

## Policies for the Future of Farming and Food in Norway

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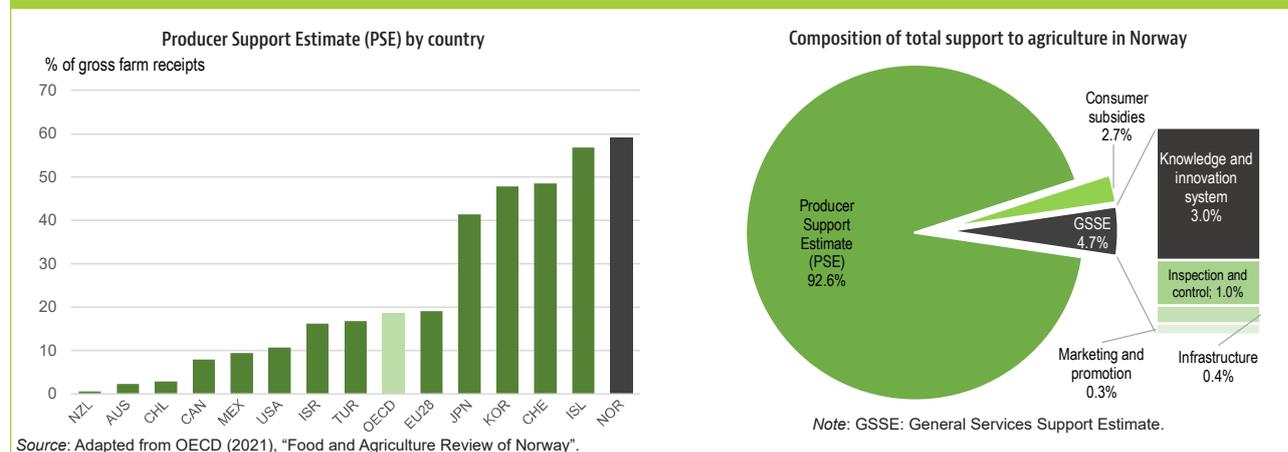
- Norway is delivering unevenly across its four agricultural policy objectives: while agricultural production is spread around the country and food security is assured, albeit at a high cost in terms of resource inefficiencies. On the other hand, environmental performance and the efficient creation of value along the food chain are compromised by a reliance on policies that emphasise maintaining total production.
- Support to agriculture relative to gross farm receipts is the highest of all OECD countries, with 59% of farmers' revenues coming from government support measures, mostly market price support and payments linked to production. Only 3% of total support to the sector is dedicated to research and innovation (Figure 1).
- Norway's Agricultural Innovation System has strong public research institutions and well-designed tax deductions (SkatterFUNN), but the private sector lacks the right policy incentives to innovate.
- A new policy approach would enable Norway to innovate in ways that improve the productivity, sustainability and resilience of its agro-food sector. Such an approach would increase the sector's responsiveness to market signals, in particular by giving farmers more flexibility in their production decisions; strengthen the focus on agri-environmental outcomes; and upgrade innovation and research, with a greater role for the private sector.

### Is the current policy package well targeted?

Norway has high environmental and animal health standards, and is broadly committed to open trade. However, the agriculture sector is excluded from several economy-wide policies that would further these wider aims, such as taxes on GHG emissions and trade agreements.

The main agricultural policy measures include import restrictions, market regulation and laws protecting agricultural land use. The annual agricultural agreements between the government and farmers focuses on farm income and include target price and payments. Agri-environmental payments are important, but only a minor share of producer support (15%) is conditional upon meeting

Figure 1. Norway dedicated relatively moderate resources to research and innovation compared to the support provided to farmers in 2017-19





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environmental requirements. The Research Council of Norway (RCN) is an internationally reputed institution, but cross-sectoral innovation priorities could be strengthened.

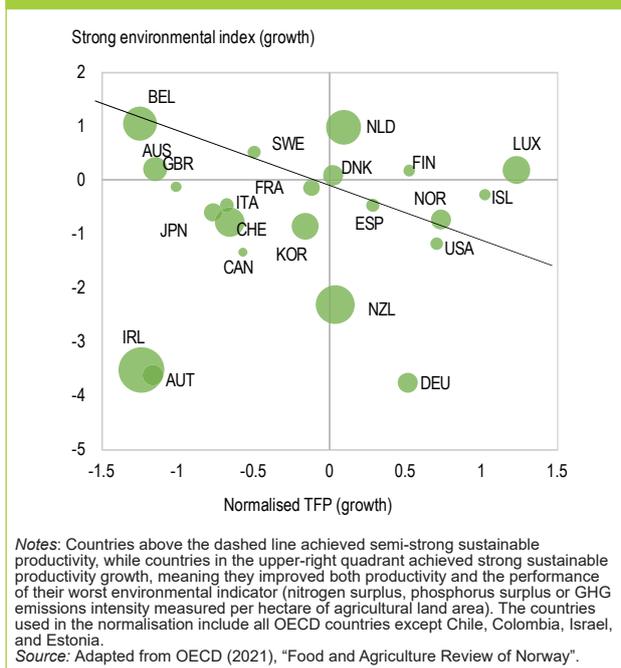
The current policies encourage production, with the result that domestically produced food is available and agricultural activity is maintained over the entire country. However, they also make food significantly more expensive for consumers and raise input prices for downstream industries, impeding the generation of value added. Moreover, high support levels encourage a continuation of past production decisions, providing a disincentive to innovation. Finally, the current coupled policies lead to increased environmental stress and raise total GHG emissions.

In order to achieve its objectives, Norway could consider a wider stakeholder engagement in policymaking. The annual negotiation between government and farmer representatives may not be well suited to addressing current and emerging policy objectives. A multiyear framework agreement and the participation of a wider range of stakeholders could contribute to strengthened performance with respect to long-term environmental and social objectives.

### How is Norway's agro-food sector performing?

While annual productivity growth in Norway has been higher than the OECD average in recent years, at 2.2% per year, it has been achieved via labour-saving technologies that elevate the input intensity of production and contribute to environmental pressures. As a result, Norway's performance is mixed compared to other OECD countries, with relative productivity growth not accompanied by increased relative sustainability (Figure 2).

Figure 2. Norway did not achieve strong sustainable productivity growth in 2000-16



Agro-food value chains are largely shaped by primary market regulations, food prices are high, and differentials with neighbouring countries have been increasing.

### A better policy approach is possible

Norway's agro-food sector needs to increase its responsiveness to markets in order to better meet the needs of consumers and improve its sustainability and innovation:

- Gradually reduce border protection and commodity-specific support in a predictable way to allow markets play their role in allocating production resources and responding to innovation demands.
- Make use of targeted support, not connected to production, to provide income support and complementary incentives to maintain land in agriculture, and improve environmental performance.
- Reduce net GHG emissions from agriculture by restructuring support and treating the sector similarly to other sectors in the economy.
- Clarify the meaning and value of agricultural land use in different regions to better target policies towards sustainability priorities, increasing the share of payments conditional on adopting specific environmentally friendly farming practices.
- Promote the development of environmental plans at the farm level and develop a system to monitor the agri-environmental performance of farms.
- Strengthen cross-sectoral innovation priorities and the strategic roles of the Research Council of Norway and Innovation Norway in the Agricultural innovation system. Assure the independence of agricultural research institutes under the Ministry for Agriculture and Food (LMD) and strengthen cross-sectoral collaboration.
- Building on existing agricultural innovation funds, enhance the incentives to match together public and private resources and to respond to business and social demands.



- OECD (2020), OECD Agro-Food Productivity-Sustainability-Resilience Policy Framework, [https://one.oecd.org/document/TAD/CA/APM/WP\(2019\)25/FINAL/en/pdf](https://one.oecd.org/document/TAD/CA/APM/WP(2019)25/FINAL/en/pdf).
- OECD (2019), Innovation, Productivity and Sustainability in Food and Agriculture, [https://issuu.com/oecd-publishing/docs/innovation\\_productivity\\_and\\_sustain](https://issuu.com/oecd-publishing/docs/innovation_productivity_and_sustain).
- OECD Food and Agricultural Reviews, <https://doi.org/10.1787/24114278>.
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