

Public Goods from Private Land - why Nature needs Management



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The environmental vision of the European Landowners' Organization



The 21st Century challenges land managers

The majority of rural lands in the European Union (EU), which cover four-fifths of the EU territory, and are home to more than half of its population, are privately owned. They are primarily composed of agricultural and forest lands that have been under continued management for very long periods of time. For centuries they have provided numerous products and services to society, including the essentials of life; food, fuel, and fibre, as well as the protection of the natural resources, water, soil, air and biodiversity. In the process of providing these goods and services they have created a landscape which many citizens feel contains some of the essence of their culture.

While many of the products and services are valued through markets, for many others markets do not exist and so their true value is not properly recognized. This is particularly important for the environmental and cultural landscape services supplied by land managers. These are the non-market services provided mostly by private land managers and until recently there have been few ways for those who provide them to be rewarded. Society has relied on the accidental delivery of these services as by-products of farming, forestry and game management activities.

In earlier times when the pressure on land was much less, there was an abundance of these by-products. However as society developed during the twentieth century rapid technical and structural change in agriculture has been driven by population and economic growth, and the supply of these unpaid environmental

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services has diminished. The productivity of agriculture has increased enormously to the point where the food needs of the entire population are supported by the efforts of the four percent of the working population who are farmers. Combined with the tremendous developments in food processing, retailing and food service, Europeans can boast a fantastic variety, quality and reliability of food supplies second to none in the world. However, not surprisingly when farmers are urged to become more business like, they focus attention on their outputs for which they are paid and so there have been some negative environmental impacts. Modern science-based agriculture has resulted in some loss of biodiversity and some damage to natural resources, soil, water and atmosphere.

This sets an even greater challenge for land managers for the 21st Century. We are asked to continue to innovate and produce the high quality food needs of Europe, and in addition to reduce pollution and to increase the delivery of the environmental services of biodiversity and landscape. And if that is not enough, we are asked to consider producing more of Europe's energy supplies too, and perhaps some more flood protection and some more carbon sequestration too! Just to make this challenge even more interesting there is a drift in agricultural policy to reduce the public financial support this sector has enjoyed for the last half century and to expose Europe to more import competition from areas of the world which seem to have less concern for the environment. These are challenges indeed, and it is clear that they can only be met by the combined efforts of private land managers working within a public policy framework suited for the task.

This pamphlet summarises how the ELO perceives these issues and our ideas of the principles which must inform public policy for European society to realise economically viable rural businesses which continue to feed our population with the staggering variety and quality of food and drinks, and which also conserves and enhances the beauty and richness of Europe's countryside.



Three key messages:

- **The first key message is that land management is like no other sector of the economy** – it provides a complex, and constantly changing, balance of private goods and public environmental services.
- **Second, these activities are spatially defined and climatically and biologically determined.** Each land parcel has its unique mix of soil, water, climatic and ecological characteristics and is set into business structures defined by the local social and legal structures. Therefore managing the land is quintessentially a fragmented, individual, private enterprise activity. Combining these two, of course, implies that private operators have public responsibilities.
- **Our third key message is that as the private businesses are delivering both private and public goods,** and because securing payment for the public goods will, inevitably and always, be a challenge, if the private business is not economically viable then this whole system will be unsustainable.

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These features are all too easily overlooked by the tendency of the EU to draw up grand objectives such as Göteborg, sustainable development, and Lisbon, increasing productivity and competitiveness, (with which, naturally, the ELO agrees), but attempts to achieve them through a mass of regulations and directives imposed bureaucratically over all territories. Our observation is that this approach has yet to provide notable successes, especially in the environmental field. The ELO therefore offers seven principles which we suggest should underlie sustainable land management and should guide public environmental policies to meet the challenges we face.

and ELO's seven principles:

1. Inter-generational time view

Land management is an inter-generational business and sustainability is also an inter-generational concept. The effect of human activity on the environment must be viewed over a long time frame, because the effects of such activity may take a long time to appear, and adaptation also takes time. We observe that cars, refrigerators and houses are now far more energy efficient than their forbears.

Land management businesses display a long term view in three key ways:

- first, continuity of management allows land managers to adapt to current and expected change, in new technology, in public policies and to wider environmental or economic developments, such as climate change;
- second, land managers have an interest in conserving the resources of soil, water, biodiversity and landscape which support their businesses;
- third, they are often more prepared to invest in the long term, for example in forests and landscapes or farm buildings, with benefits for succeeding generations.

2. A science-based approach

Standards of rigour should apply not only to scientific research but also its interpretation. The tendency for politicians and the media to view the countryside as a refuge from the modern world may inhibit the desirable application of science or technology to rural areas. Authoritative reassurances from scientists to allay an alarmist news story are not as newsworthy as the original story, nor are reports that indicate that aspects of our lives are getting better, not worse. The accurate communication of sound science to land managers, politicians and the public is as important as the science itself.



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The science on which environmental policy depends must look beyond the physical world and test the economic and social effects of policies, to see which policies produce environmental benefit while working in sympathy with society and business. Risk assessment, necessitated by the uncertainties of biological and economic relationships, is important for land managers and policy makers. Too readily falling back on the precautionary principle denies an assessment of risk, and is an unreliable policy tool.

3. Voluntary participation and working in partnership



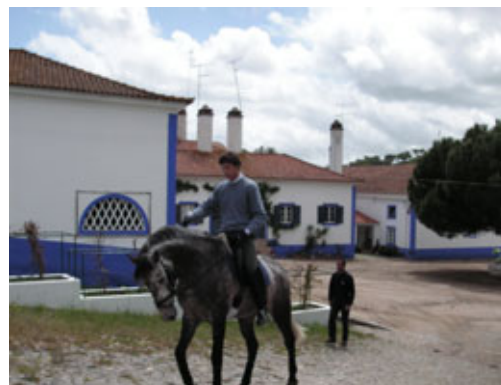
Conservation is most effective when land managers share the goal to tackle environmental problems, help to propose solutions and participate voluntarily in implementation. Information, education, advice and training are the key. Land managers may then begin to see benefits from participation. An attraction of voluntary initiatives to minimise pesticide usage is the prospect of cost reductions. Governments are tempted by one-size-fits-all regulation, but that is a blunt instrument to deal with diffuse pollution which is often the problem for agriculture. Here the willing participation of practitioners is needed, not least because regulatory costs of monitoring and policing diffuse pollution are prohibitive. Delivery of positive environmental services, such as biodiversity and landscape management, also requires motivation, care and local knowledge – these are not deliverable by administrative order.

4. Proportionality

Regulation to deal with environmental problems should be scaled in relation to the problem. For example the costs of removing the last traces of a pollutant often rise to levels far greater than the damage they cause. Proportionality also requires the burden of regulation to be in line with the capacity of businesses, especially small or micro-businesses, to cope. Otherwise, regulation will have the effect of accelerating the process of business size enlargement, with consequences for consumer choice and, in some circumstances, the environment. Agreement on standards should be reached at the appropriate regional, national or international level, depending upon the tradability or cross-border effects of the goods or services in question. Otherwise regulation of local production will lead to displacement by imports from less regulated sources abroad.

5. A decentralised approach.

ELO's perception of environmental problems is that they are, at root, the result of missing markets and market failure. The aim should be to assign property rights (where they do not already exist) and incentives which induce behaviour in the desired direction – reducing environmental “bads” and increasing environmental “goods”. The idea is to use elements of the tax and incentives or payments systems to “correct” for the divergence between private and social costs or benefits. For this to work, the measure(s) must be targeted and must be the most cost-effective option, and any process or material to be taxed must be reasonably sensitive to price.



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Examples are the agri- and forest environment schemes which are becoming a larger part of EU rural policy which pay land managers to deliver public environmental benefits, and another possible example could be relief from VAT on the maintenance of historic buildings, where there is public benefit from private heritage property.

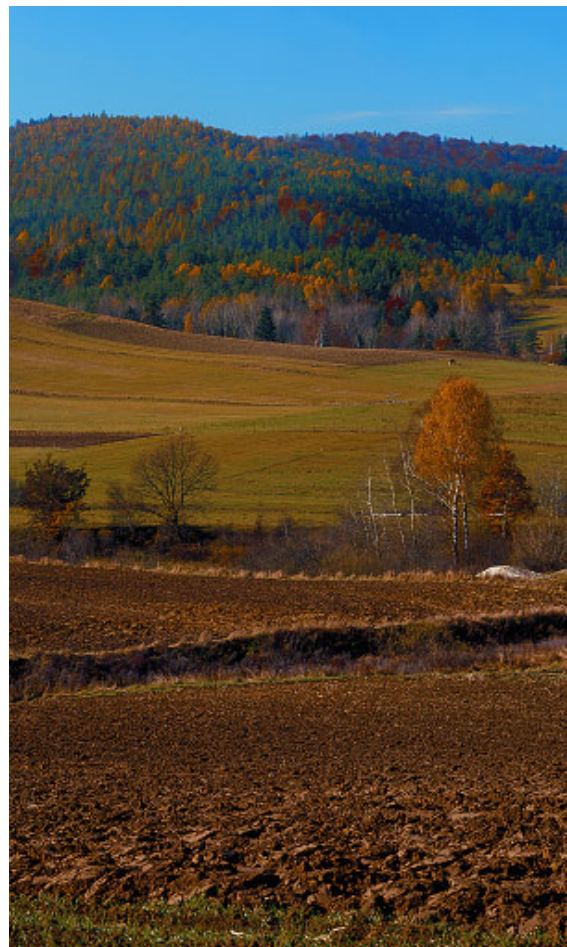
6. Working with natural cycles



Some aspects of modern farming have come to resemble industrial practices in their linear reliance on external inputs of renewable and non-renewable resources (such as fossil fuels and crop protection products) and creation of waste. Land managers are aware of natural cycles such as those of the seasons, water, carbon, nitrogen and other nutrients, associated with crop growth and soil fertility. The natural carbon cycle creates no waste – CO₂ taken from the atmosphere as plants grow is returned when these materials are consumed and oxidised by animals, fungi and microbes, but we need to know more about man's impact on the carbon cycle. In principle, food production could be part of this carbon cycle, but the part of the cycle where dead matter is returned to the soil as organic matter tends to be overlooked. Disposal of organic matter away from soil, e.g. to landfill, incinerators or sewage works, disrupts the carbon cycle. Modern processes could be brought more into line with natural cycles by the incentivisation of farmers to incorporate organic waste into the soil and the use of biomass for heat and power generation, and biogas to deal with animal waste.

7. Property rights and responsibilities

Some people suggest that the right of private owners to enjoy and exploit their property will result in environmental degradation. The ELO argues the reverse. An important historical lesson from the 20th century is that for most purposes and most land, private property rights proved superior to collectivised property. That is not to say that owners of property are never responsible for environmental harm. Pollution from run-off from fertilisers and crop protection chemicals and inappropriate tillage leading to soil erosion are examples of environmental "bads"; their cost is externalised, that is, borne by society generally rather than their own business. Also, some land managers have failed to supply the environmental "goods" that they could, such as desirable biodiversity and landscape features, because there has been no general market to reward them for the costs involved.



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Rather than using the blunt instrument of regulation, the ELO argues for the clear recognition of private property rights in the use of land, for example that land owners have the right to use their land for crop growing rather than providing landscape services. So if society simultaneously wants, for example, liberalised trade in cereals and a landscape which includes smaller fields separated by wildlife rich hedgerows, then society must arrange to pay for the hedgerows. In more general words the challenge is for society to provide the signals which bring external costs and benefits of certain actions within the economic boundaries of land management businesses.



To take another example, the owners of sporting rights and nature or heritage trusts have pursued conservation to maintain the value of their property right. These rights are definable, defensible and transferable. By contrast, the rights to groundwater and clean air are held in common and are weak. Property rights can be developed to tackle this problem. Tradable emissions rights are an example. They can bring down overall levels of pollution, but also reward efficiency and innovation. The challenge is to harness the behaviour that protects property rights. Payments to land managers to provide public environmental and cultural landscape services fall clearly within this approach.

How to realise our vision



It is a good time to be rethinking policies for sustainable land management because Europe's main rural policy, the CAP, is undergoing a radical overhaul. In the late 1990s the ELO was the first rural organisation in Europe to support the changes in this policy from essentially a production based support policy to a more integrated rural policy. We believe we are moving to a third generation for agriculture, after low-productivity, environmentally unobtrusive pre-agricultural revolution farming, and the more technically advanced farming of the 17th to the 20th centuries, which raised productivity but also environmental costs. This third generation seeks to retain higher productivity, to feed a hugely increased and generally wealthier, world population, but with greater focus on delivering greater environmental benefits. Land use is no longer, if it ever was, only about farming, but about land management.



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Work to reduce the negative effects of land management on the environment is well underway. We include in this not only the obvious environmental directives for Birds, Habitats, Nitrates, Waste, Water, and no doubt others to follow, e.g. for Soil, but also through CAP reform with its important principles of decoupling and cross-compliance. We must also pay great attention to the capacity for the actions taken by land managers to provide positive environmental services, induced by agri-environment schemes, also to help reduce the negative environmental effects.



We are concerned that the present situation in Europe is probably not sustainable on economic or environmental grounds. Rural resources are not in as good shape as they should be; the desired level of environmental services is not being delivered; but also agriculture and forestry in many parts of the EU are not making normal economic returns on investment. The ELO is convinced that this is, in part, because the principles we suggest are not being applied. When this happens, for example as a result of inappropriate use of regulation, environmental outcomes are not delivered and economic sustainability is undermined.

The measures to tackle nitrate pollution of ground and surface water, under the 1991 EU Nitrate Directive, are an object lesson. They pleased no-one. Following infraction proceedings by the EU Commission against 13 member states, Nitrate Vulnerable Zones have been re-drawn and new restrictions introduced.

The ELO finds that many of the seven principles have not been followed. The standards set for the Directive fail the test of sound science. The 50mg/l World Health Organisation (WHO) standard for drinking water was applied to ground and surface water, with no account of its scientific validity in that context. The measures fail the test of proportionality, because no analysis was done of whether the measures represented the best option, either in environmental or economic terms, to tackle the perceived problem. Furthermore, because they were arbitrary and blanket measures, they leave no room for land managers to apply sensible local land management practices. The costs of the measures, in financial terms and in bureaucracy, are higher than necessary in areas where N levels are either generally low or an established feature of sustainable farming systems. The measures have failed to engage the voluntary participation of land managers. The Directive requires an over centralised approach.



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We hope that future environmental policies, beginning with the implementation of the Water Framework Directive, will follow our principles. We conclude this pamphlet with the following messages:

- Use evidence-based data to demonstrate environmental concerns.
- Engage land managers in partnership at the beginning of the process and throughout to agree proportionate, locally-tailored measures to achieve desired environmental outcomes.
- Allow land managers the flexibility to work within their own farm system and find the best environmental measures for their business
- Integrate the measures for reducing pollution with those to support the delivery of environmental services.



Farmers and foresters are now well tuned to the idea that they are multi-functional – providing non-market environmental and cultural landscape services as well as marketed food, fibre, energy and other products. They are also increasingly tuned to looking for opportunities to sell the environment they create embodied in their farm produce. This really does augur well for the future. Indeed if the contractual arrangements between society and land managers can be consolidated this can be an important contribution to the viability of the whole land management business.



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