

Agricultural Policies in New Zealand – taking advantage of the global knowledge economy



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1. Agricultural Policies and Public Perception

Agricultural Policies are shaped by

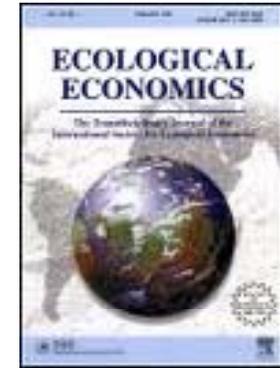
- *Perception*: values & traditions, education system, stakeholder interests & media framing of farming
- *Interests*: stakeholders in politics framing their private interest as a public interest
- *Knowledge*: neoclassical welfare economics (routine science) >< empirical research / practice

> ***Increasing gaps*** between - perception and reality
- theory and practice

> ***Politics > Universities***: Environment Dept's  Ag. Dept's

> ***Perception and Politics***: Stakeholder surveys/social network analysis as a predictor for agricultural policy development

2. Surveys on stakeholder perception of sustainable agriculture in Switzerland and New Zealand



In New Zealand: not yet sustainable > change is necessary to become sustainable agriculture (*change as opportunity*)

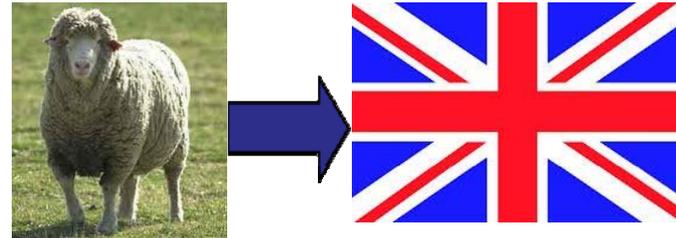
In Switzerland: already sustainable > change is a threat to sustainable agriculture (*change as risk*)

➡ *New Zealand defies the view of agricultural trade and technological change being a threat to sustainability*

➡ *Defensive policies prevail in politics and academia because mindsets reflect the past (Cold War) rather than the present (global knowledge economy)*

3. Why was change possible in New Zealand ?

Until 1970s: NZ a «normal» country relying on subsidies



Growing Problems: UK became part of the EU

- NZ Agricultural Economy was too important to be treated as a social patient > **innovation** as a way out

1980s: Farmers wanted change > NZ as an incubator for change > government moves from Nanny to Coach

- > elimination of subsidies/trade barriers *but strict biosecurity assistance in marketing, support for applied agricultural R&D and incentives to create added value with it*
- **Hard Adjustment Period** in farming (withdrawal public sector > re-entry private sector > compared to CH)

The long-term effects of change in NZ

NZ Agricultural Research: Government-funding for Crown Research Institutes and universities dependent on potential for innovation and entrepreneurial opportunities

Recognition that agriculture is not about market failure but market opportunities: Public Research > Business (MBIE)

Recognition that investing in knowledge is not just about productivity but food quality and environmental sustainability > welfare effects for public at large



- ➔ **Revival of the Land-grant college idea:** Injecting new knowledge into an entrepreneurial agricultural economy
- New products and services with increasing returns
 - Schumpeter rather than Neoclassical Economics

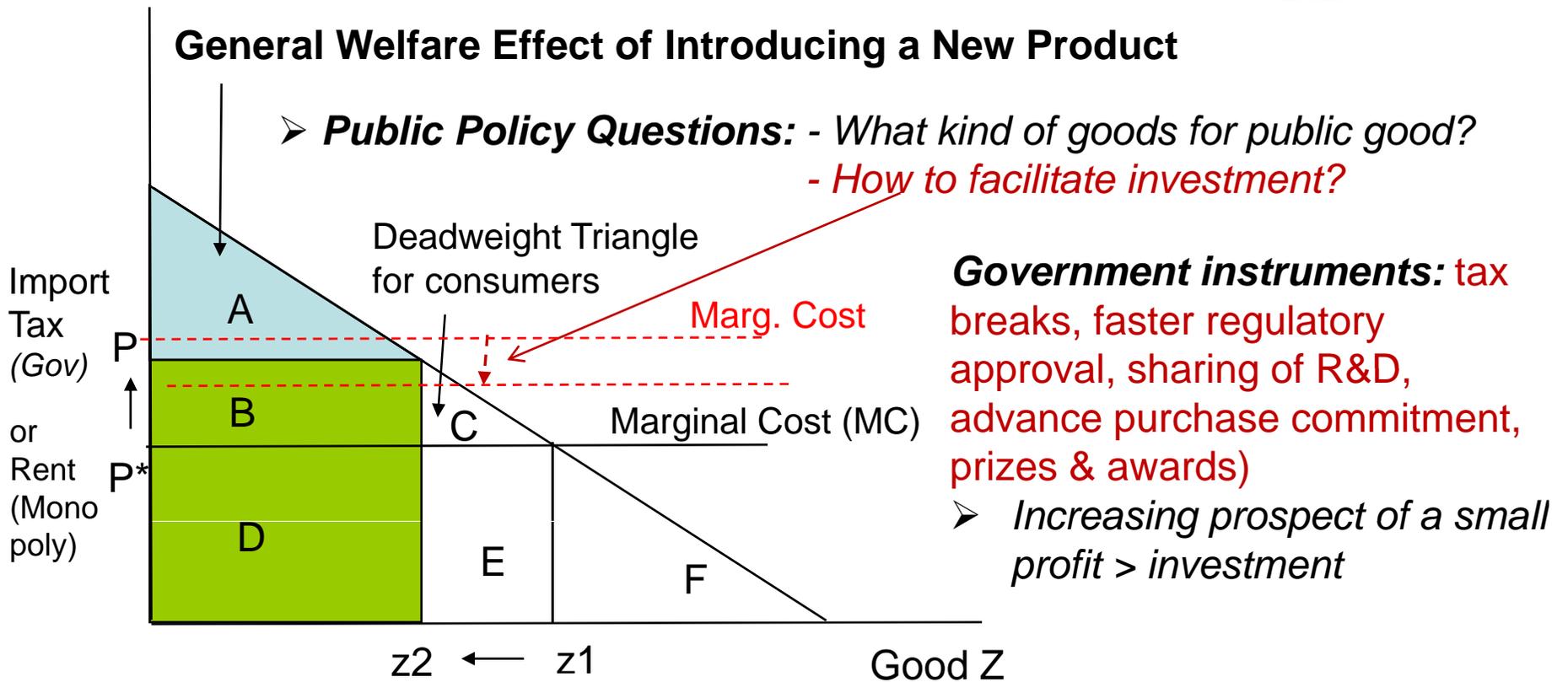
New Growth Theory and the knowledge economy

Partial equilibrium model used in welfare economics

Taking into account welfare effects of new goods (P. Romer)



Price Z
(measured in units of output Z)



> monopolistic competition > increasing > knowledge creation

4. Ag Policy and Sustainability in New Zealand

30 years of experience > no one would advocate a return to the subsidised system

Multifunctional agriculture may be more effective than in Europe



Economy: development and commercialization of new agricultural products and services with a global demand

Society: more self-confidence in rural areas through economic empowerment and local ownership (pioneers in the agricultural knowledge economy)

Environment/Animal Welfare: Keeping image 'clean and green' through the creation of a market for environmental goods and services (e.g. precision agriculture) and government incentives for regional collaboration (RMA)

5. Growing challenges in academia and politics

NZ agricultural liberalization as a **natural experiment** that

...falsified neoclassical theory

- Yet, economics textbooks stick to it (ignoring New Growth Theory)



...proved that government can be facilitator of change

- Yet, UN reports and environmental science departments focus only on regulating innovation and entrepreneurship

➔ *Farmer Associations in Europe embrace popular perceptions of non-farming constituencies (**portraying self-interest as moral concern**) > politics*

> affects global sustainable development (knowledge as only non-scarce resource ignored)



6. Concluding Remarks

Stakeholder survey revealed nostalgia in CH and pragmatism in NZ (Food Policy 2009)

Farmers in NZ preferred investment to redistribution > end of grievance culture

Government as facilitator of sustainable change > land grant college idea
> *Example of public leadership (even in early CH)*

Obstacles in the old world: stakeholder interests shape academia, education, policies and markets (NFP59) > defensive policies

Change must come from academia: moving holism and interdisciplinary approaches beyond like-minded groups

