy, any more than the Government in the Czech republic has. Within the European Union emphasis in research has changed, direction has been towards supporting sustainable, efficient lower input systems with a view to recognising the value of environmental goods produced from farming as well as food and fibre, but, research institutions are changing very slowly.

Calatrava (1996) develops a scenario from a Spanish standpoint. He sees the principle objective of research in Spain to be that of achieving sustainability within the context of productive efficiency. He also underlines the increasing importance of environmental considerations in relation to agrarian research and policy measures. Environmental products are seen as an output of agricultural activity but of course the problems of assessing the value of such outputs are difficult for policy makers. A further and important output for agriculture relates to the role it can play (particularly in remoter rural areas) in relation to local development. This means that agrarian systems considered up to now to be of marginal interest and to which the conventional research paradigm has paid scant attention, are going to become increasingly the focus for needed research. In Spain, it appears that the Institutional framework for agrarian research may need to adjust more quickly than it has historically done in order to provide required support for the new socio economic functions of agriculture. Calatrava (1996) makes the plea for a move towards more systems-based agrarian research which will be multi-disciplinary in form and which will link researchers to actors in the real system. The actors include the agro-food sector, the rural development bodies and agencies, the public administrations and national and regional politicians. They also include the farmers and rural dwellers and their representative organisations. The point is made that these bodies should be strongly lobbying for institutional change within the public research administration.

It is interesting to note this conclusion for it is the direction, at least in part, that the INRA-SAD group in France have already taken. It appears that the institutional change within INRA and the directional change for at least some publicly funded research, has occurred from within the organisation of the public body itself. The institutional framework of INRA has provided the opportunity for strongly participatory research which, of course, involves the

principle actors in determining the research agenda. The research agenda is then supported by a multi-disciplinary team of scientists. One of the major difficulties in this kind of situation is bringing together strong scientific representation from the various disciplines involved. The disciplines are not only scientific but must incorporate social, economic and anthropological disciplines. The welding together of effective teams who are involved not only participatory research but also can continue with high level scientific in-discipline endeavour is a major issue in this type of organisation.

One limiting factor in participatory research is, almost by definition, that it will largely focus on local problems and local issues. The problems and the nature of the actors involved are likely to be extremely different from region to region. In this kind of context, it is extremely difficult to develop generic research that is transferable between regions. It may also mean therefore, that research efficiency in terms of the need to repeat similar research in different regions, is reduced. From an institutional point of view, the problem of linking generic (often more fundamental) research with needs and focus of participatory research is likely to be difficult. The regionalisation of the main scientific structures of INRA in France may be seen as an attempt to support its systems oriented participatory research at a local level. If agriculture is to be seen increasingly as a framework to support local development, then it is likely that increasingly diverse products will emerge as outputs from local systems. In this context, quality control and institutional support for quality control will be of great importance (Casabianca et al 1996). Already many examples of new institutions for this purpose can be detected. Often these institutions are established following pressure by local organisations (often producer organisations) to provide a guarantee of quality for marketing purposes.

Turning now to the question of Policy Development. It is clear that in the last few years farmers and institutions have become aware of a new alternative policy. Regional structural policy has developed, the MacSharry CAP reforms are in place and concerted effort to develop agri-environmental policy has been made. These policies are different to the blanket price support policies of CAP prior to reforms. In particular, recent policy is presented in a voluntary framework so farmers can accept or not as fits their circumstances. There may be strong elements of cross-compliance involved, for example as in the Setaside Policy. Certainly, much of the agri-environmental policy is of a voluntary nature and indeed regional funds are made available on this basis. There is therefore a growing interest in ex-ante policy analysis: to provide mechanisms which will provide estimates or predictions about the extent to which policy opportunities may be adopted and to give expectations about the rate of adoption. The situation is not too unlike that associated with the presentation of new technology to farmers where the difficulty is to know for any given technology developed in a "top-down" context how farmers are likely to accept such technology and at what speed. Ex-ante policy analysis is not an easy area to research but it is a valid research area for those interested in systems approaches. Three papers have been presented in this general area, and strangely, they illustrate three quite separate broad approaches to the work.

The first approach is exemplified in the paper by Boussetot (1996). The approach is to evaluate current policies in terms of their impact on economic activity for specific regions and to use this knowledge as a basis for evaluating future policies prior to them being presented. A specific methodology is proposed based on cognitive mapping. It relies on information provided by farmers and other organisations by interview and also by way of analysis of accounts and budgets. The assumption is that if it is possible to understand the way in which

past policies have impacted on economic (or indeed environmental) indicators, then it should be possible to use that information as a means of determining how the same organisations will respond to similar future types of policy. It is an unashamedly empirical approach and its value clearly depends on the technique being applied to a specific region and to the fact that future decisions will bear some relation to past decisions. A further difficulty is that farmers and other rural organisations are subject, at any one time, to a range of different policies. The sum total of their response is related to all these. It is, therefore, difficult for researchers to separate out the impact of one particular policy from others.

In work carried out in Scotland (Skerratt & Dent, 1995) in relation to agri-environmental policy, it is quite clear that farmers are confused about how to react. On the one hand they are faced with the continuation of price support and income support policies, which is effectively persuading them to maintain their current farming policies, while on the other hand they are faced with environmental policies, at exactly the same time, which are encouraging the same farmers to reduce stocking rates, reduce inputs and work for conservation and landscape enhancement. Those farmers who have adopted voluntary agri-environmental schemes, have done so for mixed reasons which bear absolutely no relation to a past or indeed immediate issues. It seems that farmers take on the agri-environmental policy because they are afraid that if they do not move in this direction now they may lose out in future as policies concerned with environmental enhancement replace price and direct income support. So it is apprehension about future policy change that has in fact driven most farmers to adopt agri-environmental policy measures.

The second approach to ex-ante policy analysis is illustrated by Dono & Locchi (1996) and relates to small farms in the mountainous central part of Italy. Here, the emphasis is on developing simulated budgets for defined farm types under alternative policy scenarios. The simulations appear to concentrate mainly on economic measures but also involve estimates about the way in which family and other labour might be utilised on such farms. Under simulated CAP reform and under agri-environmental policy, resultant economic criteria are calculated for each farm type which assume knowledge of how farmers in each type will respond to the policy scenario. Effectively, this might be seen as a sophisticated budgeting procedure which also involves some estimate of the way in which farms are expected to adjust in enterprise mix and management style according to alternative policies. The general approach has been developed under a wide range of methodologies by many other research workers. For example, Jones et al (1995) in the UK developed the LUAM Model which is a linear programming framework to explore the potential impact of policy at a UK level across all farming types. All these approaches implicitly assume knowledge about objectives of farmers. Usually an over-riding entrepreneurial objective is taken to carry out the appropriate budgeting exercises. Clearly farmer decision making is not related to such a simple objective as this, as illustrated by the case of the Scottish farmers cited above.

This theme is taken up by Bousset, Busselot & Baud (1996) who emphasised that farmers rationalise their choices by using inductive logic (as distinct from being "Homo Economicus"). These authors set themselves the task of exploring possible scenarios following CAP reform in the Auvergne and Limousin areas of France. They see the farm decision-making process as a complicated response to policy and have broadly set their concept with the framework of a decision support system. Within the decision support system they seek to answer for different types of farmers the following questions: Where am I going? What could be my problems? What could be the solutions? How can I review progress?

The management strategy assumed is to reduce the perceived difference between the objectives and vision of the future of the farm family and that actuality which has occurred as a result of management. Using this general framework of a decision support system, it may be possible to predict for different types of farm household the way in which they would respond to alternative policy scenarios. There are two obvious difficulties with the approach described. Firstly, the objective set of farm families is a complex dealing with the cultural, social, economic and physical aspects of the life of the household. Each household will prioritise amongst the various objectives and this prioritisation will be the sign for the evolving management strategy. Each farm household will monitor different elements of their life to see whether their various objectives are being achieved. Without doubt this can be envisaged within a decision support system but it certainly is one of some complexity. The general decision support system format, however, may allow us to envisage an appropriate model format.

The second and equally important point is that the monitoring information used by farm households in order to constantly reassess the extent to which they are achieving their objectives involves a flow of information. The sources of information are not entirely clear. Obviously, the farmer himself will gather information about the state of the farming enterprises but, at the same time, both he and the rest of his family will gather information from outside the farm system itself. For example, this may include information about the 'standing' of the family in the community or about other social or cultural elements of their lives. This may then be compared with the appropriate elements in the objective set. One of the crucial elements in the adoption by Scottish farmers of agri-environmental policy was the information flow from neighbouring farmers and the agent of extension in the district. This might be called indigenous knowledge and indeed there is strong evidence that information flows from what might be called indigenous sources are the really crucial elements which farmers use. Such information is used both to gauge the success or failure of their management against the objective set but also in the acquisition of new information about policies and about technologies.

If it is true that most information flows through informal structures (which we can call indigenous) then it is equally true that we know very little about such information flows, nor the way in which farm households access or utilise such information. As we head into a time of institutional and policy change, it seems incredible that we do so without such understanding. Surely, changes in the research institutional framework, discussed earlier, must be directed to supporting the actual rather than the imagined flows of information which farmers utilise and act upon. Without strong linkage to these flows, then the generation of new and relevant knowledge from our research operations must be hopelessly inefficient. In spite of enthusiasm for participatory research procedures, we have signally failed to address the role of indigenous information flows and how to influence these. It seems to me that we need to be developing an alternative paradigm which takes us beyond participatory research to increase our understanding of the use of information by farm households and the way that information is stored, kept up to date and accessed. This is generic research: research which could find application across a wide range of circumstances. Equally, as we move into a new policy environment, the way in which farm households respond to policy signals from government and from the European Commission, will not be predictable until we better understand the decision making process and the information flows that influence it.

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