TYPES OF INTERACTION BETWEEN ENVIRONMENT, RURAL ECONOMY, SOCIETY AND AGRICULTURE IN EUROPEAN REGIONS

TERESA

POLICY OPTIONS FOR RURAL DEVELOPMENT

Deliverable D 5.2

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EXECUTIVE SUMMARY

The objective of this policy paper is to propose practical policy options to address the key question "*How do you, within the European policy framework, provide support to improve the contribution of agriculture to rural development?".* This question tackled has two dimensions:

1. the specification of the objectives and of the expected outputs of a better integration of agriculture in rural development (i.e. reinforcement of the attractiveness and identity of local areas by maintaining and adapting agriculture; on the agricultural side, developing new resources for farmers within the local area).
2. the policy levers and tools to lead agriculture towards a better integration in sustainable rural development.

Our recommendations are directed to policy-makers in the field of agricultural and rural development policies: at the European Commission level, DG Agriculture, DG Regional Policy and DG Environment and, with the Lisbon Treaty into effect, the respective committees and delegations of the European Parliament; national, regional and local policy-makers in charge of the specifications of the European rural development regulations and national or regional rural development plans.

The key theme of TERESA is the research on "*the mutual interactions that take place between agriculture, the environment and other aspects, social and economic, of the wider rural development processes*". In defining priorities and policy options, we based our analyses on some major results of TERESA: 1) the analysis of the European diversity of integration of agriculture into regional development; 2) the analysis of the interactions between regional development and supply chain organisation; 3) the assessment of the policy impacts on integration of agriculture in rural development; 4) the key results of a creativity lab in terms of a bundle of policy options that could be taken in order to strengthen ties between agriculture and rural development. The creativity lab was a major innovative tool used in TERESA to enable a reflection on policy options. In the creativity lab, policy makers and researchers came together in order to talk and to imagine options that can contribute to a better integration of agriculture in rural development. 17 participants, researchers, farmers, policy-makers, wholesalers, representatives of regional and national governments, member of the European Parliament contributed to the lab in an open-mind way. Firstly, they co-constructed a set of objectives of integration of agriculture according to the European diversity of rural development contexts. Secondly, new policy options have been devised and discussed in comparison with existing policies.

The results of TERESA highlight the diversity of European regions and demonstrate that there are indeed similar ways of integration of agriculture into rural development observable across Europe according to similar to regional specifics. Agricultural supply chains shape and are shaped by the regional development in which they operate. Consequently, there are strong interrelationships between the

type of regional development and the types of agricultural supply chains. Different existing and potential paths of integration of agriculture have been explored according to the regional contexts:

- ➔ Standard paths of integration:
  - Short supply chains
  - Regional and typical products
  - Response to new demands of consumers with broadening production, e.g. entering organic farming or new on-farm activities
  - Nature and landscape management
- ➔ Innovative paths concerning standards product and agriculture
  - Standard products with geographical attributes distributed via intermediate supply chains linking cities and nearby countryside;
  - Improvement of the environmental impact of agriculture; nature and landscape management

In reference both to the scientific results of TERESA and the debates during the creativity lab, the basic objectives structuring our policy options are the following:

- ➔ To revisit and to share common concepts and values on rural development and on support to agriculture;
- ➔ To handle regional diversity and to respect regional willingness to define its future;
- ➔ To link horizontal (integration of agriculture in rural development) and vertical (organisation of supply chains) networks.

First of all, *there is a need to design a common and enlarged definition of rural areas and of rural development* – the keywords being regional development, rural development, public goods, multifunctionality of agriculture – taking into account current dynamics such as new connections between rural and urban areas, networks between activities and stakeholders, new environmental concerns (biodiversity losses and climate change), governance and self-empowerment of rural areas, trends in supply chain organisation, new relevant levels of action, specific needs and situation of new European accession countries.

Second, the creativity lab pointed out *the difficulty for rural development policy to handle the regional diversity while having a consistent European policy framework with common orientations and priorities* for rural areas. The integration of agriculture into the overall rural economy, society and environment is an essential element in the policy setting. TERESA detected that the European regions may be grouped in different types and formulated relevant policy objectives for these types (rural areas in transition countries, rural areas in developed countries, periurban areas in developed countries, tourism areas in developed countries…).

Third, TERESA helps *reconsidering the standard scales of intervention for policy tools*. Current policy tools address mainly the farm and the local levels. These levels should be reconsidered in a more rural systemic approach taking into account regional supply chains, cooperative regional systems and local capacity. This

suggest linkages between horizontal and vertical organisations of agriculture in order to: i) identify relevant levels of intervention; ii) take into account economic, environmental and social points of view; iii) link land planning policies and public support to agriculture and rural development. TERESA proposes a model that can help to identify new relevant scales. This invites to revisit the concept of local action groups and local development at an upper level (i.e. to associate wholesaler, to link city and their countryside).

Finally, to handle these challenges in a practical way, TERESA re-examines another tool: *the notion of territorial (place-based) projects and contracts*. It allows us to discuss both the issues of public goods and justification to support agriculture and the practical implementation of "place based" approach and certification of products including geographical (as PDO products Protected Designation of Origin) but also environmental and social (namely sustainable) concerns.

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Abbreviations

ABM	Agent-based model
AOC	Appellation d'origine contrôlée (french equivalent for PDO)
CTE	Contrat Territorial D'exploitation (Land Management Contracts in France)
ESPON	European Spatial Planning Observation Network
EU	European Union
FUA	Functional Urban Area (result of the ESPON 1.1.1 study)
GDP	Gross Domestic Product
GVA	Gross Value Added
ha	hectare
km²	square kilometre
LFA	Less Favoured Areas
OLAE	Opérations locales agri-environnementales (Agri-Environmental Local Operations in France)
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
PPS	Purchasing Power Standards
UAA	Utilisable Agricultural Area
WP	work package

Case study countries

AT	Austria
DE	Germany
ES	Spain
FR	France
HU	Hungary
IE	Republic of Ireland
IT	Italy
NO	Norway
PL	Poland
RO	Romania
UK	United Kingdom

0 INTRODUCTION

TERESA (Types of Interaction between Environment, Rural Economy, Society and Agriculture in European Regions) is a rural development research project co-funded under the 6th Framework Programme for Research and Technological Development and conducted by 12 research institutions from all over Europe.

The work within TERESA was organised along five work packages (WP):

- WP 1 "European background" summed up the relevant policy background, especially focusing on the different policies that are influencing rural development and diversification in rural areas.
- This empirical analysis was done in WP2 "Case Studies" by eleven case studies in selected areas. The case studies investigated the interrelationships between agricultural and non agricultural activities by analysing supply chains in the agricultural sector as well as the relationship of (agricultural) production, environment, land use and quality of life in different European rural regions.
- WP3 "Modelling" used the input of WP1 and WP2 to set up an agent based model to show how different patterns of behaviour can influence the development of supply chains in rural areas.
- WP4 "Synopsis" is the main output of TERESA in terms of scientific results. It sums up all the reviews and methodological inputs from the previous work packages serving as input for WP 5 "Policy options", which is mainly addressed to the makers of rural policy and administration.
- Finally, based on the results of WP1 to WP4 in WP5 "Policy Options" different policy options for the future development of rural policies were elaborated. The impact of the different policy options on rural development were analysed via a SWOT analysis.

WP5 "Policy options" is the main output of TERESA in terms of applied research. It converts the scientific results of the previous work packages into options and recommendations to be used by makers of rural policy and administration.

In reference to European policies and based on the results of WP2, WP3 and WP4 a bundle of policy options was be selected that could be taken into account in order to strengthen rural areas. They aim at identifying which integration policies are most effective

- in generating positive externalities for rural development farming activities.
- in favouring externalities from farms to rural economy and environment.

Policy options that can contribute to the development of rural policies on European level and give scientific support to the Commission need a profound reflection. In order to enable this reflection and a fruitful discussion between researchers and policy makers a "creativity lab" was organised. Policy makers and researchers came together in order to talk about options for the development of policies for rural areas.

This report will formulate the bundle of policy options resulting from the TERESA project and the creativity lab referring to existing and potential policies.

This paper is organised into four parts:

- ➔ the presentation of the policy framework we defined for drawing up these policy options (chapter 1)
- ➔ the presentation of the key findings of the TERESA project that were used as a basis for the policy options (chapter 2)
  - The TERESA concept
  - European diversity of integration of agriculture into rural development
  - Identification of potentially integrative Community Policies
- ➔ the policy options (chapter 3)
  - Limits of integration and of current policies
  - A holistic framework to envisage integration of agriculture
  - How to handle regional diversity?
- ➔ Conclusions (chapter 4)

1 THE POLICY FRAMEWORK

The objective of this policy paper is to propose practical policy options to address the key question *"How do you, within the European policy framework, provide support to improve the contribution of agriculture to rural development?".* This question tackled has two dimensions:

- ➔ the specification of the objectives and of the expected outputs of a better integration of agriculture in rural development (i.e. reinforcement of the attractiveness and identity of local areas by maintaining and adapting agriculture; on the agricultural side, developing new resources for farmers within the local area).
- ➔ the policy levers and tools to lead agriculture towards a better integration in sustainable rural development.

For these two aspects, to handle European diversity of regional development and of agriculture is a major stake.

There is a need to distinguish the current policy framework (period 2007-2013), in which the on-field data has been collected in the TERESA project, and current outlooks concerning the future of European policy framework for the next 2014-2020 programming period for which we intend to propose policy options.

1.1 The current policy framework

To handle rural development and agriculture we have consider three European policy fields:

- ➔ the 1st pillar of the CAP;
- ➔ the Rural Development Policy (2nd pillar of the of the CAP);
- ➔ the Regional Policy.

The **1st pillar of the CAP** has two main components:

- ➔ Market intervention mechanism. However this dimension is constantly declining since the 1992 CAP reform.
- ➔ Direct payments for farmers (1st pillar): they have evolved from a production-based support to an income support, which are now almost fully decoupled payments (single payment scheme). However, some coupled payments have been kept, such as the suckle cattle premium.

The **Rural Development Policy** (2nd pillar of CAP) for the period 2007-2013, this policy addresses three main objectives:

- ➔ *agricultural and forestry competitiveness* (axis 1),
- ➔ *land management and environment* (axis 2),
- ➔ *quality of life and diversification of activities in rural areas* (axis 3),

- ➔ In addition, the *Leader* approach (axis 4) aims at supporting local and participative projects, based on public-private partnerships for the implementation of local development strategies. It also supports inter-regional and trans-national cooperation projects between local action groups.

The Rural Development Policy thus provides structural supports for the adaptation of agriculture (farm investments, processing, etc.), supports aimed at environmental preservation (agro-environmental measures) or compensation for natural handicaps. In comparison to the CAP 1st pillar, its implementation is more "bottom-up" oriented as it is often implemented at a regional level, providing a framework for regions to orientate policies in line with their own constraints and issues.

In this way the Common Agricultural Policy, including the Rural Development Policy "contributes to achieve sustainable development by increasing its emphasis on encouraging healthy, high-quality products, environmentally sustainable production methods, including organic production, renewable raw materials and the protection of biodiversity".

Regional policy is funded by the European Fund for Regional Development (EFRD), the European Social Fund (ESF) and the Cohesion Fund. These funds contribute to three objectives: Convergence, Regional Competitiveness and Employment, and European Territorial Cooperation. The *Convergence* objective aims at promoting growth-enhancing conditions and factors leading to real convergence for the least-developed Member States and regions. Outside the Convergence regions, the *Regional Competitiveness and Employment* objective aims at strengthening competitiveness and attractiveness, as well as employment. The *European Territorial Co-operation* objective wants to strengthen cross-border co-operation through joint local and regional initiatives, trans-national co-operation aiming at integrated territorial development, and interregional co-operation and exchange of experience.

1.2 Outlooks for the future of European policy

The European policy framework is currently submitted to a number of considerations and is very likely to be modified for the 2014-2020 period. As it is necessary to design the TERESA policy options in reference with the future policy framework, the following paragraph is an attempt to characterise it. To proceed we refer to the existing considerations on the future of the CAP and on the cohesion policy.

1.2.1 The future of the CAP

The mainstream concerning the future of the agricultural policy at EU level could be roughly summarised as follow (cf. the EU Budget review at ec.europa.eu/budget/reform/index_en.htm):

- ➔ Agricultural production and trade have to be regulated by the market. Since 1992, the different CAP reforms have consisted in lowering market interventions in order to make agriculture driven by the market. In a context of very volatile world agricultural markets and concerns about food security, there is a growing demand for maintaining some market regulation[1]. Though, we consider more likely, that there will be further withdrawal of market intervention at the European level, as called for by the Commission in its communication.
- ➔ Individual direct payments should no longer provide production incentives, and to some extent support farm incomes, but should mainly support the provision of "public goods" by farmers such as: food safety and quality, sustainable farming, climate change, environmental services, improvement of the countryside in high nature value areas.
- ➔ The diversification of rural economy is an important issue for EU, but should be addressed mainly by a reallocation of rural development funds towards "non-agricultural" activities.

Concerning integration of agriculture in rural development one topic that we will discuss in this policy paper concerns the assessment of the contribution of agriculture to rural development. It seems in the mainstream for the future policy framework that this contribution is almost reduced to environmental services. We will pay attention to analyse in a detailed way the different contributions of agriculture to rural development for the environmental, economic and social components of sustainable rural development.

1.2.2 Territorial cohesion: a new framework for future European policies?

In the framework of the Lisbon Treaty the European Union will introduce, beside the objectives of economic and social cohesion, the objective of *territorial cohesion*. Though it will mainly concern the future Regional Policy, the rationale of territorial cohesion will be a transverse objective for all policies, and thus concerning also the territorial impact of the CAP.

According to the Territorial Agenda that the EU adopted in Leipzig 24/25 May 2007 by the European Ministers[2] and to the Green Paper of the Commission

[1] See for instance the two reports from the European Parliament: "Report on the Food prices in Europe" (Katerina Batzeli – 24.2.2009) and "Report on The Common Agricultural Policy and Global Food Security" (Mairead McGuinness – 15.12.2008)

[2] Territorial Agenda of the Europeen Union – Towards a More Competitive and Sustainable Europe of Diverse Regions (Leipzig 24/25 May 2007)

(6/10/2008)[3], the objective of territorial objective of territorial cohesion relies on a well-balanced development between areas (Barca, 2009). A polycentric development is considered more efficient in economic and social terms than an exaggerated accumulation of activities and population in very large agglomerations. Thus, the territorial cohesion puts the *rural areas* in the foreground and considers on one hand that territorial diversity and identities should be preserved and that there are still areas in Europe with unexploited potential for development.

In addition, it is admitted that the territorial cohesion objective makes it necessary to modify territorial governance, though it is still not clear how this governance should evolve. The territorial agenda of the EU calls for instance for new forms of territorial governance: these should integrate coordination between rural and urban areas, public-private partnerships, and allow the local authorities to identify their assets and elaborate joint regional and sub-regional strategies.

1.2.3 The target group of future policies

Our recommendations are directed to policy-makers in the field of agricultural and rural development policies. They concern:

- ➔ at the European level, DG Agriculture, DG Regional Policy and DG Environment,
- ➔ national, regional and local policy-makers, i.e. officers in charge of the specifications of the European rural development regulations (national or regional rural development plans).

[3] "Green Paper on Territorial Cohesion – Turning territorial diversity into strength". Communication from the Commission to the council, the European Parliament, the Committee of the Regions and the European Economic and Social Committee (6.10.2008).

2 KEY RESULTS OF THE TERESA PROJECT

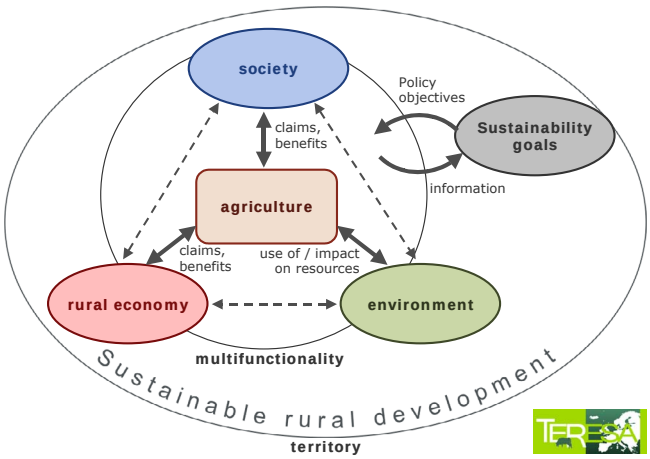
2.1 TERESA in brief

2.1.1 Integrated multifunctional rural regions – the new paradigm?

The key theme of TERESA is "the mutual interactions that take place between agriculture, the environment and other aspects, social and economic, of the wider rural development processes". These demands for an integrated and multifunctional role of agriculture are more and more mainstreamed in European agricultural and rural development policies. The dimensions of these claims are frequently categorised as follows (Hall and Rosillo-Calle, 1999): the economic function, the social function and the environmental function. But not only society is concerned by an integrated agriculture, also the supply side – the farmers – have an interest in closer linkages to the rest of the rural world. Differentiating products, moving along the supply chain ("deepening"), diversifying activities ("broadening") or economic restructuring and pluriactivity ("regrounding") are all farmer's strategies for securing income via tying up with other rural actors (cf. van der Ploeg, Roep, 2003).

The combination of the demand and the supply side illustrates the objective of TERESA linking multifunctionality with regional cooperation to achieve a truly goal-orientated sustainable rural development. The TERESA focuses on the region and the interdependencies of the economic sectors within the region rather than looking at policies as the starting point of the research. Based on the functions discussed, the TERESA triangular model of sustainable rural development, incorporating the interrelations between agriculture, rural economy, society and the environment into a sustainable rural development, was sketched (see Figure 1).

Figure 1 Agriculture in the context of multifunctionality and sustainable rural development



Source: ÖIR adapted from Cairol et al. (2006)

2.1.2 TERESA analysis elements

The empirical analysis in TERESA was based on two sources: Firstly, a set of potential integration data was established to calculate a *cluster analysis of European regions according to their specific integration* (NUTS level 2) that allows the identification of specific regional needs[4]. Secondly, information in eleven case studies in selected European areas (NUTS level 3) was collected. The heart of this information collection was the assessment of 43 representative or specific innovative supply chains in these regions that were used for a *typology of interrelations between agricultural production and rural development* and, in a more experimental approach, as input data for an *agent-based model*.

WP5 "Policy options" is mainly addressed to the makers of rural policy and administration. Based on the results of WP1 to WP4 in WP5 different policy options for the future development of rural policies were elaborated. The impact of the different policy options on rural development were analysed via a SWOT analysis.

Table 1 Overview on the case study regions, map

Region	Country, NUTS code
Hedmark	NO 021
West Sussex	UK J24
Savoie	FR 717
Barnim	DE 412
Chełmsko-zamojski	PL 312
Murcia	ES 620/62
Timiş	RO 424
Lungau	AT 321
Bolzano-Bozen	IT D10/D1
Bács-Kiskun	HU 331
South West (IE)	IE 025

2.1.3 Key results for defining policy options

In defining priorities and policy options, we based our analyses on the tangible results of the TERESA project:

- ➔ The Analysis of the European diversity of integration of agriculture into regional development and
- ➔ the Analysis of the interactions between regional development and supply chains organisation were drawn from WP 4;
- ➔ the Assessment of the policy impacts on integration of agriculture in rural development and

[4] This procedure corresponds tot he approach taken by DG Agriculture when assessing the impacts of EU Rural Development Programmes (see DG Agriculture 2008).

- ➔ the results of the creativity lab in terms of bundle of policy options that could be taken in order to strengthen ties between agriculture and rural development were both taken from WP 5.

2.2 Key result from WP 4: Integration patterns in rural areas

2.2.1 Theory and method

For a long time the prevailing policy paradigm was an *interventionist model* of secluded markets that kept farmers dependent on state aid. The subsequently emerged paradigm that is still favoured by many voices in the US and the WTO is the *competitive model* that is based on a industrialised, large scale agriculture that is competitive on world markets. Moyer and Josling (2002) identify the *multifunctional model* that is largely depending on the theory of public goods (cf. Ostrom 1994) as the third agricultural policy paradigm. For the TERESA project we widened this approach to explore a *cooperative and territorial model* that offers a greater diversity in integrated rural development taking into account the added value of the agricultural sector for the environment, the local economy and social cohesion (cf. Allaert et al. 2006).

These three rural development paradigms all imply different states of integration of agriculture into rural areas in the form of ties, conflicts or no ties between economy, society and agriculture.

- ➔ The interventionist model is based on the assumption of individual producers that act independently from other actors in the same sectors or other sectors in a *coexistence situation*. This form of (non-)interaction is often combined with a high level of (semi-)subsistence farming and small farm sizes. The resulting low valuation of territorial strengths runs the risk of a low performance of the regions.
- ➔ The competitive model favours strong producers organised per sector which leads to a *competition situation* with other sectors of the economy but also of the rural system as a whole due to the increasing profitability of certain intensified and large-scale farming systems. The most relevant conflicts between agriculture and other activities in rural areas are competition for labour (either a lack of farm workers or holders of less profitable farming sectors themselves who quit farming going after wage work) and the natural resources water and land.[5]
- ➔ The cooperation and territory paradigm uses networks of activities, localities and/or ecosystems for different approaches for *cooperation situations*. Using synergies they may foster tourism, renewable energy

[5] It is very important to stress that "competition" in the sense used here is not meant purely as economic competition between regions or between economic actors seeking for a better position in the market, but rather as competition for various resources in the sense of sustainable, resource optimising development.

production or local crafts and could go as far as using a region for film or other creative industries.

The potential of pursuing one of these strategies heavily depends of the very situation in the regions. Basically, for regions in economic transition the decision is largely open which path to follow. An intensification or specialisation (e.g. horticulture) depends on the quality of preconditions such as the availability of high-quality soils and enough water and in some cases (e.g. vegetables) on the distance to the major market areas, i.e. urbanised and peri-urban areas have advantages in this field. In peripheral rural (i.e. remote) areas, possibilities are more limited and activities will have to rely on natural assets such as beauty and diversity of the landscape. The development of rural tourism also depends, at least to some extent, on the vicinity to urban (market) areas and the accessibility of a region. Adding value to existing products requires special knowledge, a spirit of innovation and in many cases large-scale investments. An integrated rural development concept including agriculture, besides economic constraints, depends on the local social capacity, the will to innovation and other factors.

Coexistence situation

Living in simple coexistence was the most common integration pattern of agriculture and the rest of the rural economy for a long time. At the begin of industrialisation, peasants moved to the cities as wageworkers. But after the first decades of industrialisation, the massive demand for labour came to a halt as automatisation continued. In Europe, many small and medium towns embedded in rural regions were centres of production industries, while the surrounding farms were supplying the wage workers and food producers with primary products – the only integration pattern. This form of interaction is often combined with a high level of (semi-)subsistence farming and small farm sizes.

Competition situation

If natural and locational preconditions for agriculture in a region are good enough to ensure a high profibility, conflicts of interest with the other sectors of rural economy arise. The most relevant competition issues between agriculture and other activities in rural areas are:

- *Labour*: As wages in the secondary and tertiary sector are more attractive than in the primary sector, many farmers quit agriculture partly or completely to work off-farm which causes a population drainout and/or land abandonment in many regions today (cf. case studies Timiş, South-West Ireland). Additionally, many agricultural units struggle to find workers at competitive wages, especially for labour-intensive productions such as horticulture and forestry. Regional economic environment by its capacity to absorb labour has always had a major influence on structural changes in agricultural production when in the 1970s the diversification of rural economies has emerged as a new determinating factor (CEC, COM(88)601 final/2).

- ➔ *Land*: the most serious conflicts in more urbanised areas are land use conflicts, especially in regions that contain bigger agglomerations and tourist centres (cf. case studies West Sussex, Murcia). Pressure on turning agricultural land into building land can get enormous.
- ➔ *Water*: Again, tourist centres and bigger cities compete with agriculture for the sparse water resources, an occurrence that can especially be observed in the drier Mediterranean regions (case study Murcia).

It is very important to stress that "competition" in the sense used here is not meant as economic competition between regions or between economic actors seeking for a better position in the market, but rather the **competition for various resources** in the sense of sustainable, resource optimising development.

Cooperation situation

Mainly in regions that are not favoured by natural resources or the vicinity to market places, cooperation between different economic sectors is nowadays seen as the key to sustainable rural development. Using synergies can foster tourism or local crafts up to the use of a region for film or other creative industries. A special but at the NUTS 3 geographical level rather hypothetical case would be a full integration of agriculture, industrial and service sectors, which might occur in areas concentrating in the production and marketing of certain processed foods for example. In municipalities and alike, there might well be such a pattern.

2.2.2 Cluster analysis of the integration patterns

The *cluster analysis* based on these basic types showed certain tendencies what type of supply chain is present in a specific type of region. However, it has to be stressed that due to the relatively high statistical/territorial level of NUTS 2 (data availability) there are definitely regions that cannot be allocated to a single cluster as the analysis cannot reflect the diversity within one region. However, the following types of European regions that are illustrated in the map below were distinguished:

There are two types of ***urbanised regions*** that can be clearly distinguished: The *„post-agricultural regions*" are highly populated with a mix of rural and urban areas with a marginal relevance of agricultural activities but a high level of secondary farmers' activities. These regions often feature consumer-driven specific products and develop short supply chains. Competition as well as cooperation patterns can be observed depending on the regional situation. The "*peri-urban agricultural regions*" are clearly urban, too, but have a very profitable agriculture. These regions can be found in very densely populated areas, mostly around large agglomerations. In these regions, competing land uses are a major source of conflicts. They often feature many standard products either for international markets or with geographical attributes for the (urban) consumer.

In three types of ***regions agriculture has neither a strongly co-operational nor clearly competitive links to other sectors*** but rather shows a ***coexisting pattern***. These more rural "*stand-alone agricultural regions*" still have a very traditional and important agriculture, a low level economic development (but strong growth) and struggle with out-migration. This type can only be found in the accession states of the new millennium. A second type of lagging regions has a clear ongoing transition to secondary and tertiary activities ("*regions in transition*"). Mainly regions from the EU enlargements of 2003 and the Mediterranean regions can be found in this cluster. The type of region that is economically more potent (and in most cases more urbanised) but still has a low level of integration of farming is characterised as "*side-by-side regions*". All these coexistence types mainly feature standard supply chains. The main impact of agriculture is its weight in the local employment but still it seems to be reduced to its primary production food supply contribution. This type of region is typical for central Western Europe.

Two types of regions have explicitly ***favourable natural amenities*** and, as a consequence, ***high importance for tourism***. The "*extensive high-nature value/tourist regions*" are very large, with low densities and a high share of predominantly rural areas where tourism is important but not to a large extent ("sustainable tourism") and agriculture is often based on extensive grazing and forestry, in many cases organic. In this cluster, mostly Alpine and Northern European regions can be found. Agriculture mobilizes specific resources for specific supply chains, integrates within local networks, has a small direct contribution to employment but an important contribution to the quality of life (liveliness, culture, landscape, etc.). The other cluster is the "*intensive high-nature value/tourist regions*" where tourism is much more intensive (very high number of bed places, very strong increase of bed places, high amount of nights spent) and also agriculture is more diverse. Most of these regions are located around the Mediterranean Sea. Here the cooperation mentioned in the former type is counterbalanced by competition on land use, water, the workforce, etc..

The final cluster is the most heterogeneous. In the "*intensifying agricultural regions*" ***agriculture is strong*** as climate (mostly southern regions) and soils are favourable and ***urban/economic areas as well as agricultural areas have been expanded extremely recently***. This causes conflicts in land use and water use. Though agriculture has a more important weight in the employment and mainly produces standard products, it is less integrated into the regional development of rural areas compared to the extensive tourist areas.

2.2.3 Lessons learned from the integration patterns

This detailed analysis of integration patterns was related to a more standard approach of regional development. In order to specify very general features of integration we retained a simple typology of regional development based on three criterions:

- ➔ level of economic development (in transition versus developed economy). Indicator: labour productivity per person employed (Eurostat 2005)

- ➔ urban or rural nature of the area, based on the Espon urban-rural typology;
- ➔ importance of the tourist sector (indicator: number of beds in tourism per 1000 inhabitants (Eurostat 2005)

These standard types of development could be related to the different patterns of integration presented below (table 2).

Table 2 Typology of regional development

Types of development	Thresholds for the 3 criteria	Case studies in TERESA
"In transition" + peri-urban	– labour productivity < 80	RO424 Timis
	– Espon typology: "high urban influence"	
	– number of tourist beds per 1000 inhab. < 150	
"In transition" + rural	– labour productivity < 80	HU331 Bács-Kiskun
	– Espon typology: "low urban influence"	PL312 Chelmsko-zamojski
	– number of tourist beds per 1000 inhab. < 150	
"Developed" + rural	– labour productivity > 80 €	ES620 Murcia
	– Espon typology: "low urban influence"	NO021 Hedmark
"Developed" + peri-urban	– labour productivity > 80	DE412 Barnim
	– Espon typology: "high urban influence"	UKJ24 West Sussex
	– number of tourist beds per 1000 inhab. < 150	IE025 South West (Ireland)
"Developed" + rural + tourist	– labour productivity > 80	ITD10 Bolzano/Bozen
	– Espon typology: "low urban influence"	FR717 Savoie
	– number of tourist beds per 1000 inhab. > 400	AT321 Lungau

Table 3 Allocation of integration patterns to types of regional development

type of region	predominant type of integration		
	coexistence	competition	cooperation and territory
transition economy	"stand-alone" agricultural regions regions in transition	potentially: regions in transition (depending on their future pathway)	potentially: regions in transition (depending on their future pathway)
developed, rural	"side-by-side regions"	intensifying agricultural regions	
developed, peri-urban	"side-by-side regions"	*post-agricultural regions* peri-urban agricultural regions	*post-agricultural regions*
developed, rural, tourist		intensive high-nature value/tourist regions intensifying agricultural regions	extensive high-nature value/tourist regions intensive high-nature value/tourist regions

The interrelationships between detailed patterns of integration and standard types of regional development (table 3) enable to underline the main features of integration of agriculture into regional development:

- ➔ In regions with a *transition economy*, agriculture is characterised by low ties with other activities and stakeholders and by standards products. Agricultural social outcomes for other activities and inhabitants are very low, but employment in agriculture remains high;
- ➔ In *rural regions with a developed economy*, there is a low mobilisation of specific resources and agriculture is based mainly on standard resources and products. In certain cases networks with other actors could be strong (e.g. for Murcia) but they remain low for many regions. Environmental impacts of agriculture is generally reported as negative;
- ➔ In *peri-urban regions*, resources mobilised by agriculture and agricultural products are more diverse. We observe also a recent development of networking activities between agriculture and other activities. Social outcomes and environmental impact of agriculture are very variable according to the region and even more to the type of agriculture (i.e. organic farming versus conventional farming)
- ➔ In *tourist regions*, the patrimonial logic towards the elaboration of local and typical products is very present. In these regions, agriculture shows strong networks with other actors of the territory, the establishment of these networks being quite old. Social and cultural outcomes of agriculture for regional development are high and agriculture is a major feature of regional attractiveness for tourism. The effect of agriculture on environment is generally seen as positive: landscape up keeping and agriculture mainly based on breeding and limited level of intensification;

These figures of regional development (rural areas rural in transition countries, rural in developed countries, peri-urban areas in developed countries, tourism areas in developed countries) will be used in the following parts of the text to imagine and to discuss policy options leading to a better integration of agriculture in rural development.

2.3 Key result from WP 4: Interactions between regional development and supply chains organisation

2.3.1 Method

A major hypothesis of the TERESA project was that the integration of agriculture into rural development is both linked to the type regional development and to the type of supply chains of agricultural products. Standard approaches targeting at assessing and improving the contribution of agriculture to rural development handle agriculture as a set of farms characterised i.e. by their type of production, the agricultural practices and their impact on environment. Other approaches characterised agriculture as the primary sector of economy and mobilise indicators such as employment, economic activity of the primary sector within the region. Our challenge is that integration of agriculture in regional development has to be envisaged in a holistic way including both vertical organisation of agriculture towards market, its horizontal links with other activities and stakeholders of the territory and policies.

In order to confirm this hypothesis of interaction between supply chain and integration of agriculture in regional development we elaborated a typology of supply chains based on 31 supply chains analysed in the 11 cases study of the TERESA project (cf. chapter 3 in Deliverable D 4.2 COOPERATION PATTERNS AND NETWORKS IN RURAL AREAS (SYNOPSIS REPORT)). Consequently, the objective of this paragraph is to specify the different types of contribution of supply chains to rural development.

2.3.2 Results

The 31 supply chains studied in TERESA were the basis to construct a typology of supply chains. Seven types were identified being part of two groups, namely: 1/specific products, 2/standard products.

- ➔ Specific products
  A1 = traditional and typical products (origin labelled products)
  A2 = products identified by their territory
  A3 = consumers-driven products

- ➔ Standard products:
  They differ (among other criteria) in terms of type of market (local, national or export markets).
  B1 = standard products of local consumption
  B2 = standard products with geographical attributes for the consumers
  B3 = standard products with a regional or national market
  B4 = standard products with an international market

Table 4 Typology of supply chains

Specific products
A1 = traditional and typical products (origin labelled products) This type of supply chain concerns local products based on a strong territorial identity and reputation, and/or typical products based on specific modes of production and whose quality, reputation or any other characteristics are attributable especially to their geographical origin. The supply chains grouped into this type are: Beaufort Cheese (Savoie), Speck (Bolzano-Bozen), Wine (Bolzano-Bozen) and Schnapps (Lungau), which are all unique products. Except of Schnapps, the products have protected geographical indications (AOP, GGA or DOC). All the supply chains are in tourist regions characterized by a developed economy and mobilize resources which are specific of the region at human level (know-how) but not always at natural and/or technological levels.
A2 = products identified by their territory This type refers to identity products characterized by a territorial link which still exists but which is much weaker than in the A1 category and more based on cultural factors (tradition, know-how) than on natural factors (which are only important for Apples from Bolzano-Bozen). The reputation of this type of specific products is also lower compared to the first type because of their lowest typicity. Their differentiation potential with substitute's products is therefore smaller than for the A1 products. The supply chains grouped into this type are: Apples (Bolzano-Bozen), Synnøve cheese (Hedmark) and Hop (Perla beer from Chelmsko-zamojski).
A3 = consumers-driven products This type of specific products are characterized by their ability to meet the demand of the customers (organic farming, wood for buildings, goat cheese), specific know-hows and their small-scale markets. They were created quite recently. They are sold directly or via a short supply chain within a relatively small geographical area (the region and its surroundings). The supply chains grouped into this type are: Brodowin milk (Barnim), wood (Barnim) and goat cheese (Savoie).
Standard products
This category gathers commodity products from mainstream supply chains.
B1 = standard products of local consumption The supply chains considered here deal with standard products intended to feed the local population. The supply chains grouped into this type are: milk (Chelmsko-zamojski) and cereals (Timiş). Both supply chains are in regions characterized by a transition economy and only use generic and local resources. Workforce represents a relative high production input.
B2 = standard products with geographical attributes for the consumers Products of this type are standard products where the territory makes sense for the consumers either because the region's name has positive connotations for them (e.g. the clean and green image of Ireland), or because a marketing activity was undertaken to indicate the origin of the products (e.g. "Taste of Sussex", a regional brand for local products) in order to meet the demand for local food by ethical consumers. Contrary to the A1 type, these products have no special territorial character. The supply chains grouped into this type are: milk (Savoie), beef and butter (South West), lettuce and milk (West Sussex).
B3 = standard products with a regional or national market This type refers to standard commodity products sold either in the region or in the whole country. The supply chains grouped into this type are: milk (Lungau, Hedmark and Timiş), pork (Murcia, Bács-Kiskun and Timiş), maize and sunflower oil (Bács-Kiskun) and rapeseed (Chelmsko-zamojski).
B4 = standard products with an international market This type refers to supply chains with mass production exporting standard products. The supply chains grouped into this type are: wood (Lungau), lettuce and tomatoes (Murcia), mussels (South West) and wheat (West Sussex).

Territorial integration of agriculture and diversity of supply chains

We performed a detailed analysis of the integration of these supply chains into regional development. This analysis is based on the assessment of the resources mobilised, the networks established with other stakeholders (other economic activities, actors of environment, local government, research and extension services), and on the economic, environmental and social outcomes of the supply chains. Figure 2 illustrates the results for the type of resources mobilised (specific to the territory or generic and standard) and for networks between actors of the supply chains and other actors (economy, environment, local or regional government, research and education).

Figure 2 Diversity of the territorial integration of the different supply chains as expressed by the resources mobilised and the networking activities

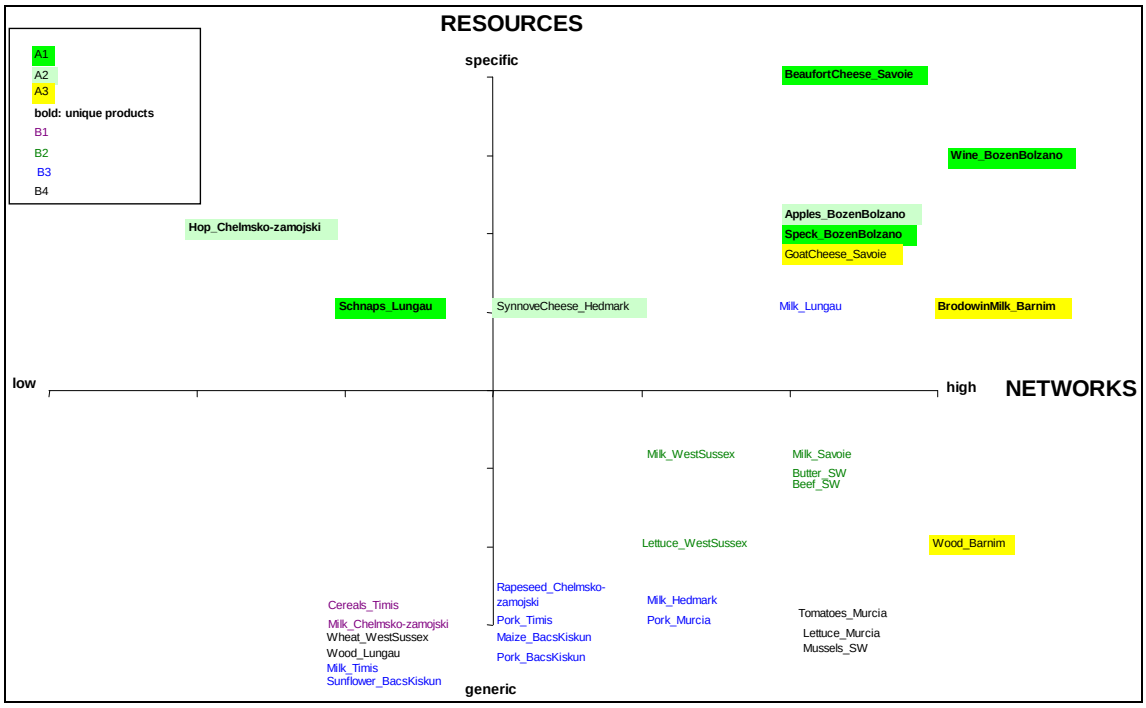


Table 5 specifies in a qualitative way the sustainability performance for the different supply chains.

The results of this analysis demonstrate that the picture considering local food supply chains and specific products as well integrated to local development, whereas "standard" products are poorly integrated is simplifying. Indeed, if we consider the different dimensions of territorial integration: mobilisation of specific natural and cultural resources, integration into local networks, socio-economic and environmental impacts, we observe:

- ➔ Specific products have strong links with their territory, either because they mobilize specific resources, or because they are connected to a specific local demand of the consumers. However, we noticed that some "standard" supply chains can be well integrated in local networks, especially those

which develop geographical attributes (Milk in West Sussex or in Savoie), but also some chains supplying on international markets (Tomatoes and Lettuce in Murcia or Mussels in South West Ireland).

➔ Concerning the socio-economic impact of agriculture in regional development, the standard products have a more important weight on the local economy (in terms of employment), especially in the Eastern Europe countries. The contribution of specific products is more "qualitative"; indeed their contribution is often limited in terms of employment, but they have an important impact in social terms (cultural identity, liveliness of the territory, etc.).

Table 5 Sustainability performance of the different types of supply chains

Type of supply chain	**Sustainability performance**		
	Economic	**Social**	**Environment**
A1 = traditional and typical products (origin labelled products)	Good Low employment	Medium to good Positive effects on cultural identity	Medium to bad Positive effects on cultural landscapes
A2 = products identified by their territory	Medium to good Low to high employment	Bad to medium Positive effects on cultural identity	medium to bad
A3 = consumers-driven products	Bad to medium Low employment	Bad to good (associations, direct marketing)	Bad to good (in case of extensive or organic production
B1 = standard products of local consumption	Bad or good High employment	Bad	Bad
B2 = standard products with geographical attributes for the consumers	Medium to good Low or high employment	Bad to medium	Bad to medium
B3 = standard products with a regional or national market	Medium to good Low to high employment	Bad or medium	Bad to medium
B4 = standard products with an international market	Bad to good, Low to high employment	Bad to good	Bad to medium

Types of supply chains and regional development interweave

The TERESA results showed a strong interrelation between the type of regional development and the type of supply chain organisation of agriculture (Figure 3 taken from Deliverable D 4.2 COOPERATION PATTERNS AND NETWORKS IN RURAL AREAS (SYNOPSIS REPORT) p. 126, methodology ibid.).

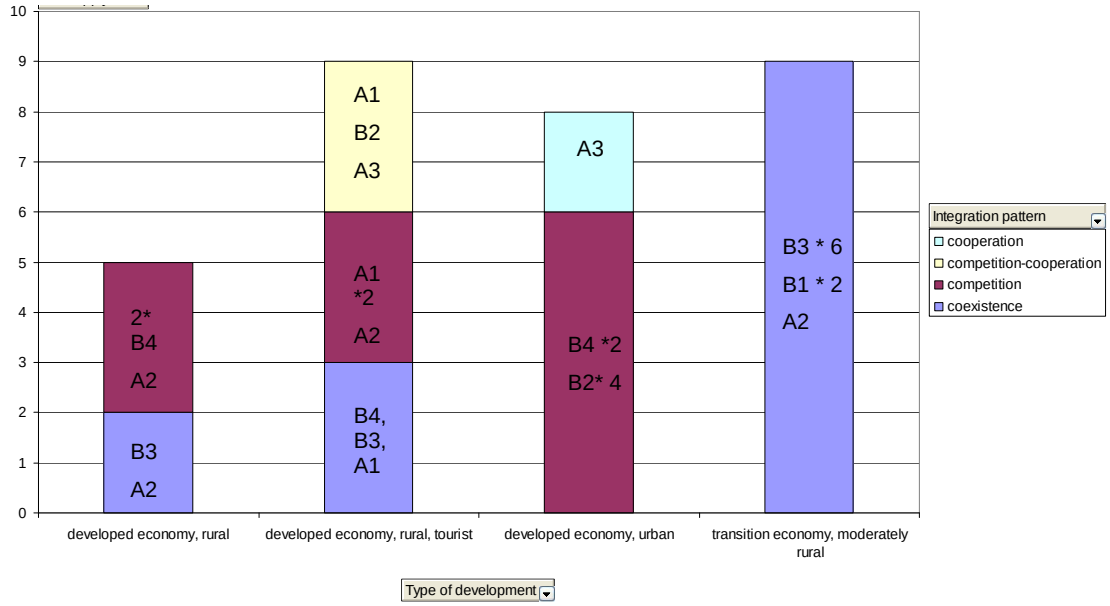
➔ specific products supply chains studied were all located in tourist regions: these regions have natural and cultural assets that can be mobilized both by agriculture and tourism.

➔ "consumer-driven" supply chains and direct marketing organisations are mostly in peri-urban or tourist regions, and seem to be very seldom in

rural areas: the proximity of an urban demand gives an opportunity to develop such supply chains.

- ➔ standard supply chains developing geographical attributes are located mainly in urban regions, but we can envisage that such way of organisation is also possible for agricultural supply chains located in rural areas.
- ➔ This raises the question of the type of development suitable for agriculture in rural regions: either in developed or in transition countries, most supply chains are based on standard products. Does it mean that these areas have not been granted with a natural or cultural asset, on which specific products could be developed? Moreover, the distance from urban areas and markets seem to have made it difficult so far to develop "consumer-driven" products.

Figure 3 Distribution of each supply chain type according to the type of regional development



Note: Specific products are *A1* traditional and typical products, *A2* products identified by their territory and *A3* consumers-driven products; standard products are: *B1* standard products of local consumption, *B2* standard products with geographical attributes for the consumers, *B3* standard products with a regional or national market and *B4* standard products with an international market.

While we have seen that different types of supply chains have different contributions to the regional development, we see here the opposite: the territory, its historical and cultural assets, its organisations and its development is an important factor for the development of agriculture. To some extent, it specifies some possibilities and all development strategies for agriculture cannot be implemented in any territorial context.

2.3.3 Diversity of supply chains and of regional development – which territorial integration of agriculture?

While types of supply chains and type of regional development are inter-related, we also observed that this leads to different form of integration of agriculture within regional development. This integration has been characterized in TERESA into for different "patterns of integration": coexistence, competition and cooperation. In conclusion we can identify several pairs (type of supply chain vs. type of regional development) that leads to different results in terms of integration of agriculture:

- ➔ *Urban regions and "consumer-driven" supply chains are often in a competition-cooperation pattern*. Indeed, the cooperation pattern has only been observed in this situation. It seems that the opportunity to develop short supply chains in urban areas is a way to avoid competition, with an adaptation of agriculture to an urban or peri-urban context.
- ➔ *Urban regions and "standard" products are always in a competition pattern*. This is the case either for supply chains based on international markets, or for those who develop geographical attributes to the consumer.
- ➔ *Rural regions of developed economies and standard supply chains are either in a coexistence or in a competition pattern*. Though agriculture has a more important weight in the employment, it seems, as a kind of paradox, that it is relatively little integrated in the regional development of rural areas, compared to tourist areas especially.
- ➔ *Tourist regions and specific product supply chains are in a competition-cooperation pattern*. Agriculture mobilizes specific resources, integrates within local actor's networks, has a small direct contribution to employment but an important contribution to the quality of life (liveliness, culture, landscape, etc.). This cooperation "side" is counterbalanced by competition on the land use and on the workforce market.
- ➔ *Rural regions of transition countries and standard supply chains are in a pattern of co-existence* (specific products are very seldom in these regions). A lower level of urbanisation and of purchasing power makes it probably more difficult to develop specific products dedicated to high value added markets, or other activities linked to tourism for instance. The main impact of agriculture is its weight in the local employment and seems to be "reduced" to its food supply contribution. In some cases, these standard supply chains have mainly local market consumption.

2.4 Key result from WP 5: Identification of potentially integrative Community Policies

While the first two key results are drawn from WP 4 (deliverable D 4.2 COOPERATION PATTERNS AND NETWORKS IN RURAL AREAS (SYNOPSIS REPORT)), the following assessment of policies is an exclusive WP 5 result.

2.4.1 Method

An analysis of the potential role or effectiveness of the rural development policies to improve the integration of agriculture into rural development has been conducted in TERESA. The two main policy areas influencing the development of rural regions have been assessed:

- The 1st pillar of the CAP was divided into *decoupled direct aids (Single Payment Scheme SPS)*, other direct aids and *interventions in agricultural markets*;
- The 2nd pillar of the CAP featured *all measures by code* according to Council Regulation (EC) No 1698/2005 for rural development policies
- Additionally, the measure "technology transfer and improvement of cooperation networks" of the Cohesion Policy was assessed.

The analysis use a qualitative expert judgement based on the legal documents and guidelines, mainly. The following criterion have been used for the assessment of integration potential (table 6):

- *Output*: measures activities directly realised within programmes, e.g. the subsidy granted to the recipient.
- *Result*: measures the direct and immediate effect of the intervention (refers to the immediate objective).
- *Impact*: refers to the benefits of the programme beyond the immediate effects on its direct beneficiaries both at the level of the intervention but also more generally in the area.

Table 6 Definitions for the judgement of the integration potential

	↑ major integration potential	↗ minor integration potential	→ no integration potential
output	The measure decidedly asks for co-operational activities between sectors and therefore fosters a "cooperation" setting or even "full integration".	The target group consists of regional players of more than one sector and can therefore create synergies leading to a "cooperation" setting.	The target group consists of regional players of one sector only and therefore fosters a "stand-alone" setting.
e.g.	*Joint-ventures in the development of new processed food products get funded.*	*Different types of landowners get funded to follow a common environmental goal.*	*The reduction of production costs of farmers gets funded.*
result	The output results in activities that integrate the sector addressed broadly into the wider rural setting and lead to a "cooperation" setting or even "full integration".	The output results in activities that let players of other sectors benefit directly and do contribute to a "cooperation" setting.	The output results in activities that that lets no players of other sectors benefit directly and remain part of a "stand-alone" setting.
e.g.	*Extensive farming gets expanded for environmental and tourist benefits.*	*Advisory services profit from subsidies granted to farmers.*	*The reduction of costs caused by funding stays within the agricultural holding.*
impact	The policy measure leads to the strengthening of a truly integrated rural development in the region leading to a "cooperation" setting or even "full integration".	The policy measure lets one expect integrative activities leading to a "cooperation" setting but further efforts may be required.	The policy measure has no explicit impacts to other sectors than funded and therefore does not change the "stand-alone" setting notably.
e.g.	*The image created by integrative development concepts and flagship products is a benefit for the majority of regional players.*	*Payments for forestation can lead to tourist and environmental benefits but only if implemented properly ('good practice').*	*The funding of the age structure of farm holder does not affect the rest of the region.*

The rating of policy measures refers to the *integration potential rather than the actual integration capability*, as the Community specifications are more or less vague on a number of policies. The national and regional programmes specify the demands for receiving funding in more detail in most cases and can in some cases foster or hinder the integration potential of measures. For instance, in some programmes the agri-environmental measures, although aimed at the conservation of high nature value farmland, contain rather counter-productive elements, as the recent report "*Could do better*" (BIRDLIFE INTERNATIONAL, 2009) revealed, in which the regional and national programmes were checked against their impact on biodiversity. So the following policy analysis is a tool for assessing the overall strategic direction proclaimed by the Commission.

2.4.2 Results

As an overview, the Common Agricultural and Regional Policies that have a major integration potential are (table 7):

- 124 cooperation for development of new products
- 311 diversification into non-agricultural activities
- 341 Skills acquisition, animation and implementation
- 411 Implementing local development strategies. Competitiveness
- 412 Implementing local development strategies. Environment/land
- 413 quality of life/diversification
- 421 Implementing cooperation projects
- 431 Running the local action group, acquiring skills and animating the territory

There are two similarities between these measures:

- Either a measure is open to a large part or the entire rural society or, even better, asks explicitly for the cooperation of different actors.
- Or a measure establishes or implements a substructure (infrastructure, development strategies) that addresses a large part or the entire rural society.

The rural development policy results seem to be obvious to a certain extent as the "integrated" axis 3 and 4 score best. There are also a number of measures that offer a major integration potential at the output, or result, or impact level:

- 133 Information and promotion activities
- 211 natural handicap payments to farmers in mountain areas
- 212 payments to farmers in areas with handicaps, other than mountain areas
- 213 Natura 2000 payments and payments linked to Directive 2000/60/EC (agriculture)
- 214 agri-environmental payments
- 216 Non-productive investments (agriculture)
- 222 First establishment of agro-forestry systems on agricultural land
- 224 Natura 2000 payments (forestry)
- 225 Forest-environment payments
- 313 encouragement of tourism activities
- 331 Training and information

The measure "technology transfer and improvement of cooperation networks" of the cohesion policy presents also a noticeable integration potential (table 8).

Table 7 CAP, Pillar 2: "best of integration" measures

Policy	output	results	impact	overall	rationale
Axis 1: Improving the competitiveness of the agricultural and forestry sector					
124 cooperation for development of new products	↑	↑	↗	↑	+ any economic actors are eligible ++ partnership between farmers and processors, and possibly with service actors, gets directly addressed and measured. ++ Knowledge transfer from secondary and tertiary sector is induced (at least two partners from different sectors have to cooperate) + the whole region can profit from successful development of new flagship products
Axis 3: The quality of life in rural areas and diversification of the rural economy					
311 diversification into non-agricultural activities	→	↑	↑	↑	= only farmers are eligible ++ results integrate the agricultural sector ++ diversification of the agricultural sector stimulates the whole rural economy and society (especially tourism, gastronomy, energy, micro-business)
341 Skills acquisition, animation and implementation	↑	↑	↑	↑	++ partnerships are addressed directly ++ positive results are essential for the success of integrated rural development, public-private are measured ++ May contribute to integration of farmers or agricultural actors to local network.
Axis 4: Leader					
411 Implementing local development strategies. Competitiveness	↑	↑	↑	↑	+ Support economic farming projects that are discussed or even tailored in cooperation between the local actors + Encourage farmers to take part to territorial projects ++ this measure only fosters cooperative activities
412 Implementing local development strategies. Environment/land	↑	↑	↑	↑	+ May support farming environment-friendly practices that correspond to local environmental issues ++ this measure only fosters cooperative activities
413 quality of life/diversification	↑	↑	↑	↑	++ the whole rural society profits from these projects implemented ++ this measure only fosters cooperative activities
421 Implementing cooperation projects	↑	↑	↑	↑	++ this measure only fosters cooperative activities
431 Running the local action group, acquiring skills and animating the territory	↑	↑	↑	↑	++ this measure only fosters cooperative activities

↑ major integration potential ↗ minor integration potential

→ no integration potential ↘ disintegration potential

Table 8 Cohesion policy: integration potential of the measure "technology transfer and improvement of cooperation networks"

Policy	output	results	impact	overall	rationale
03 Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, techno-poles, etc.)	↑	↑	↑	↗	++ does decidedly foster co-operational activities and integrates many kinds of actors ++ results in integration of R&TD activities in a wider regional setting + may causes very valuable synergy effects in regions

↑ major integration potential ↗ minor integration potential
→ no integration potential ↘ disintegration potential

Still, it has to be noted that on the European level, there is a large latitude of fine-tuning for national and regional programming. Especially when it comes to the amelioration of the environmental and societal situations, many of the national and regional policy measures can be defined in a way that are of little additional value use to rural regions and do not necessarily address the actual needs, as also the *Synthesis of Ex Ante Evaluations of Rural Development Programmes 2007-2013* (2008, Synthetic summary p. 4) stated: "*In many cases we have observed that the identified needs, driving forces and causes of disparities do not play the expected prominent role in the definition of the strategies. […].* However, mainly due to the described gaps in the quantification of indicators and target levels, we cannot firmly conclude on the extent to which the measures included in the programmes have represented the best choice for addressing the needs of the European rural areas.

2.5 Key result from WP 5: The creativity lab as a cornerstone to design policy options in the TERESA project

2.5.1 Method

Policy options that can contribute to the development of rural policies on European level and give scientific support to the Commission need a profound reflection. In order to enable this reflection between researchers and policy makers a "creativity lab" was organised as a fruitful discussion. Policy makers and researchers came together in order to talk about options for the development of policies for rural areas.

The objective of the creativity lab was the assessment of existing and the formulation potential policies that can contribute to a better integration of agriculture in rural development.

The creativity lab has been the last input from the policy side into the process of the TERESA project. The creativity lab has brought together people to obtain new ideas about policies: 17 participants – researchers, farmers, policy-makers, wholesalers, representatives of regional and national governments and a member of the European Parliament – contributed to the lab in an open-mind way. Firstly, they co-constructed a set of objectives of integration of agriculture according to the European diversity of rural development contexts. Secondly, new policy options have been devised and discussed in comparison with existing policies.

The basic phases of the future workshop method have been used during the creativity lab. The future workshop is a method developed by Robert Jungk, Rüdiger Lutz and Norbert R. Müllert in the 1970s. It enables a group of people to develop new ideas or solutions of social problems. The basic phases of a future workshop are the following:

- **Critique phase**: The concern addressed is investigated critically and thoroughly. First of all, a visualised brainstorming is performed and a general and critical question concerning the problem is framed. The questions debated by the participants were:
  - *What is your point of view concerning the main limits and problems of the integration of agriculture in rural development?*
  - *What is your point of view concerning the main limits of current policies to support the integration of agriculture in rural development?*

- **Imaginative phase**: in this phase the participants try to work out a Utopia, to draw an exaggerated picture of future possibilities. Two workshops were organised to express wishes, dreams and opportunities. The people involved worked on two virtual countries where completely news policies can be developed: "*Ruralia*" (with a distinction between developed countries and *in transition* countries) and "*Periurbania*" (regions close to cities and tourism areas). The following questions have been handled in the two workshops:
  - *What are the wishes concerning the type of agriculture, the integration of agriculture in rural development, the role of agriculture in rural development according to the context of development?*
  - *How can we overcome the problems discussed this morning and take advantage of the local assets?*

- **Implementation phase**: in this phase the ideas developed so far are evaluated in regard to their practicability. The continuation of the two workshops "*Ruralia*" and "*Periurbania*" serves to finalise the discussion, the questions being:
  - *According to the current constraints and assets of these regions which objectives are realistic to be implemented?*
  - *Which are the relevant policy levers and policy tools to reach these objectives (existing and new tools)?*

2.5.2 Results

In the last step of the project, for each policy option devised and discussed in the creativity lab, a SWOT-Analysis has been conducted, which provides indicative lists of strengths and weaknesses, opportunities and threats. These results have been directly integrated in chapter 3 of this deliverable.

2.6 Towards policy options

TERESA pointed out the difficulty for rural development policy to handle regional diversity while having a consistent European policy framework with common orientations and priorities for rural areas. TERESA results highlight new approaches and elements to describe this diversity in an accurate way. The integration of agriculture into the overall rural economy, society and environment is an essential element in the policy setting. In order to ensure the targeting of the policy, rural development programmes are supposed to conduct SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis in order to identify those programme priorities at which policy support is supposed to be targeted. Compared to these analysis conducted at the programme level, the analysis conducted in TERESA provides a far more precise picture of the situations in rural areas, as it is conducted on a common regional scale (NUTS 2). Moreover the amount and choice of indicators is apt to depict both strengths and integration patterns of agriculture.

TERESA shows that there is a clear need for *differentiating rural territories*, to take into account the rural diversity and the type of regional development in order to formulate a successful policy. As Fischler (2008, TERESA conference presentation) pointed out in the framework of the project, agriculture is much more that the production of food, feed and fibre alone: it has multiple goals, potentially providing sustainability, food and environmental security and safeguarding and enhancing Europe's cultural heritage amongst others. TERESA pushed this approach much further by differentiating regions according to their favoured integration pathways as well as their strengths in agricultural production. Every region has its specific attributes and therefore also its specific needs for the right policy mix. TERESA proved that the European regions in this respect can be grouped in different basic types that common policies could address:

- ➔ In **rural areas of developed economies**, when the objective is to move toward more cooperation, it is hard to imagine that the entire part of the agricultural sector turns to *consumer-driven* products and direct marketing. These areas will still have to produce basic needs for food for urbanised European areas. Thus, this raises a question: is the simple *coexistence* pattern suitable and, in the case of a *competition* situation, should the objective be to turn to a *coexistence* pattern? If the objective is to increase *cooperation*, and if there is no clear opportunity to develop PDO[6] products or *consumer-driven* products, what are the alternative to differentiate the

[6] Protected Designation of Origin

products (geographical attributes and/or also environmental or social certifications?)

- ➔ In **periurban areas** the main issue is to reduce, or to deal with, the *competition* on land use. Indeed, the development of new forms of higher value-added agriculture directly linked to the local consumers is a way to adapt agriculture to the competition on land (as it requires less land). But, is this way of development suitable for the whole agricultural sector of these areas, as we observed in our study cases that standard agriculture still represents the most important share? If the agglomerations in theses regions would have an objective to be locally supplied with food, there could be an opportunity to develop intermediate (between long and short supply chains) supply chains between the countryside and neighbouring cities.
- ➔ In **tourism regions** *cooperation* between specific or traditional agricultural products and tourists activities is remaining generally low on a European level. According to the new demands from tourists to design joint products and services associated with agriculture tourism offers large opportunities of development and of value added.
- ➔ In **rural regions of transition countries** where the unique relation is *coexistence*, the future issue may be to avoid a situation of harmful *competition for resources* (which dominates in developed economies) during the modernisation process of the economy. Thus, the objective of agriculture development depends on the regional economic context: if there is a limited creation of jobs on tertiary or secondary sectors, there is an issue to maintain employment (and population) in the rural areas and to add value to primary activities. When there is a need to restructure agriculture, thus there is probably a need to improve infrastructures. Finally, in some cases there is also a potential to develop more typical and value-added products.

These objectives have to be regarded as indicative and illustrative, because, in reference to the principle of local governance, each region has to decide which road it will take.

TERESA helps reconsidering the standard scales of intervention for policy tools. The predominant individual level of intervention into agriculture (direct payments), if perpetuated, has to be integrated in a more rural systemic approach taking into account regional supply chains, cooperative regional systems and local capacity. In terms of integration of agriculture into regional development, current policy tools address mainly the farm level: i.e. improvement of the environment at farm level, diversification of on-farm activities. TERESA results invite to imagine policy levers and tools strengthening and introducing other levels.

3 POLICY OPTIONS

3.1 General limits of current integration of agriculture into rural development

The creativity lab allowed for identifying general limits in terms of integration of agriculture into rural development in the current framework. The result of the brainstorming session is a holistic approach, from the global level to the farm level.

Global level and society context

We are facing a break between agriculture and society. There is a lack of recognition of farmers and society loses its knowledge about food production and agriculture. We also observe failures to recognise dependencies and synergies between activities. Consequently there is a need to re-legitimate agricultural subsidies and on a Community level to improve the coordination between DG Regional Policy and DG Agriculture on rural development issues.

Economic and institutional organisation of agriculture

There are contradictions between vertical organisation of agriculture (supply chains and global market driving forces explaining the current evolution of agriculture towards specialisation) and local demands of society. Agricultural institutions are strong, independent, mainly sectoral and professional.

Local level

Land management and competition for land between agriculture and rural and urban demands is a major issue in many regions. The weaknesses of land-use policies and local planning could be related to a frequent lack of willingness of local electives to implement a voluntary policy towards preservation of agricultural land.

Difficulties are faced to design collective projects between different actors and interests. The local stakeholders have different sets of priorities and they are often facing difficulties to find common interests. Furthermore, at local level the economic connection between sectors is often limited.

As a consequence of the low economic and social weight of agriculture, the issue of integrating agriculture and rural development is often questioned.

Farm level

The farmer profession often lacks entrepreneurial spirit and cooperation habits with other rural actors (partly because of unfocused individual aids) and the will to improve knowledge and skills. Knowledge and know-how of farmers are often limited to agriculture in some countries as the farming population is over-aged. The

open question is still how manage the move from a (dependent) producer to an entrepreneur.

Lastly, in farm organisation, the trend toward specialisation, intensification and increasing farm sizes causes difficulties to follow complementary activities or roles.

3.2 Limits and weaknesses of policies to support the integration of agriculture within rural development

3.2.1 Synthetic conclusions of the critical phase of the creativity lab

A set of limits of current policies to support the integration of agriculture in rural development have been elaborated in discussion:

- ➔ There is a *need for clear and shared concepts* as a theoretical foundation for policies that incorporates regional development, rural development, public goods and the multifunctionality of agriculture.
- ➔ *Policy areas are not always clearly defined*, which could be related to a lack of shared definitions and leads to a lack of coherence and conflicts between policies. The question is, for instance, whether rural development policy is an environmental or an economic policy or both. Besides, health and safety regulations put pressure on small farms which often perform well ecologically nonetheless.
- ➔ The merely *sectoral thinking in established policies* is shaping and reproducing sectors and frontiers. For instance, when there are problems separating urban and rural development policies, can we envisage more efficiency with only a single policy?
- ➔ *Associating policy support and development of entrepreneurial skills* is a challenge as we often notice that subsidies as an income aid limit risk taking and innovation.
- ➔ There is a *need for an adaptation of policies to the diversity of the European context*. A balance is to be found between adapted (but expensive) policies and *one size fits all* policy as European administrative and social organisations are very diverse and are undergoing rapid change. The local level is also very diverse, it could be absent or with a very low organisational intensity in some countries (some accession countries). This questions the pertinence to focus everywhere on the local level as a solution to counterbalance globalisation.
- ➔ Time continuity of policies and simplification of bureaucratic procedures are key stakes. Funding periods of new initiatives are too short (often no more than 2 to 3 years) for having a sustainable impact.

3.2.2 Limits of the future policies

In addition, with reference to the European policy outlooks and considering the results of TERESA, we noticed several potential limits of these future policies:

- ➔ The risk to restrict *public goods* provided by agriculture to ecological management without adequate consideration for other externalities related to the contribution of agriculture to rural development such as attractiveness of the territory, quality of life, social and cultural aspects.
- ➔ The progress towards integration of agriculture into rural development could face some limits with a general policy framework associating a market regulation for production and trade and a rural development policy dedicated mainly to non-agricultural activities.

3.3 TERESA proposals: policy options for promoting integration of agriculture into rural development

3.3.1 General recommendations

A holistic framework to envisage integration of agriculture

The creativity lab discussions, as a debate involving a diversity of actors from regions and countries allows to propose some *strategic goals* for a better integration of agriculture within rural development. These general strategic objectives are (Table 9):

- ➔ To achieve a better territorial integration of agriculture as a contribution to integrated rural development;
- ➔ to empower rural areas to design their own way of development, and to negotiate (and not to undergo) their relationships with urban areas (in line with the territorial agenda of EU);
- ➔ to maintain or to restore the diversity of agriculture as a major asset for rural development;
- ➔ to enhance the sustainable valorisation of the diverse agricultural and rural resources and products.

These general objectives and values shared by the participants of the creativity lab are in line with the excerpt from the Conclusions of the Salzburg Conference on Rural Development (2003), which has been chosen as the background for TERESA: "*A living countryside is essential for farming, as agricultural activity is essential for a living countryside*". The following part of this policy paper is dedicated to an analysis of the relevant policy levers and tools to reach these objectives.

Table 9 Synthesis of the proposals of the creativity lab in terms of strategic goals, policy levers and tools

strategic goals	levers	tools (implementation)
– To achieve a better territorial integration of agriculture as a contribution to rural development; – to empower rural areas to design their own way of development, and to negotiate (and not to undergo) their relationships with urban areas; – to maintain or to restore the diversity of agriculture as a major asset for rural development; – to enhance the sustainable valorisation of the diverse agricultural and rural resources and products.	– *Territorial governance*: multi-stakeholders governance including more balanced relationships between urban and rural areas – *Cooperation* between agriculture and others sectors of rural areas – Involvement of the different stakeholders of the *supply chains* in territorial development	– Territorial contracts and integrated certification of products – New forms of conditionality for EU grants based on environmentally friendly land use and sufficient territorial governance – Subsidiary of EU policies for more room for manoeuvre for local and regional levels – Land planning and land use regulation – Knowledge and training policy

The objectives structuring the following policy options are a product of these strategic goals:

1. To revisit and to share common concepts and values on rural development and on support to agriculture.
2. To link horizontal (integration of agriculture in rural development) and vertical networks (supply chain organisation of agriculture) at relevant levels.
3. To handle regional diversity and to respect regional willingness to define its future.
4. To deal with forthcoming stakes of integration of agriculture into rural development interrogates about the public goods supplied by agriculture and to revisit the concept of territorial projects and contracts.

Rural development or regional development towards an integrated vision and shared concepts?

First of all, *there is a need to design a common and enlarged definition of rural areas and of rural development* – the keywords being regional development, rural development, public goods, multifunctionality of agriculture – taking into account current dynamics such as new connections between rural and urban areas, networks between activities and stakeholders, new environmental concerns (biodiversity losses and climate change), governance and self-empowerment of rural areas, trends in supply chain organisation, new relevant levels of action, specific needs and situation of new European accession countries.

As a record of the creativity lab debates, *there is a need to design a common and enlarged definition of rural areas and of rural development* with the keywords being regional development, rural development, public goods and the multifunctionality of agriculture. In such a debate the main question concerns the pertinence to isolate rural areas in development policies and how to link rural and regional development and policies.

Many scientific papers present excellent reviews of models and approaches of Rural Development (van Der Ploeg and al. 2002. Langeveld and Röling (ed.) 2006; Tregear and al. 2007). The need to exchange on different conceptions and priorities is a task of policy-making. Common, enlarged and renewed definitions of rural areas and of rural development are missing and have to be discussed in the light of current dynamics such as new connections between rural and urban areas, networks between activities and stakeholders, new environmental concerns (biodiversity losses and climate change), governance and self-empowerment of rural areas, trends in supply chain organisation, new relevant levels of action, specific needs and situation of new European accession countries.

3.3.2 How to link horizontal and vertical networks of agriculture at relevant levels

The vertical (or sectoral) approach of agriculture highlights the competitiveness, and the global adaptation of food chains to the consumers' demand (cf. the *competitive paradigm* in chapter 1 of deliverable D 4.2 COOPERATION PATTERNS AND NETWORKS IN RURAL AREAS (SYNOPSIS REPORT)). The horizontal (or territorial) approach of agriculture stresses its link to the territorial development and the response to local demand of services (environment, landscapes, global attractiveness; cf. the *multifunctional paradigm* in chapter 1 of deliverable D 4.2). To link these two approaches means at the same time to encourage the productive and the territorial functions of agriculture which is a big challenge for public policies in the future. As we have seen during TERESA, on one hand to promote only the competitiveness of agriculture and the response to global markets leads to the risk of not taking in account the territorial assets and the environmental needs. On the other hand the promotion of a territorial/environmental approach completely separate from market forces can be implemented in only very few regions. This could be a way to reach beyond the French concept of multifunctionality of agriculture, which does not link well the territorial/environmental approach to the market's macroeconomic running (Poux and Narcy 2006).

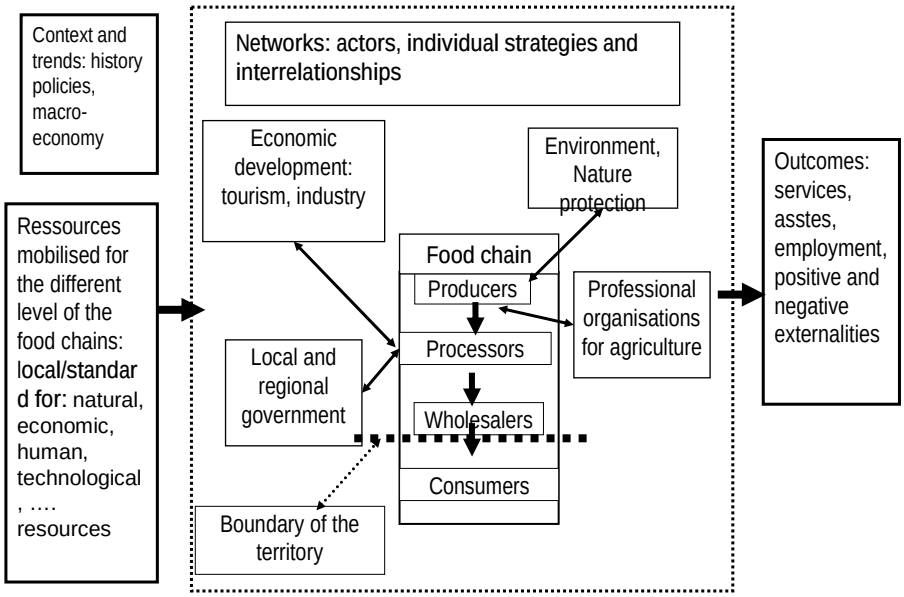
Rural development strategies must take heed of networks in both linking agricultural production into the food chain and linking agriculture into non-agricultural dynamics at territorial level. Such a holistic way of envisaging agriculture and rural development is not frequent in research approaches and even less in policy design. In reference to the few scientific papers referring to such approaches (Scoones 1998, Murdoch 2000, Marsden and al. 2000, Mikkola and Eppänen 2006) we propose a holistic model characterising the contribution of food

chains to rural development (Figure 4). To assess this contribution we retain three points of view:

- ➔ *Resources mobilised for the different levels of the food chains*: local or specific versus standard both for natural, cultural, technological, economic resources.
- ➔ *Network of actors*: relationships between actors (farmers, other stakeholders of the supply chains, non-agricultural actors) and their strategies.
- ➔ *Outcomes*: assets, services, products, negative and positive externalities.

The Network Actor Theory (Law 1992, Granovetter 2000, Latour 2005) allows us to link issues that are inherent to a rural area with external processes and issues (symbolised with a dotted line in Figure 4):

Figure 4 A model to characterise the contribution of food chains to rural development



The purpose of this policy paper is not to go deeper in the scientific presentation of this model but to identify new relevant scales of action. It opens two question addressed by policy makers:

At which territorial level should we implement a territorial dimension for the CAP or rural development policies?

The relevant territorial level for integration of agriculture in regional development is diverse. Should this be at NUTS 2, 3 or 4 size or via a *Leader* approach? There are a number of stakes to manoeuvre in policy implementation to take into account: national and regional specifics in terms of government and governance, supply chain organisation and without a doubt also targeted objectives (i.e. local

valorisation of resources with direct marketing versus standard supply chains linking cities and nearby countryside). *Recasting policies in networks terms will help in an adaptation of their implementation to the territorial context* and consequently will overcome the common situation that local projects are mainly designed to fulfil requirements and constraints of policy tools.

Which level of intervention to strengthen cooperation of agriculture with other actors of rural development should be chosen: farm, supply chain or place-based levels?

To be more accurate, this question is *which relevant mix of different levels of intervention* depending on the issues to be addressed in order to improve integration of agriculture?

At *farm level*, individual direct payments are currently the most common form of agricultural policies. This standard approach showed some limits in reorientation of agriculture. Research has revealed that despite their commitment to reform, farmers continue to intensify and specialise their farm (Walford 2003). Even more so today, this scale is not relevant for new emerging issues dealing with new services and products oriented towards consumers and residents (proximity, quality, diversity, ...) and do not provide a framework for cooperation between agriculture and other sectors of the rural development. Thus there is an increasing awareness of the relevance of approaches enhancing mutual learning and cooperation (Heinz 2002, Wiesman and al. 2005).

At *collective level*, the concept of local projects involving the principle of participation is often seen as a solution to handle local diversities and to reinforce solidarities between actors towards sustainable development (Fleury and al., 2008). The *Leader* approach offers the possibility to support groups and cooperation between sectors at a very local and low-threshold level. However, support to collective interventions at levels to develop links between cities and the nearby countryside or to involve major stakeholders (producers, processors wholesalers, consumers) of supply chains do not exist in EU policies so far (excepted for short supply chains). Such an offer from policies would open a pathway to involve a much larger share of agriculture into integrated rural development, especially in rural areas where 'standard products' agriculture is dominant. This provides a way to find an intermediary response to standardisation and long supply-chains which is not narrowed to a "*Small is beautiful"* approach. Thus different existing and potential paths of integration of agriculture could be explored according to the regional contexts:

Standard paths of integration would be:

- ➔ Short supply chains
- ➔ Regional and typical products
- ➔ Response to new demands of consumers with diversification and new on-farm activities
- ➔ Nature and landscape management

Innovative paths concerning standards products and agriculture would be:

- ➔ Standard products with geographical attributes distributed via intermediate supply chains linking cities and nearby countryside;
- ➔ Improvement of the environmental impact of agriculture; nature and landscape management

To recap, TERESA helps in the *reconsideration of standard scales of intervention* for policy tools. In terms of the integration of agriculture within regional development, current policy tools address mainly the farm and local levels. These predominant levels have to be reconsidered in a more *rural systemic approach* taking into account regional supply chains, cooperative regional systems, local capacity and targeted objectives of integration. TERESA invites a revisit of the concept of local action group and local development at a higher level (i.e. to associate wholesalers to link city and their countryside).

3.3.3 How to address the territorial requirements

To handle in a practical way the policy challenge of a better integration of agriculture taking heed of vertical (supply chains) and horizontal (links with other territorial stakeholders) issues, TERESA *re-examines the notion of territorial (place-based) projects and contracts*. This allows us to discuss both the issues of public goods and the justification of agriculture support as well as the practical implementation of a "place based" approach and the certification of products on the basis of geographical (such as PDO products), but also environmental, and social (namely sustainable) concerns.

The contractual approach, if implemented at the relevant level can be a tool to address the challenges of integration of agriculture in rural development and to handle agriculture not only as a basket of farms.

During the TERESA project we assessed the contribution of agriculture to rural development which takes place not only in the field of private goods. The concept of public goods is linked to the economic notions of externalities and market failure.[7] During the project we often had to deal with issues in the frame of environmental public goods such as biodiversity conservation, management of landscapes, protecting of natural areas, preservation of traditional breeds.

But between the two extremes, public goods and private good, we can consider some goods as *collective goods* or *common goods*. Whereas public goods are goods for which consumption cannot be confined to a particular consumer group, collective or common goods can be associated with specific groups. We will consider products coming from the different supply chains we presented in the project as partly private, partly collective or common goods.

[7] An externality refers to a situation where, for example, a firm's actions have unintended or unwanted side-effects that benefit (positive externality) or harm (negative externality) another party that would otherwise not be associated with the firm's product (FAO 2004). In general, the benefit or cost imposed is not compensated for through market transactions. In economics, a public good is a good that is non-rivalrous and non-excludable.

These public, collective or common goods are often related to a specific location and can be referred to as *territorial goods*. In reference to Fabrizio Barca (2009) we can also use the concept of "place-based" approach:

> *"Places are defined though the policy process from a functional perspective as regions in which a set of conditions conducive to development apply more than they do in larger or smaller areas. […] Essential features of the new paradigm are: tailoring interventions to specific territorial contexts and to their spatial linkages; and eliciting and aggregating the knowledge and preferences of local actors. This new approach compares with an 'old approach' to regional policy, whose objective is compensating for regional differences in unit capital costs (due to productivity gaps)…"*

The use of a place-based or territorial approach means that we have to resolve problems at a infra-national scale, at a level where

> *"local institutions – networks, associations, districts, pacts, agencies, etc – created by private and public actors for specific purposes represent the means through which a change in expectations and certainties comes about. They provide the framework in which coordination takes place, reciprocal guarantees are provided, information is elicited, projects are developed and commitments are made through "contracts" with the different levels of government. Their purpose can be focussed on one service only (transport, healthcare, education, waste disposal, research, etc.) or cover bundles of services. They can embrace different administrative levels, from local to international, which are relevant for the purpose".*

The *"territorial contractual" approach* means the implementation of a contact between private and public bodies at a territorial level and is one way to implement adapted policies at the right level. The contractual approach is relevant to put together the different stakeholders, to let them negotiate and then plan actions. Two sub-type of contract exist.

Contracts for remuneration

the payment by the public bodies for public goods like environmental services has been implemented a relatively long time ago in Europe, in general for payments at plot (or head) level. Some national programmes have in the past generalised this type of contracts at farm level, which means that the farmer has to argue his offer of services in the frame of a global farm project. Experiments like CTE (Land Management Contracts) or OLAE (Agri-Environmental Local Operations) in France prove also the capability to manage these types of projects at a local level, with local terms of reference which means a better adaptation to local problems and local governance. An efficient level for these types of programmes is at a NUTS 4 or comparable level. For the future, new environmental issues as global climate change or preservation of land close to cities may lead to consider other relevant scales at a higher level. Additionally, European policies could be more incentive in the future to encourage local bodies to implement these local contracts in the objective for farms to offer of "local services" for the rural community, especially in less favoured areas. As other ameliorations to take in account would be that not

only farmers but also other land managers were eligible to achieve more efficient collective implementations.

Contracts for organisation

as a specific result of TERESA, we propose to develop the implementation of territorial or place-based contracts for collective or common goods like agri-food products. In this case, and this is a major innovative result of the TERESA project, we have to imagine these sorts of contracts between different private stakeholders and public bodies involved into a supply chain. The aims of these contracts are pooling different stakeholders (farmers, agri-food companies, consumers, territorial bodies…) to plan the different actions needed to organise the supply chain at technical, economic/social and ecological points of views. As we have seen in the TERESA project this organisation has to be managed at different territorial levels, depending on the different types of supply chains:

- ➔ local (NUTS 4 level or comparable) for local food supply chains and specific products integrated to the local development (but also standard supply chains); tourist regions;
- ➔ in trans-border cooperation with urban regions for "consumer-driven" supply chains;
- ➔ at a regional (NUTS 3 or 2 level or comparable) or even national level for standard supply chains (for those which develop geographical attributes).

Finally, the results of TERESA lead to the reconsideration of certification of products. There is a large variety of certifications reaching from geographical and quality certification (e.g PDO) via environmental certification for agricultural products (Scherr and McNeely. 2007) to standards on environmental management in enterprises (ISO 14000, ISO14001 ISO 14004). But there is no global sustainability certification for a product from the producer to the consumer (including recycling of waste). Current scientific progress on Environmental Life Cycle Assessment for agriculture (Audsley and al. 1997, Thomassen and al. 2007) let us imagine an outlook in terms of integrated certification of products for the environmental issues but maybe also for social issues.

3.3.4 How to handle regional diversity

The creativity lab pointed out *the challenge for rural development policy to handle regional diversity while having a consistent European policy framework* with common orientations and priorities for rural areas. TERESA pictured that European regions can be grouped in different basic types that policies can address (Table 10) and proposes a synthesis of these objectives. It takes into account the type of regional development and the diversity of supply chains within an area and contains:

1. A SWOT analysis of the current integration of agriculture in different types of regional context;
2. A set of objectives for a better integration of agriculture. These objectives were discussed and formulated during the creativity lab, they are taking

into account the main food supply chains present in each type of regional development. They are indicative and do not remove the fact that, in reference to the principle of governance, each region has to define its own future in terms of objectives and strategies.

3. The identification of the relevant policy levers and potential tools to achieve the objectives. In the table, we both included existing measures on which could be built (mainly from rural development regulation) and measures proposed by TERESA (notably "contracts for organisations").

The keys points illustrated by table 10 are:

- ➔ In *urban areas*, because of the competition on land use, the development of new forms of "high value added" agriculture, directly linked to the local consumers is a promising way to adapt agriculture. As short channels for typical products are not always possible, there could be an opportunity to develop intermediate (between long and short supply chains) supply chains between countryside and nearby cities through territorial contracts.
- ➔ In *tourism areas*, cooperation between specific or traditional agricultural products and tourists activities, valorisation of environment and landscapes, diversification through non agricultural activities have to be promoted. Place-based contracts are the way to develop remuneration of environmental services and organisation of supply chains.
- ➔ In *rural areas of developed economies* the most important question is to find alternative ways to differentiate standard products. Cooperation with nearest urban areas is a way to promote place based projects of development.
- ➔ In *rural regions of transition economies*, there is a global need to restructure agriculture and to improve the entrepreneurship and the cooperation between farmers, but the development of agriculture depends on the regional economic context (infrastructures, creation of jobs in tertiary or secondary sectors). In some cases there is a potential to develop more typical products.

This table could be a reference for regional policy makers in charge of regional or rural development programs. However, as it provides a general framework able to handle diversity without too much complexity, it may also help to analyse the coherence of rural development at a larger scale (European, national level). Indeed, the integration of agriculture in society as a whole should not only be considered at a very local or regional level, but also at larger scales in terms of supply with agricultural production.

Table 10 SWOT analysis of the integration of agriculture in regional development, propositions of objectives and identification of policy levers and tools (peri-urban and tourism areas)

main supply chains (ranked in order of importance)	**integration of agriculture**			**policies**	
	strengths / opportunities	**weaknesses / threats**	**objectives**	**policy levers**	**potential policy tools[8]**
peri-urban areas					
standard products with national or international market standard products with geographical attribute "consumer-driven products" (emerging supply chain)	**strengths:** emerging "consumer-driven" supply chains and development of products with geographical attributes local sales market **opportunities:** development of new forms of "high added value" agriculture increasing demand of environmental, educational, recreational services	competition for land use and labour	to deal with competition for land, especially for "standard" farms (which need more land than high-value added agriculture) to promote and increase share of consumer-driven products (market opportunity) for standard agriculture: to develop the trend towards geographical attributes in order to make them meet a "local" demand global standard agriculture: no solution to avoid competition?	land planning and management new supply chain organisation adapted to the demand of the city supporting creation of a local demand adaptation of standard farms towards new products and marketing activities diversification of the supply (basket of goods) via off-farm activities and via cooperation between other sectors	**conditionality of grants based on "good" land use** **contracts for organisation at territorial level** *diversification towards "non agricultural" activities (311)* *farm investment support (121)* *farmers training (111)*
tourist areas					
specific products with label of origin (traditional and typical products) standard products with regional or national market	**strengths:** quality of environment and landscapes high quality/typical products local/tourist market **opportunities:** integration of agriculture in tourism policies partnership with other sectors	competition for land use and labour	to deal with competition for land typical products: to improve cooperation between agriculture and tourist sectors to diversify agriculture types: increasing consumer-driven products (market opportunities) "standard" agriculture: keep on the current "coexistence" pattern or to move toward cooperation?	land planning and management economic cooperation between agriculture and tourist actors diversification of the supply	**conditionality of grants based on "good" land use** **contracts for organisation at supply chain level** *diversification towards "non agricultural" activities (311)*

[8] Existing policy measures that could be potentially adapted in consideration of the TERESA policy options are in *italics*, policy tools arising from the TERESA project are **bold**.

Table 11 SWOT analysis of the integration of agriculture in regional development, propositions of objectives and identification of policy levers and tools (rural areas in developed and transition countries)

main supply chains (ranked in order of importance)	**integration of agriculture**			**policies**	
	strengths / opportunities	**weaknesses / threats**	**objectives**	**policy levers**	**potential policy tools[9]**
rural (developed countries)					
standard products with national or international market specific products	**opportunities:** develop geographical attributes cooperation with nearest urban areas	many standard products narrow local market and high distance from urban markets often negative environmental impact of agriculture	to identify products with their territory or to attach geographical attributes: to create specific markets for standard products, linked to the "nearest" urban areas. for remaining global standard agriculture (B4): to shift from competition to coexistence situation by lowering the negative impact on environment	increasing value added of the products: development of specified/typical products development of off-farm activities farmers' skills improvement in marketing and environment improving marketing infrastructures lowering the negative impact on environment increasing value added of the products	*environmental regulations and agro-environmental measures (214)* **contracts for organisation at a product or supply chain level** *farmers training (111)* *investments in infrastructures*
rural (transition countries)					
standard products with a regional or national market or of local consumption	**opportunities** lack of jobs outside agriculture ➔ necessity of creating jobs focused on valorisation of agricultural products low level of productivity ➔ most of the agricultural traditional products fit a demand for "nature"	many subsistence farms lack of entrepreneurship and cooperation spirit lack of relationships with urban areas many standard products	to increase value added at the farm level to limit the transfer of jobs to other sectors to modernise agriculture avoiding a future risk of competition on natural resources	development of specified/typical products development of off-farm activities farmers' skills improvement improvement of infrastructures	**contracts for organisation at a product or supply chain level** *investments in infrastructures* *farmers training (111)*

[9] Existing policy measures that could be potentially adapted in consideration of the TERESA policy options are in *italics*, policy tools arising from the TERESA project are **bold**.

4 CONCLUSIONS

Teresa has underlined the following different key points:

A need to design and to share a common and enlarged definition of rural areas and of rural development taking into account current dynamics such as new connections between rural and urban areas, networks between activities and stakeholders, new environmental concerns (biodiversity losses and climate change), governance and self-empowerment of rural areas, trends in supply chain organisation, new relevant levels of action, specific needs and situation of new European accession countries. In such a debate one of the main question to enter concerns the pertinence to isolate rural areas in development policies and how to link rural and regional development and policies.

The challenge for rural development policy to handle the regional diversity while having a consistent European policy framework with common orientations and priorities for rural areas. The integration of agriculture into the overall rural economy, society and environment is an essential element in the policy setting. TERESA detected that the European regions may be grouped in different types and formulated relevant policy objectives for these types (rural areas in transition countries, rural areas in developed countries, periurban areas in developed countries, tourism areas in developed countries…).

The stake to reconsider the standard scales of intervention for policy tools. Current policies tools address mainly the farm and the local levels. These levels should be reconsidered in a more rural systemic approach taking into account regional supply chains, cooperative regional systems and local capacity. This suggest linkages between horizontal and vertical organisations of agriculture in order to: i) identify relevant levels of intervention; ii) take into account economic, environmental and social points of view; iii) link land planning policies and public support to agriculture and rural development. TERESA proposes a model that can help to identify new relevant scales. This invites to revisit the concept of local action groups and local development at an upper level (i.e. to associate wholesaler, to link city and their countryside).

Finally to handle in a practical way these challenges, TERESA re-examines *the notion of territorial (place-based) projects and contracts*. It allows us to discuss both the issues of public goods and justification to support agriculture and the practical implementation of "place based" approach and certification of products including geographical (as PDO products Protected Designation of Origin) but also environmental and social (namely sustainable) concerns.

The issues dealt with in this policy paper are contributions for the future European policy framework (CAP, Cohesion Policy). The introduction of a "territorial cohesion" objective will allow to stronger take into account the diversity of rural areas. The evolution towards a better territorial governance (especially the coordination between rural and urban areas) offers great opportunities for development

programs at a place-based level (Barca 2009 emphasizes this point heavily). Concerning the future of the CAP, the integration of agriculture into rural development should not be reduced to environmental services, but has to consider in a more general way the "territorial services" for rural communities and even more for regions and citizens.

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