Structural Change in Agriculture and Rural Livelihoods

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"Development of socio-economic and agricultural structures in selected rural regions in Sweden after EU accession"

Andrew Copus and Erika Knobblock[1]

Nordic Centre for Spatial Development (NORDREGIO)

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Abstract

This report was produced by Nordregio as a subcontractor to the Centre for Rural Economy (CRE), University of Newcastle upon Tyne, for the SCARLED 6th Framework project. The objective for this report is to provide a description of rural structural change in Sweden since accession in 1995, together with the broad policy context, and to attempt to assess the relationship between the two. The remit is "rural", and thus includes activities outside the land based industries, although inevitably agriculture (and the CAP) is a major component of the description. On the basis of this assessment tentative lessons are to be drawn which may be helpful for decision makers in member states which have joined the EU more recently. In doing so it will be very important to take account of the substantial differences between Sweden and the NMS in terms of policy tradition, economic performance, and geography (especially climate, population density, and access to markets).

Executive Summary

Introduction

Sweden acceded to the EU in January 1995, after previous scepticism about the economic benefits was undermined by the economic crisis of the early 1990s, and cold war fears of close alignment with Western Europe were mitigated by the disintegration of the Eastern Block.

Sweden is characterised by a polarised (urban-rural) population distribution, with a mixed pattern of urbanisation and counter-urbanisation, a relatively small farming industry, but (due to tax equalisation policies and the Welfare state) relatively small urban-rural differences in income and living standards. A quarter of Sweden's 9 million people live in rural areas.

Sweden's reputation as a relatively prosperous member state are confirmed by the statistics: GDP per capita averages 4-5% above the EU average. Productivity (GDP per employee) is about 10% above the EU average. Economic activity and employment rates are relatively high, whilst unemployment is mid-range in an EU context.

The Swedish economy is now dominated by service activity (70% of GVA). Manufacturing has dwindled to 20%, whilst the primary sector is almost insignificant, at 2%. Sweden spends a high proportion of its GDP on research and development, and has a rapidly expanding high technology sector.

Agricultural and Rural Conditions Before and After Accession

Forestry and agriculture are activities of declining importance in Sweden, both in terms of GDP and employment. The number of farm holdings has fallen from almost 97,000 in 1990 to under 76,000 in 2005. Agriculture accounts for less than 2% of the workforce in Sweden as a whole, though the proportion rises to 20% or more in some rural areas.

Over half the land area of Sweden is forested. Only 8% is under agriculture. Of the agricultural area about 80% is arable. 40% of the arable area is under temporary grass or fodder crops. A slightly smaller proportion is under cereals.

Over the past two decades the number of cattle in Sweden has steadily declined, mainly due to a reduction in the dairy herd. The decline in dairy cattle numbers was particularly rapid after the abolition of Sweden's milk quota system in 1986. Sheep numbers are relatively small, but increasing.

There has been a steady decline in the farm workforce since accession, though the exact rate is obscured by changes in the statistical definitions. About 30% of holdings have other gainful activities, the majority connected to agriculture (e.g. contracting).

Almost three-quarters of Sweden's farm holdings in 2005 had an economic size of less than 16 ESU, and would therefore be considered part-time businesses. Structural change in farm holdings since accession has been typical of that of West European countries. About a fifth of holdings of less than 50 hectares have disappeared since 1991. Over the same period the number of holdings of more than 100 hectares has increased by about one-third. There are clear N-S differences in farm size structures, the more marginal areas of the north having smaller farms. Many holdings are part rented, and in recent years much of the rented land seems to have been re-registered as separate holdings in order to qualify for Single Farm and Agri-environment Payments. Since 1990 the main shift in the farm-type distribution has been away from specialist livestock and towards specialist crop systems.

About 40% of Swedish agricultural output is from crops, of which half are cereals. Animal products (mainly milk) is the second largest output sector, at 30% of the total. Beef production accounts for less than 10% of national output. The value of output has decreased by about 9% in real terms since accession. The most rapid decline in output value (about 25% since 1995) has been for milk and beef. Crop output has declined by about 15%. The shrinking workforce means that net value added per AWU has followed a rather different trend, not one of consistent decline, but fluctuations around the 2000 level.

Of total the total Swedish CAP budget for 2005 over 80% was for Pillar 1, almost 70% for direct aid. Direct payments to farmers were dominated by Single Farm Payments and Agri-environment payments. Beef producers seem to be the most heavily subsidised farm type, over 45% of their receipts coming in the form of direct payments. Dairy farmers receive 20% in this way, while crop producers receive between 20% and 30% depending upon size.

There are a number of definitions of rural Sweden. This report highlights the one produced by the National Rural Development Agency. This uses two criteria and defines three categories:

- *Urban areas* are defined as communities of more than 3,000 people, plus the area within 5 minutes driving time.
- *Accessible rural areas* are between 5 and 45 minutes driving time of an urban area.
- *Sparsely populated rural areas* are more than 45 minutes travel time from an urban area.

According to this definition the sparsely populated rural areas account for 2% of the population, and accessible rural areas for 22%.

During the five years from 1998-2003 the sparsely populated areas lost 5.9% of their population, whilst the accessible rural areas saw a decline of only 1.1%. The urban areas grew by 2.3%.

Although the Ministry of Agriculture asserts that there are only small differences in income between rural and urban areas there are nevertheless strong N-S disparities.

Declining primary sector employment in rural areas has until recently been partly offset by an increase in public sector (mainly service sector) jobs. There has also been a rapid increase in Other Gainful Activities within farm households.

Policy Measures to Manage Socio-Economic Change in Rural Areas

In order to understand the present configuration of Swedish rural policy it is necessary to take account of a considerable degree of path/context dependence. This relates:

- Firstly, to the welfare state, regional policy, and the role of the public sector. Both the Swedish Welfare State and Regional Policy have been scaled back since the economic crisis of the early 1990s. The latter has moved away from compensating disadvantaged regions towards the objective of maximising the competitiveness of all regions. This has not only raised new challenges for rural areas, but at the same time caused inertia in terms of the perceived location of responsibility for ameliorative policy.
- Secondly, it is important to recognise the impact upon public attitudes to support for the farming sector, and hence policy design, of the legacy of the liberalising agricultural policy reform of 1990. The introduction of the CAP in 1995 was in some ways a step backwards, and it was important to frame the implementation with regard to the need for acceptance by the urban majority of the electorate, for whom the countryside is primarily a place to consume environmental public goods.

Both of these aspects of recent history have contributed to the dominance of agri-environment measures and the slow/weak development of territorial and "bottom up" approaches.

The following assessment of Pillar 2 programmes in Sweden must also pay regard to the National Environmental Quality Objectives (detailed guidelines intended to ensure that all public policy in Sweden is consistent with the national vision for environmental protection), and the substantial role of the voluntary sector in rural and community development.

The 2000-06 Environment and Rural Development Programme (ERDP) is a good illustration of the two aspects of path/context dependence identified above. The stated aim was to promote "the ecologically, economically and socially sustainable development of agriculture, food production, forestry and rural areas". Twelve of the measures in the Rural Development Regulation (1257/98) were implemented in the ERDP. The exclusion of the measure on "basic services for the rural economy and population" is significant. The balance of the Ministry of Agriculture's objectives is well illustrated by the distribution of funding; 85% to agri-environment measures, 8% to LFA support, 5% to "axis 1" measures (dealing with farm investments, setting up new farmers and training), and only about 1% to the measure to support the adaptation/development of rural areas. The most important points made by evaluators of the programme related;

- to the balance between the agri-environment, and broader rural development elements, and;
- the slightly bureaucratic, top-down style of implementation, and the limited opportunities for flexibility to meet different regional needs.

There were 27 LEADER+ groups in Sweden during the 2000-06 programming period. The evaluation of the activity of these groups has been generally positive.

The new ERDP for 2007-13 shows a strong degree of continuity with the previous programme. The dominance of agri-environment measures continues. However there have been some subtle changes, in terms of the target groups (not only farmers but rural entrepreneurs in general), and in terms of devolution of programming and implementation to a regional level.

During the three programming periods since Swedish accession there has been a varying degree of overlap/integration between Structural Fund policy and rural development policy. Between 1995 and 1999, the Objective 6 programme in N Sweden included a number of rural development activities, though it has been criticised for being too agricultural in focus, and for not recognising the extreme marginality of farming in the programme area. Between 2000 and 2006 the two Swedish Objective 1 programmes incorporated most of the ERDP measures, and therefore the comments on the ERDP apply equally there. The Objective two programmes in the south of Sweden incorporated very few (if any) rural development activities. In the current programme period the overlap between the ERDP and the Structural Fund programmes (under the Regional Competitiveness and Employment Objective) has been eliminated, and the rural development impact of these programmes seems likely to be indirect and limited.

The review of policies affecting rural Sweden presented in Section 3 leads to the following observations:

- There has been an important shift (between the second and third programming period) from a top-down bureaucratic style of implementation to a more flexible "bottom up" approach.
- The relatively weak implementation of "Axis 3" in Sweden perhaps reflects cultural inertia in relation to the former role of the Welfare State and Regional Policy, and emphasises the need to take account of path dependence factors in designing rural development programmes.
- Similarly, the emphasis upon agri-environment measures probably reflects the dominant (urban) view of the countryside as a provider of public goods, which has been sharpened by the experience of the short-lived liberalising agricultural policy reform of 1990.
- Generous agri-environment payments have probably slowed structural change, by allowing small and relatively inactive holdings to survive longer than they otherwise would have done.
- Similarly SFPs, although they surely provide no more than a fraction of the average farm household income, have probably resulted in the continued survival of many small holdings where off-farm earning opportunities are accessible.

Particular Experiences in One Case Study Region

The region selected as a case study is the county of Skåne, in the extreme SW of Sweden, around the city of Malmö, and now connected to Denmark by the Öresund bridge. The county has many physical advantages, in terms of topography, soils and climate, which make it one of the most productive in Sweden. It now also has the advantage of unequalled market access, both in terms of Malmö, which is growing rapidly, but also the Öresund region (the wider functional region including Copenhagen and nearby settlements), and via Denmark to the neighbouring EU member states. As a consequence of the two advantages Skåne is one of the most competitive agricultural areas of Sweden.

More than half the land area of Skåne is under agriculture, and less than one-third is forested. Cereal yields are 10% above the Swedish average, and the county accounts for 25%-30% of Sweden's total cereal production. The county also has an important livestock industry, accounting for 30% of Sweden's pigs, and 20% of poultry. Cattle and sheep are relatively less important. In terms of farm types, cropping farms and pig farms are relatively more numerous than elsewhere in Sweden, whilst the county has an above average proportion of large farms.

Although there has been a small reduction in the arable area of Skåne since accession, (continuing an established trend, both regionally and nationally), there has been a 60% increase in winter wheat cultivation in the county over the same period. On the livestock side the most significant changes have been the reduction in pig and poultry numbers. Skåne has seen very similar trends in terms of small, medium and large farms to that of the whole of Sweden, described earlier. Farm household incomes have generally been about 5% above the Swedish average.

The rural areas of Skåne are relatively accessible. Over four fifths of the population of the county live within 5 minutes drive-time of a settlement of over 3,000 people and 99% of the population live within 45 minutes drive-time of such a town. Most Skåne municipalities have seen population growth between 1998 and 2005. The county does not deviate much from the national average in labour market indicators, except for a slightly higher self-employment rate and an above average proportion of workers with higher education qualifications.

The farm workforce of Skåne comprises about 25,000 people, but less than half that in terms of full-time equivalent jobs. The farm workforce of Skåne has declined more rapidly than that of Sweden as a whole in recent years. The employment structure, (primary/secondary/tertiary) of Skåne is very similar to that of the country as a whole. Regional GDP from the primary sector declined by 17% between 1999 and 2005. Manufacturing GDP rose by 14%, whilst that from services rose by more than one-third.

Success Factors in Managing Rural Changes since EU Accession

From the national perspective the following “success factors” were identified:

(a) *Devolved Programming and Implementation*: In Sweden lessons seem to have been learned from the first two programming periods in terms of the style of implementation and delivery. A more flexible, regionalised, framework allows more creative inputs from local actors and stakeholders.

(b) *Integration of Rural Development into the broader Policy Context:* The Swedish rural development programmes cannot be understood without reference to the national policy context and tradition (particularly the welfare state model and strong regional policy). This highlights the need for careful integration of Pillar 2 policy taking account of the broader policy context of the member state.

(c) *The Balance of Measures should reflect the (urban) Societal View of the Role of Agriculture:* The relative importance of different rural development measures (structural, competitiveness, agri-environment, or broader rural development and quality of life) should reflect the level of rural economic development, urbanisation, and (urban) attitudes to the economic and societal role of the farming community.

(d) *Agri-environment Measures can have a Structural Impact:* Agri-environment payments and support for organic farming can raise the survival chances of smaller, less competitive, holdings, as providers of public goods rather than of conventional outputs.

(e) *Single Farm Payments may have a Structural Impact:* Decoupled Single Farm Payments may have a similar impact in terms of slowing the rate of restructuring, although this depends upon the availability of other activities to supplement farm household income, and a sufficient motivation to remain on the farm.

At the regional level, interviews with key informant involve in the rural development process in Skåne provided the basis for a brief commentary on the following policy instruments:

- Single Farm Payments
- Agri-environment Schemes
- Priority 2 of the ERDP

- Skåne Regional Strategy for Rural Development

The findings largely corroborated the generic points which emerged at the national level, but also highlighted the fact that the biggest accession impact upon Skåne agriculture and rural development has not been in terms of CAP or Rural Development policy, but the opening up of the region to wider markets in the wider EU trade area. In the case of Skåne this effect has been amplified by the coincidental opening of the Öresund bridge.

Conclusions

Sweden's experience of EU accession and implementation of the CAP is probably unique. A careful and sensitive integration of EU policies into a well-established and finely balanced national system was required. In addition it was necessary to first dismantle a very recent liberalising agricultural policy reform. This had a strong influence upon public perceptions of agricultural and rural development policy in Sweden, and, indirectly, upon the choices made by those who have designed and implemented the Pillar 2 programmes. It is essential to take account of this context, which unfortunately makes it particularly difficult to judge what might have happened if accession had not taken place.

Despite these unique features the following lessons may be drawn which may have a wider relevance and application:

(a) The implementation of the CAP, especially Pillar 2 cannot take place in isolation from the existing policy context, or indeed the national "policy culture" and traditions. Successful implementation is more likely if potential overlaps, duplication or conflicts are minimised, and if it incorporates tried and tested approaches which are familiar to both the participant rural population and to urban "spectators". In former socialist countries the details of the existing policy milieu are likely to be rather different from those of Sweden, but the same basic principle applies.

(b) A particularly important aspect of this issue relates to the common perception of the role of agriculture. In Sweden it was important to try to avoid the impression that the CAP was a simple reversal of the 1990 Reform (although it was still perceived as such by some). Embracing a "post-productivist" view of the countryside/farm function, primarily for consumption of environmental public goods for the urban population, leading to a strong emphasis upon agri-environment measures, was the found to be appropriate solution. In less urbanised member states, where agriculture remains an important production sector, and a source of livelihood for many rural residents, this would probably not be appropriate, and a greater emphasis upon restructuring for competitiveness might be implied.

(c) The third lesson is perhaps more independent of the national milieu. This relates to the need to build into the implementation arrangements the facility to respond to regional variations in the rural situation, preferably through some kind of "bottom-up" involvement of the local representative organisations. This may not be easy where social capacity is less well developed. Nevertheless an inflexible, horizontal, sectoral approach is unlikely to be effective in the medium-long term.

(d) On the whole the rate of structural change in Swedish agriculture has not changed very much since accession. The regional case study gives the impression that technological trends and the market environment have had more impact, both upon structures, and the profitability of rural livelihoods.

(e) Finally, it has been argued that both agri-environment payments, and Single Farm Payments can have the effect of slowing down structural change, because they can make it possible for small, marginal holdings to survive, to some extent independent of market trends, particularly if they are accessible to opportunities for off-farm work.

SCARLED Consortium

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Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO) - Coordinator
Theodor-Lieser Str. 2
06120 Halle (Saale)
Germany

Contact person: Judith Möllers
E-mail: scarled@iamo.de

Catholic University Leuven (KU Leuven)
LICOS Centre for Institutions and Economic Performance & Department of Economics
Deberiotstraat 34
3000 Leuven.
Belgium

Contact person: Johan Swinnen
E-mail: jo.swinnen@econ.kuleuven.be

University of National and World Economy (UNWE)
St. Town "Chr. Botev"
1700 Sofia
Bulgaria

Contact person : Plamen Mishev
E-mail: mishevp@intech.bg

Corvinus University Budapest (CUB)
Department of Agricultural Economics and Rural Development
Fövám tér 8
1093 Budapest
Hungary
Contact person: Csaba Csáki
E-mail: csaba.csaki@uni-corvinus.hu

Research Institute for Agricultural Economics (AKI)
Zsil u. 3/5
1093 Budapest
Hungary
Contact person: József Popp
E-mail: poppj@akii.hu

Warsaw University, Department of Economic Sciences (WUDES)
Dluga 44/50
00-241 Warsaw
Poland
Contact person: Dominika Milczarek- Andrzejewska
E-mail: milczarek@wne.uw.edu.pl

Banat's University of Agricultural Sciences and Veterinary Medicine Timisoara (USAMVB)
Calea Aradului 119
300645 Timisoara
Romania
Contact person: Cosmin Salasan
E-mail: cosminsalasan@xnet.ro

University of Ljubljana (UL)
Groblje 3
1230 Domzale
Slovenia

Contact person: Luka Juvančič
E-mail: luka.juvancic@bfro.uni-lj.si

The University of Kent, Kent Business School (UNIKENT)
Canterbury
Kent CT2 7NZ
United Kingdom
Contact person: Sophia Davidova
E-mail: s.davidova@imperial.ac.uk

University of Newcastle upon Tyne, Centre for Rural Economy (UNEW)
Newcastle upon Tyne NE1 7RU
United Kingdom

Contact person: Neil Ward
E-mail: neil.ward@newcastle.ac.uk

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LIST OF ABBREVIATIONS

ACF	Agreed Common Framework
AKI	Research Institute for Agricultural Economics
AWU	Annual Work Units
CAP	Common Agricultural Policy
CAD	County Administrative Board
CEE	Central and Eastern Europe
EEA	European Economic Area
ESU	European Size Unit
ERDP	Environment Rural Development Programme
GDP	Gross Domestic Product
HUSH	The Rural Economy and Agricultural Societies Kristianstad
LAG	Local Action Group
LFA	Less Favoured Areas
LRF	The Federation of Swedish Farmers
MTR	Mid-Term Review
OGA	Other Gainful Activities
RDR	Rural Development Regulation
SCARLED	Structural change in agriculture and rural livelihoods
SFP	Single Farm Payment
WP	Workpackage

1 INTRODUCTION

1.1 The structure and objectives of this report

This report was produced by Nordregio as a subcontractor to the Centre for Rural Economy (CRE), University of Newcastle upon Tyne, for the SCARLED Framework 6 project. The objective for this report is to provide a description of rural structural change in Sweden since accession in 1995, together with the broad policy context, and to attempt to assess (inevitably in a subjective and broad brush way) the relationship between the two. The remit is "rural", and thus includes activities outside the land based industries, although inevitably agriculture (and the CAP) is a major component of the description. On the basis of this assessment tentative lessons are to be drawn which may be helpful for decision makers in member states which have joined the EU more recently. In doing so it will be very important to take account of the substantial differences between Sweden and the NMS in terms of policy tradition, economic performance, and geography (especially climate, population density, and access to markets).

The structure of the report follows closely the "template" provided by CRE. The first chapter provides a general background to the decision to join the EU, and some broad-brush description of national socio-economic conditions and trends. The second chapter attempts to characterise agricultural and rural conditions before and after accession, highlighting the main trends and changes. Section 3 presents the most significant (national and EU) policy measures which seem likely to have affected the rate of restructuring in rural areas. This is followed by a case study of a region (Skåne) in which agriculture and other rural activities have prospered since accession. In Section 5 an attempt is made to identify the reasons behind the success of selected policy measures. The final section of the report presents some general conclusions, and some tentative lessons for more recently acceding states.

1.2 The background to accession

Sweden acceded to the European Union on January 1st 1995, at the same time as Finland and Austria, and three years after joining the European Economic Area (EEA). The timing of this increasingly international outlook can be explained by a number of background issues and events, both geo-political and macro-economic.

In the early days of the European Community, the Swedish people, and government, were sceptical about the benefits of membership. There were three main reasons for this:

There was no perceived economic benefit, since the Swedish economy was thriving anyway.

There were concerns that closer ties with Western Europe (especially EU security agreements) might compromise Swedish neutrality and cause friction with their close neighbours, the USSR.

Table 1.1 Key steps leading to Sweden's EU accession

1988	The Swedish Parliament reaches a decision concerning further participation in the West European integration
1990	Negotiations concerning the EEA Agreement begin.
1991	Sweden applies for membership to the EC.
1992	The EEA Agreement is ratified by the Swedish Parliament.
1993	Membership negotiations begin.
1994	The Swedish government sets out its consequence studies concerning a Swedish membership.
1994	The Swedish government EU-membership proposition.
1994	The Swedish EU-referendum.
1994	The Swedish Parliament ratifies the accession treaty and the EU-accession law.
1995	The accession treaty takes effect.

Source: Based on a table in Karlson and Öhrman (1999)

During the late 1980s and early 1990’s the political and economic environment changed radically in two key respects, creating conditions favourable to accession:

(a) The first of these changes was the rapid worsening of economic conditions. For the first 3 years of the 1990s Swedish Gross Domestic Product (GDP) declined year on year, unemployment rates rose to record levels, and the government budget was in deficit equating to 12% of GDP (Flam 2006). The government’s response was to make progressively more severe cuts on public services, and to reform monetary policy. The down-sizing of the Swedish welfare system rendered fears about its “dilution” by EU membership a less powerful anti-accession argument, whilst at the same time the potential benefits of free access to a wider European market began to be viewed as a solution to the problems of the domestic economy.

(b) The second big change was the ending of the cold war, which removed the geopolitical barriers to accession.

1.3 Key features of rural areas and key trends

Sweden has an increasingly “bi-polar” population distribution, with a very big contrast between the major cities (Stockholm, Gothenburg, Malmo), and the virtually empty wilderness of the North. Rapid urbanisation took place during the post-war decades, and, at least in part due to the gradual withdrawal of rural services (public and private), net out-migration continues to characterise the remoter areas. More accessible rural areas in Sweden, as in other parts of NW Europe have recently experienced a degree of “counter-urbanisation”.

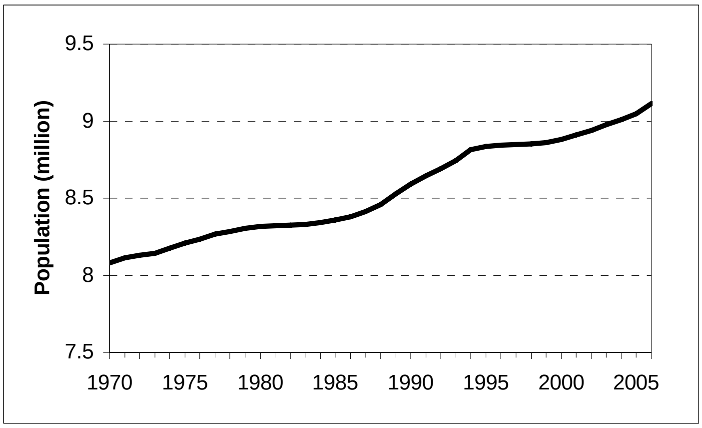
A distinctive feature of all but the extreme south of Sweden is the relatively small proportion of land area which is agricultural. In most rural areas in Sweden, forest is the dominant land use. Similarly, agriculture is a relatively small employer in rural Sweden, except in a few counties in the South. Outside these more productive areas farming is increasingly valued for its role in maintaining small enclaves of “open landscape” from forest regeneration, and this is reflected by the dominance of agri-environment measures within Sweden’s rural development policy.

Another important characteristic of Sweden's rural areas is the fact that, due to the continuing impacts of the strongly redistributive welfare system, and regional policy, together with the "tax equalisation system", which redistributes income tax collected by municipalities, disparities in income and living standards between urban, rural and peripheral/sparsely populated areas are relatively modest (Ministry of Agriculture, 2000). Nevertheless migration out of the last named areas continues to be driven by the urban-based provision of further and higher education, together with the desire for a broader choice of employment opportunities, public and private services, and social interaction.

1.4 Main socio-economic indicators since accession

The total population of Sweden is currently a little over 9 million, of which roughly a quarter live in rural areas[2]. The trend in recent decades has been more or less consistently upwards. The early 1990s saw a slowing in the rate of increase due to lower natural change (partly due to demographic ageing and partly due to a reduced birth rate). More recently the return to long-term trend has been a consequence of both a restored birth rate and in-migration, perhaps indicating greater confidence in the economy and general prospects of the country.

Figure 1.1 Population of Sweden 1970-2006

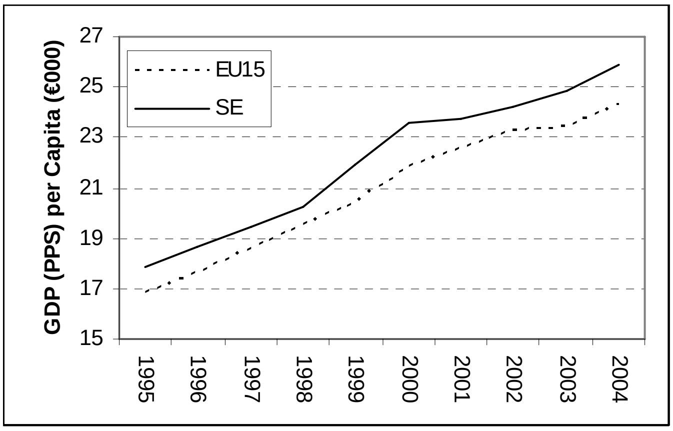


Source: Statistics Sweden

In 2004 Sweden's GDP per capita per inhabitant (in purchasing power parities) was almost €26,000, 4% higher than the EU25 average (Figure 1.2). In fact Swedish GDP per capita has been consistently above the EU25 average, peaking at +5% in 1999-2000. GDP growth rates have also generally been more favourable than the EU25 average since accession. With the exception of 2001 and 2003 Sweden's inflation rate has been below the EU25 average. Accession to the EU played an important role in this economic success story, - particularly through opening up export markets for the developing high technology and service industries (see below), - alongside a range of domestic economic reforms carried out by the Swedish government during the 1990s.

2 According to the Glesbygdverket (2005) definition, see Section 2

Figure 1.2 GDP per Capita, Sweden and EU15 1995-2004



Source: Eurostat REGIO

Table 1.2 Some Key Macro-Economic Indicators for Sweden since 1990

	GDP per Capita (PPS)	GDP (PPS) Growth Rate		Inflation Rate	
	EU25=100	Per Cent		Per Cent	
	SE	SE	EU25	SE	EU25
	1	*2*	*3*	*4*	*5*
1990	:	1.0	:	:	:
1991	:	-1.1	:	:	:
1992	:	-1.2	:	:	:
1993	:	0.6	:	:	:
1994	:	3.9	:	:	:
1995	104.8	4.0	:	:	:
1996	104.8	1.5	1.8	:	:
1997	104.9	2.5	2.7	1.8	2.6
1998	105.0	3.8	2.9	1.0	2.1
1999	105.0	4.6	3.0	0.5	1.6
2000	105.0	4.4	3.9	1.3	2.4
2001	104.8	1.1	2.0	2.7	2.5
2002	104.6	2.4	1.2	1.9	2.1
2003	104.4	1.9	1.3	2.3	1.9
2004	104.2	4.1	2.4	1.0	2.1
2005	104.1	3.3	1.8	0.8	2.2
2006	103.9	4.1	3.0	1.5	:
2007	*103.9*	*3.4*	*2.9*	*:*	*:*
2008	*103.8*	*3.1*	*2.4*	*:*	*:*
2009	*:*	*2.4*	*2.4*	*:*	*:*

Notes:
Col. 1 GDP per capita in PPS - GDP per capita in Purchasing
2-3 Real GDP growth rate - Growth rate of GDP volume -
4-5 Inflation rate - Annual average rate of change in Harmonized
Source: Eurostat Structural Indicators, General Economic Background (http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/&product=STRIND_ECOBAC&depth=2)

With the exception of the years 2001-03 Sweden's labour productivity (measured in terms of GDP per employee) has been consistently more than 10% above the EU 25 average (Table 1.3). Employment growth, by contrast, has often been below the EU average.

A recent review of the employment situation in rural Europe (Copus *et al,* 2006) showed that in 2001 Sweden had one of the highest economic activity rates of all 25 EU countries, at 78% of the working age population. The employment rate was also relatively high, at 74%. Unemployment was mid-range within the EU15 reaching 7% by 2006. Some have suggested that the real rate is rather higher, perhaps as high as 20% (Edling no date), if the number of people on state training schemes, long term sick leave, or in early retirement are taken into account. Furthermore, the OECD, in its Policy Brief (OECD, 2007) has suggested that there is a lack of flexibility in the Swedish labour market, due to relatively high levels of employee protection.

Table 1.3 Some Key Labour Market Indicators for Sweden since 1990

	Labour Productivity (GDP per Employee)	Employment Growth		Unemployment	
	EU25=100	Per Cent		Per Cent	
	SE	SE	EU25	SE	EU25
	1	*2*	*3*	*4*	*5*
1990	:	:	:	1.7	:
1991	:	:	:	3.1	:
1992	:	-4.5	:	5.6	:
1993	:	-5.2	:	9.1	:
1994	:	-0.9	:	9.4	:
1995	112.5	1.5	:	8.8	:
1996	113.4	-0.8	0.6	9.6	:
1997	114.2	-1.3	1.0	9.9	:
1998	112.7	1.6	1.5	8.2	9.3
1999	113.8	2.1	1.1	6.7	9.1
2000	114.2	2.4	1.7	5.6	8.6
2001	108.2	1.9	1.1	4.9	8.4
2002	107.5	0.2	0.4	4.9	8.7
2003	109.9	-0.3	0.4	5.6	9.0
2004	111.5	-0.6	0.8	6.3	9.0
2005	111.1	0.4	1.0	7.4	8.9
2006	112.3	1.8	1.6	7.1	8.2

Notes:

Col. 1 Labour productivity per person employed - GDP in PPS per person employed relative to EU-25 (EU-25=100)

2-3 Employment growth - total - Annual percentage change in total employed population

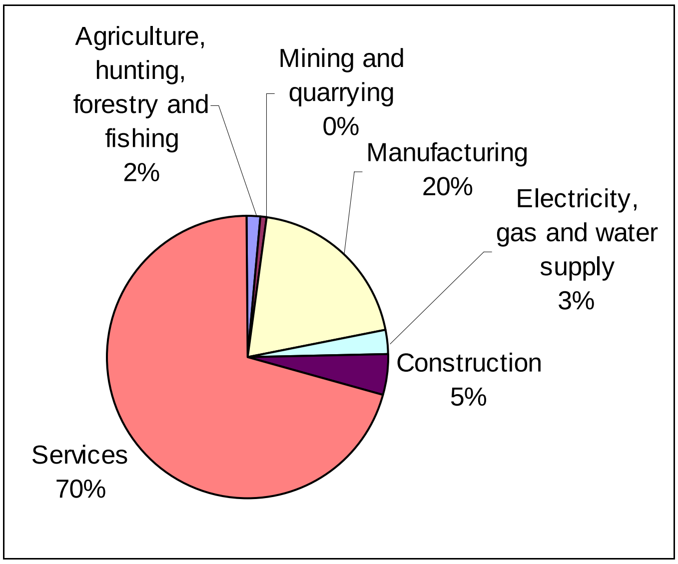
4-5 Unemployment rate - total - Unemployed persons as a share of the total active population

Source: Eurostat Structural Indicators, General Economic Background (http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/&product=STRIND_ECOBAC&dep

Like most western European countries the modern Swedish economy is dominated by service activities (70% of gross value added -GVA). The primary sector (including agriculture, accounts for just 2%. Manufacturing, once very important in terms of heavy industries, (iron and steel, engineering etc) now accounts for just 20%. The key growth sectors are in more modern technological sectors. Sweden spends the highest proportion of its GDP on research and development of any country in the world except Israel[3].

[3] Sweden in Fact 2007 Invest in Sweden, http://www.isa.se/upload/english/publications/swedeninfact_06_07_en.pdf

Figure 1.3 Gross value added by industry sector, Sweden, 2004



Source: Eurostat REGIO

During the period 2000-04 Sweden attracted 40% of the total foreign direct investment of the Nordic and Baltic countries4. The largest single source of inward investment is the US, followed by Germany. The most important sectors for FDI are pharmaceuticals and chemicals, machinery and equipment.

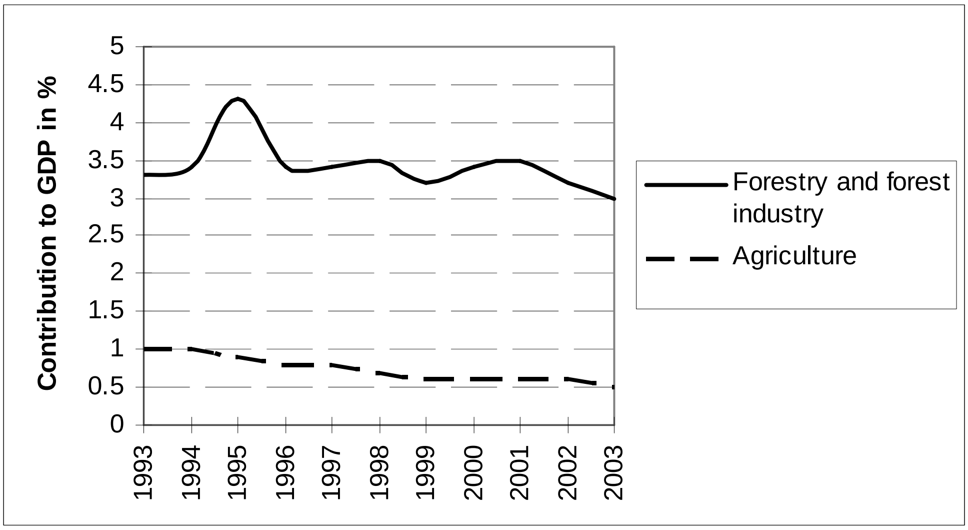
[4] Ibid.

2 INTRODUCTION AGRICULTURAL AND RURAL CONDITIONS BEFORE AND AFTER ACCESSION

2.1 The Importance of agriculture and forestry

The importance of agriculture and forestry can be measured by the sectors' contribution to the national gross domestic product. Forestry and timber industries contribute more to the national GDP than agriculture, but still the percentage is relatively low (about 3%) and decreasing.

Figure 2.1 Contribution to Gross Domestic Product by agriculture 1993-2003 according to SNI 01/ ESA95. Current prices

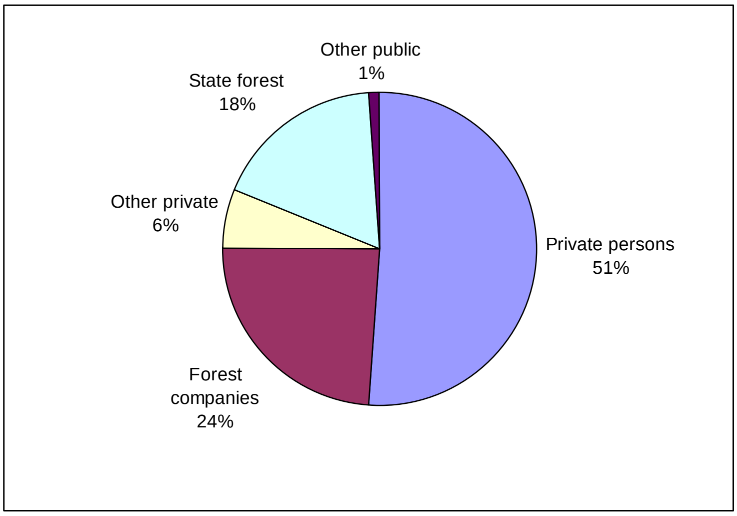


Source: The Swedish Forest Agency (2006) and The Swedish Board of Agriculture (2006)
http://www.sjv.se/download/18.1a3366210bfaf325718000392/Jordbrukets+ekonomi+sid+147-170.pdf

The EU enlargement in 2004 was of particular interest for the Swedish forestry sector since several of the new member states have relatively high production in forestry and also represent new market possibilities for the Swedish forestry export (see also section 2.6).

51% of the Swedish forest is owned by private persons. Forestry is therefore an important source of income, especially for farmers who often own larger forest areas then non-farmers. The Swedish state has previously owned a larger area of forest, but much of this has been sold to private persons or forest companies in recent years.

Figure 2.2 The ownership structure of Swedish forests



Source: The Swedish Forest Agency (2006)

In 2005 forestry employed 20,000 people. A further 75,000 people were employed in wood processing and paperboard production (Table 2.1).

Table 2.1 Employment and workplaces in the forestry sector 2005[5]

	Forestry employees	Wood processing industry	Pulp, paper and paperboard industry	Total
Total number of persons employed	20,000	38,000	37,000	95,000
Total number of workplaces	55,579	6,803	460	6,2842

Source: The Swedish Forest Agency (2006, p 320)

In forestry, seasonal work, and temporary work for different companies, is common. One person can therefore be employed by several workplaces during the same year. The workforce is predominantly male; - in 2005 only 14.7% of all employees in the forestry sector were women (The Swedish Forest Agency, 2006 p317).

The number of agricultural holdings in Sweden has consistently decreased over a long period. In 1990 the total number of farm holdings were 96,560. In 1995 (accession year) the number had fallen to 87,305. By 2005 it was down to 75,808. However this was a slight increased compared to 2003, probably as a result of the incentive to claim single farm payments introduced by the Mid-Term Review (MTR) of the CAP (The Swedish Board of Agriculture, 2006 p31). The number of farms operated as limited companies, though still only about 5% of the total, has shown a rapid increase during the past 15 years (Table 2.2).

[5] The number of forestry and forestry related companies, workplaces and employees are taken from Statistics Sweden's business register. One company can have several workplaces located in different municipalities, regions etc. The name of the company is the same, but Statistics Sweden register them as several workplaces.

Table 2.2 Farm tenure trends in Sweden 1990-2005

	1990	1993	1995	1996	1997	1998	1999	2000	2003	2005
Private holding	75,151	70,190	66,148	68,378	66,207	64,047	60,009	72,329	62,402	70,747
Single holding	17,568	16,905	16,487	17,077	16,955	16,457	15,304	..	..	..
Estate of a deceased person	1,617	1,066	841	979	709	667	598	..	..	..
Limited company	980	2,132	2,533	2,690	2,754	2,735	2,774	3,015	3,056	3,504
Other[6]	1,244	1,192	1,296	1,364	1,401	1,401	1,434	1,454	1,322	1,557

Source: Statistics Sweden. http://www.ssd.scb.se/databaser/makro/temp/tmp20076712341928JO0106F1.xls

Agriculture has lost its dominating role as an employer in rural areas. In 2003 agriculture contributed only 1.7% of the total workforce (approximately 70,000 persons). Since accession the number of farm holdings has decreased by almost 15% (Table 2.3).

Table 2.3 Number of farm holdings in Sweden before and after EU accession

Farm size in hectares	1980	1985	1990	1995	2000	2001	2002	2003	2005
2.1-5.0	19,248	17,865	14,957	12,828	11,784	11,522	11,263	9,293	14,486
5.1-10.0	25,474	22,110	19,020	16,710	14,110	13,657	12,312	11,315	14,117
10.1-20.0	28,123	24,660	20,832	18,458	15,453	14,732	13,837	13,159	14,147
20.1-30.0	15,876	14,423	12,177	10,633	8,717	8,199	7,849	7,603	7,583
30.1-50.0	15,875	15,536	14,223	12,834	10,624	10,052	9,612	9,259	8,862
50.1-100.0	10,061	10,923	11,348	11,339	10,652	10,498	10,237	10,112	9,569
>100.1	3,225	3,512	4,003	4,503	5,458	5,631	5,840	6,039	6,099
Sum	**117,882**	**109,029**	**96,560**	**87,305**	**76,798**	**74,291**	**70,950**	**66,780**	**74,863**

Source: http://www.scb.se/templates/tableOrChart____37575.asp

Even though the development is negative, agriculture is still a major activity in some rural areas, and there are still examples of localities where agriculture employs 20% of the workforce (MAFF, 2006).

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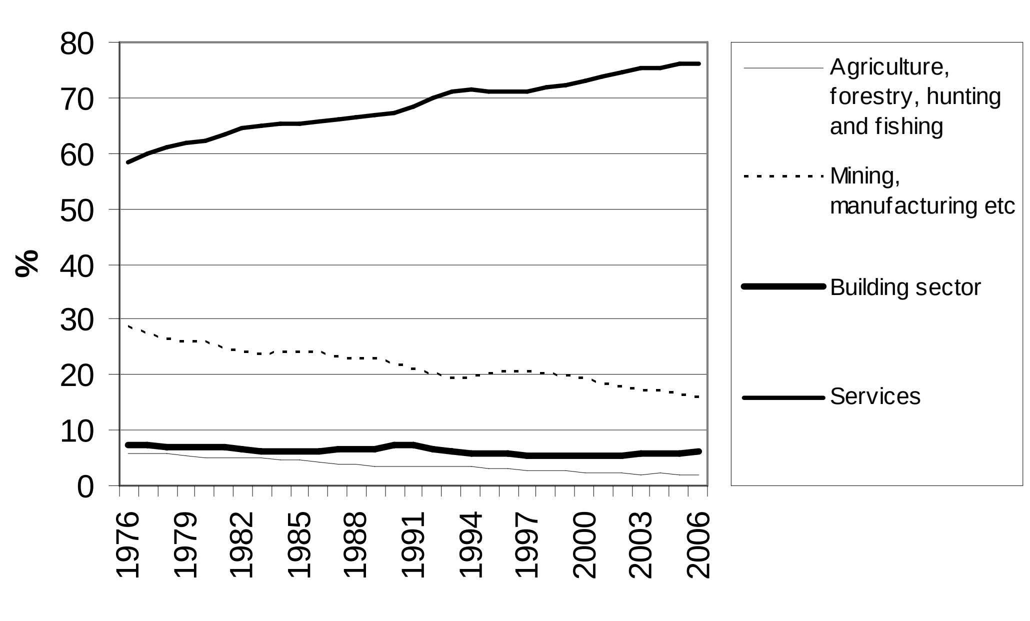
[6] Estate of a deceased person and single holding are since the year 2000 incorporated in "Other"

Figure 2.3 Share of total employment 1976-2006



Source: Statistics Sweden http://www.scb.se/Statistik/AM/AM0401/2007M03/AM0401_2007M03_DI_01_SV_Syssel_ar.xls#Vägledning!A1

2.2 Rural Land Use and Agricultural Production

More then half (22.9 million hectares) of Sweden's territory is covered by forest. Since the 1920s the percentage has decreased to levels varying between 55.5% and 58.1% (The Swedish Forest Agency, 2006 p308). The decrease is mainly due to the establishment of nature reserves. Normal rotation of forest is between 90-100 years in the south of Sweden and 120-130 years in northern parts of Sweden. Today there is a lack of medium aged forest. Forest older then 160 years has also decreased.

Table 2.4 Distribution of land 2005 (million of hectares)

Total land area	Forest land	Bog	Rock surface	High mountains and sub-alpine coniferous woodland	Arable land and pasture land
41.0 ha	22.9 ha	4.5 ha	0.9 ha	3.4 ha	3.4 ha

Source: The Swedish Forest Agency (2006, p308)

Only 8.3 % of the total land is arable or pasture land. Agriculture is therefore to be seen as a minor land use. Since the farm holdings and total farm land are decreasing natural reforestation has become a problem, resulting in public measures to protect the open and farmed landscape.

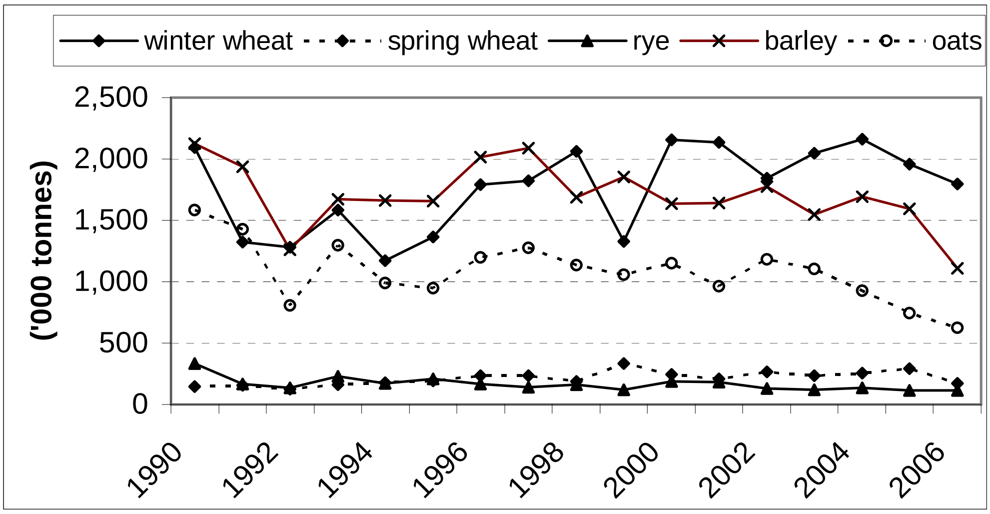
Table 2.5 Hectares of arable land. Selected crops produced 1990-2005

	1990	1995	2000	2003	2005
Winter wheat	320,120	222,304	353,201	364,058	295,325
Spring wheat	29,595	39,076	48,364	47,290	59,430
Rye	73,460	39,693	34,533	24,366	21,386
Winter barley	..	26,220	12,997	6,345	5,356
Spring barley	..	427,155	398,227	362,127	373,208
Oats	387,823	278,322	295,544	279,808	200,122
Rye wheat	..	44,577	40,728	44,661	50,292
Mixed grain	..	27,124	45,328	25,235	18,857
Green fodder	39,698	..	3,478	31,748	39,628
Grass for cutting or pasture	918,093	..	917,305	933,280	1,027,294
Sugar beet	49,951	57,518	55,484	50,100	49,182
Total farm land	2,844,592	2,766,641	2,705,984	2,668,586	2,703,057

Source: Statistics Sweden

About 80% of the agricultural area of Sweden is arable land. In 2005 almost 40% of this was under temporary grass or fodder crops, slightly smaller proportion was under cereals (both for livestock and human consumption).

Figure 2.4 Crop production in Sweden 1990-2005



Source: Statistics Sweden

Table 2.5 and Figure 2.4 summarise trends in crop areas and production since 1990. The most important change is the shift from winter cereals to spring cereals. This is similar to trends observable in other N European countries, and may be partly due to a technological changes which allow better yield from spring sown crops, but may also reflect the incentive to reduce costs in the context of assured direct payments from the CAP (which are independent of output).

Between 1980 and 2006 the number of cattle decreased by approximately 330,000 animals (The Swedish Board of Agriculture 2006, p83). Overall, the number of farm holdings specialising in cattle has decreased gradually and continuously since the 1980´s (Swedish Board of Agriculture 2006, p83). Much of this change has been due to a steady decline in dairy cow numbers (Figure 2.5), initially in response to the abolition of milk quotas in 1986. Between 1980 and 2005 the number of dairy cows decreased by 260,000 animals, (The Swedish Board of Agriculture 2006, p83).

Table 2.6 Cattle Numbers 1990-2005

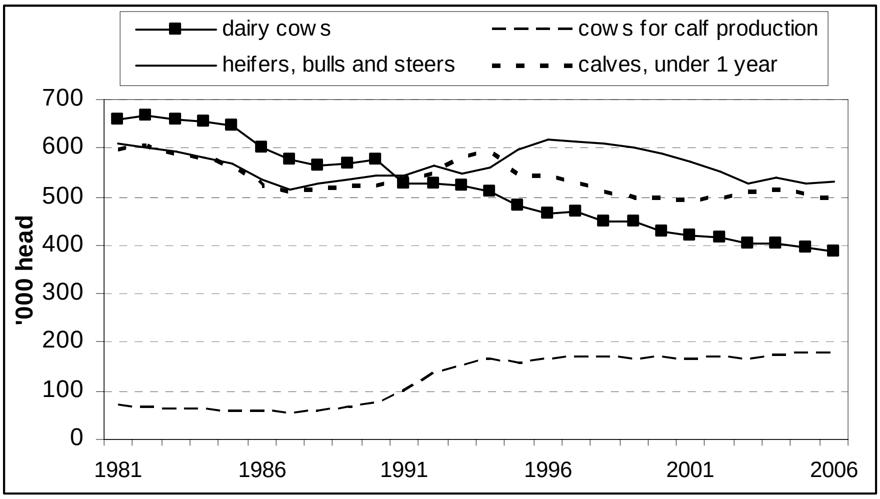
	1990	1995	1996	1997	1998	1999	2000	2003	2005
Dairy cows	576,409	482,118	466265	467,981	449130	448,520	427,621	402,520	393,263
Cows for breeding	74,544	157,128	164,115	169,009	169,926	164,801	167,277	164,718	176,613
Heifers, bulls, steers	543,458	595,521	616,860	613,945	610,724	600,130	588,686	527,204	526,562
Calves under 1 year	524,032	542,328	542,999	529,888	508,716	499,469	500,183	512,232	508,495

Source: Statistics Sweden

http://www.ssd.scb.se/databaser/makro/temp/tmp20076712295484JO0103L1.xls

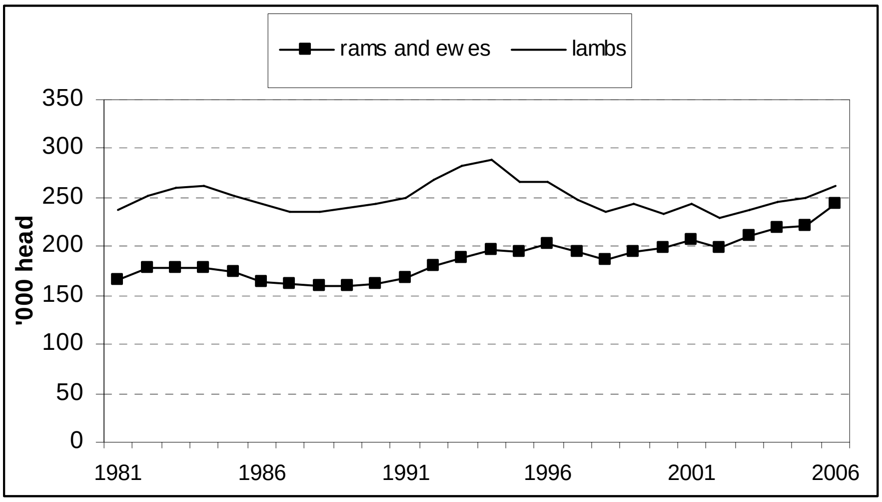
Between 1990 and 1995 in the wake of the Reform (see Section 3) the decline in the dairy herd was partly offset by a rapid increase in the number of beef cows. Of all farmland that was shifted out of arable production, 75% became extensive pasture for cattle

Figure 2.5 Trends in cattle numbers 1981-2006



Sheep numbers also saw a steady rise during the early 1990s, checking for a few years after the implementation of the CAP, and then continuing upwards after the turn of the century. However this change must be kept in perspective, since overall sheep numbers are tiny compared with those of cattle.

Figure 2.6 Sheep Numbers 1981-2006



2.3 The Agricultural Workforce

Time series data on the farm workforce for Sweden are subject to variations in definition and procedures. The 7% loss between 1995 and 1997 (30% for temporary employees) is questionable (Table 2.7). However there can be no doubt that there has been a continuing decline in the workforce since accession.

Table 2.7 The Agricultural Workforce of Sweden 1995-2005 (AWU)

	Holders and Spouses	Employees Permanent	Employees Temporary	Total
1995	65,050	18,350	4,274	87,674
1997	62,786	16,009	2,963	81,758
1999	56,173	15,473	2,596	74,242
2003	52,008	15,774	2,880	70,662
2005	54,305	14,709	3,148	72,162

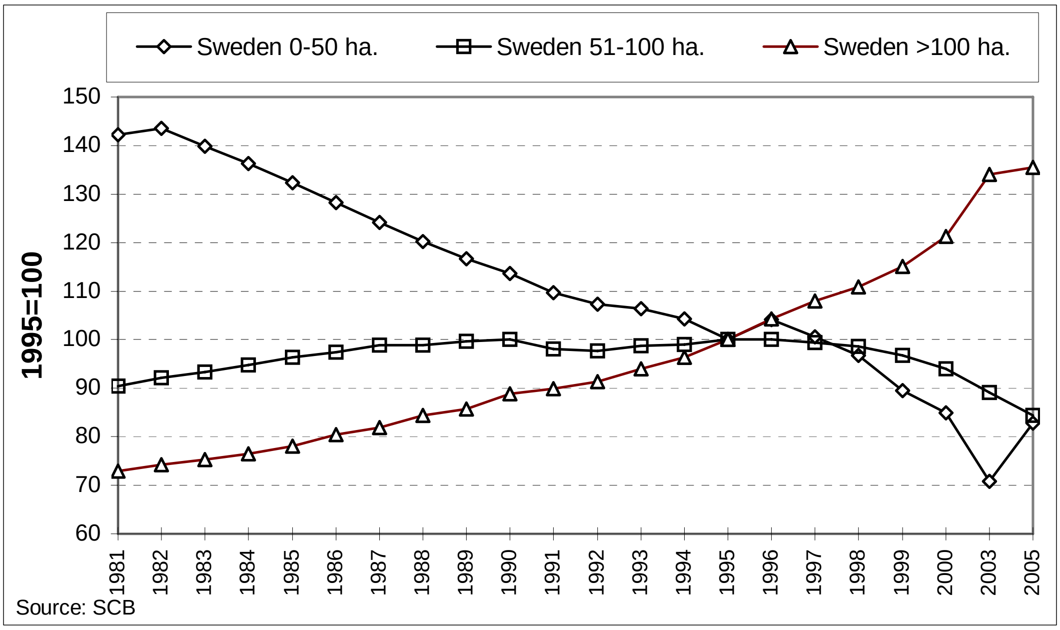
Source: Agricultural Statistics Yearbook Table 7.3

About 30% of all Swedish farm holdings have an Other Gainful Activity (OGA). A little over 20% of holdings have an OGA which is directly related to farming in some way (very often farm contracting), and about 18% have OGAs which are not connected with farming (see Table 2.12).

2.4 Farm Structures

Sweden has experienced similar structural changes to other West European countries. Small farms have been aggregated to form larger, more viable businesses. About a fifth of the holdings of less than 50 hectares have disappeared since 1991 (Figure 2.7). There has been a steady upward trend in the number of holdings of more than 100 hectares, increasing by more than one-third since accession. The number of intermediate size holdings (50-100 hectares) increased during the 1990s, as amalgamation of smaller farms dominated, but after 1999 a more radical restructuring phase began, and their numbers declined, as more and more farms from this category were amalgamated and so moved into the upper size group.

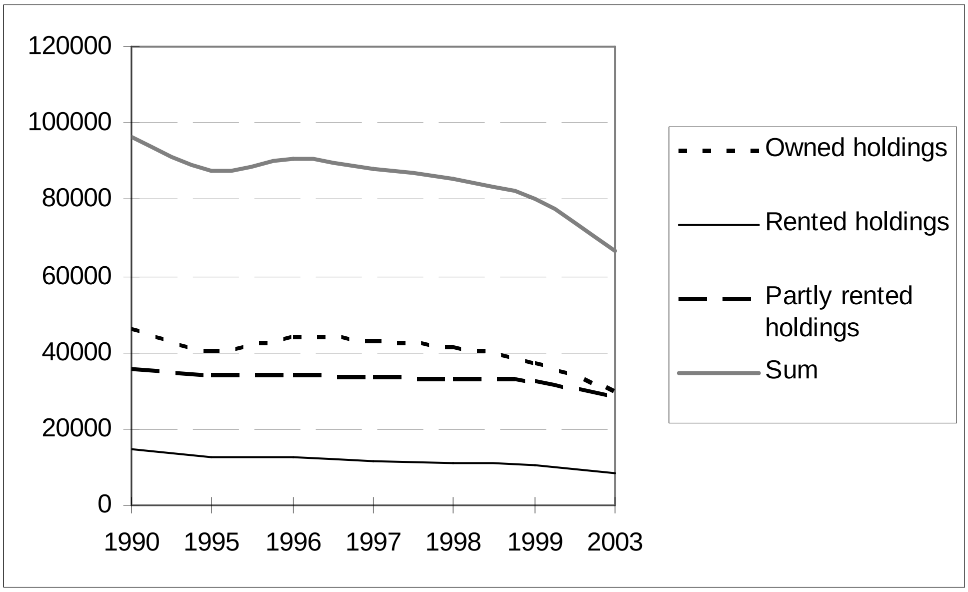
Figure 2.7 Trends in Farm Structures in Sweden: - by area, 1991-2005



There are clear regional patterns of farm size. The smallest farms, with less then 10 hectares of arable land, are mostly found in the counties of Västernorrland and Jämtland, in the northern part of Sweden. At the other extreme farms with more then 100 hectares arable land are most common in Götalands södra slättbygder, in the southwest of Sweden (The Swedish Board of Agriculture 2006, p31).

Being a country of relatively recent urbanisation, cultural ties with family land tend to be strong, and tenancy agreements have tended to be more common than purchase as a means of building a viable holding. Rabinowicz (1992, p89) notes, for example, that in 1981 there were 248,000 farm properties, but only 115,000 farm enterprises. "Many of the smaller and middle-sized agricultural properties are cultivated together through tenancy agreements". In 2003 (Figure 2.8) partly rented holdings constituted 42% of all farms. Some 72% of all holdings in size group 2.1-10.0 ha were totally owned farm holdings. The share then declines with increasing size. In size groups over 50.0 hectares only 17% of holdings are fully owned (The Swedish Board of Agriculture 2006, p 31).

Figure 2.8 Number and type of agricultural holdings, Sweden, 2003



Source: The Swedish Board of Agriculture (2006) http://www.sjv.se/download/18.1a3366210bfaf325718000383/F%C3%B6retag+och+f%C3%B6retagare+sid+31-42.pdf

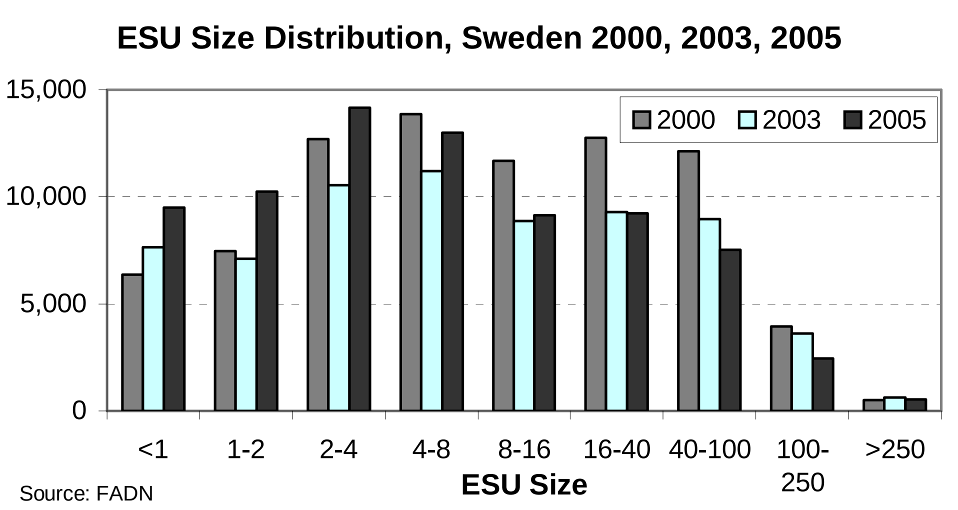
This characteristic perhaps explains an interesting feature of Figure 2.7; - the increase in holdings of less than 50 hectares after 2003. The total number of farm holdings in the Swedish Farm Register increased by approximately 12% between 2003 and 2005. The additional holdings were small farms, with an estimated work input of less then 400 hours/year (The Swedish Board of Agriculture ii, 2006). This trend coincided with the Mid Term Review, and the replacement of production linked payments by the Single Farm Payment (SFP) (The Swedish Board of Agriculture ii, 2006). The rise in holding numbers does not represent an increase in farming activity, rather it is an effect of the Swedish implementation of the CAP payments system. Increased "demand" for the new payments among farmers and people living on properties taxed as farm households resulted in higher levels of applications than before[7]. This seems to be associated with a tendency for farm property residents who formerly let their land to neighbours[8] (often for minimal rent), and received no CAP payments, taking their land back "in hand" in order to benefit from SFPs.

This rather unusual structural impact of the CAP also shows up in the FADN ESU size distribution data for 2000, 2003 and 2005 (Figure 2.9). All size categories below 4 ESU saw an increase in number of holdings during this period. Larger size categories saw a reduction in holding numbers.

[7] In Sweden a person who owns a property rated as a farm household can seek payments, even if that person is not a farmer. A property continuous to be rated as a farm household until the owner ask the authorities to change the taxation. This happens very seldom since there are advantages having a property rated as a farm. For instance you don't need to seek building permission and you are allowed to have your own diesel pump, which is handy when distances are long.

[8]

Figure 2.9 ESU Size Distribution of Holdings in Sweden 2000-05



If we take 16 ESU as the minimum size for a full-time farm the data in Figure 2.9 shows that almost exactly three-quarters of Sweden's farm holdings were part-time.

The most significant change in the distribution of farms by farm type (Figure 2.10) is the steady increase in specialist cropping farms since the late 1990s (presumably as a response to the introduction of arable area payments). This type of farm now accounts for almost one-third of all Swedish holdings. Specialist animal producers have not recovered from a fairly rapid contraction apparently associated with accession.

Figure 2.10 Holdings by type of farming

Source: The Swedish Board of Agriculture (2006)
http://www.sjv.se/download/18.1a3366210bfaf325718000383/F%C3%B6retag+och+f%C3%B6retagare+sid+31-42.pdf

2.5 Agricultural Output and Incomes

In the five most recent years for which Eurostat Farm Accountancy Data Network (FADN) data is available a little over 40% of Swedish agricultural output came from crops (and about half of this from cereals). The second largest sector was "animal products", most of which was milk, at almost 30%. Beef cattle accounted for less than 10% (Figure 2.11).

Figure 2.11 Distribution of Swedish Agricultural Output in 2001-05

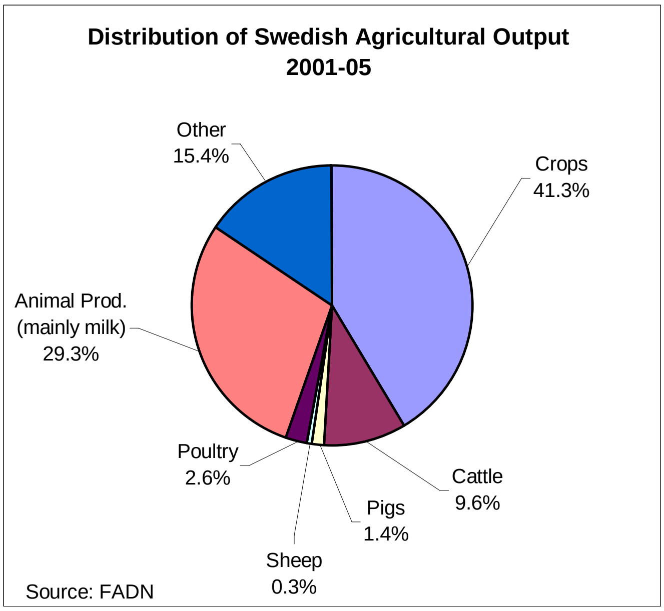
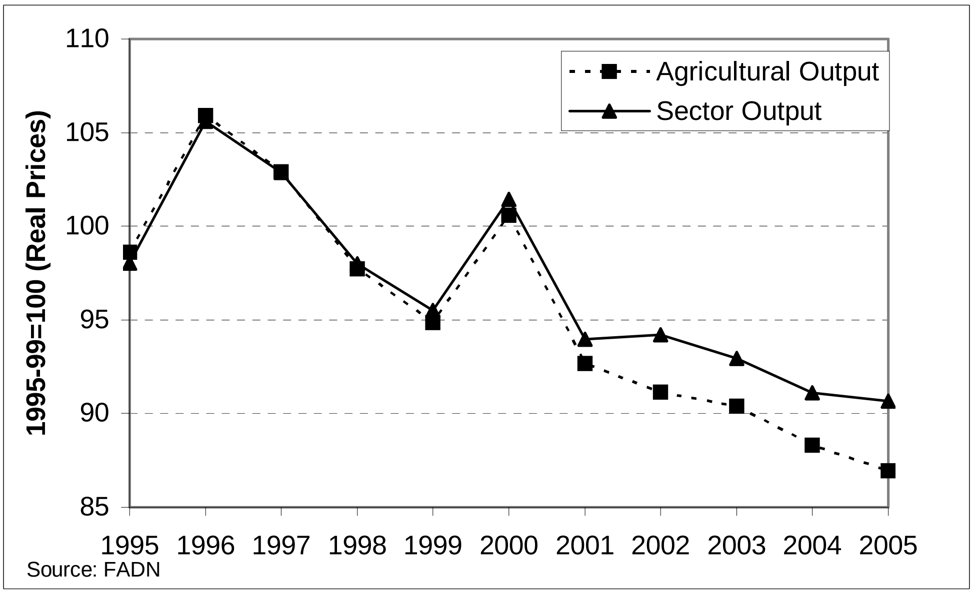
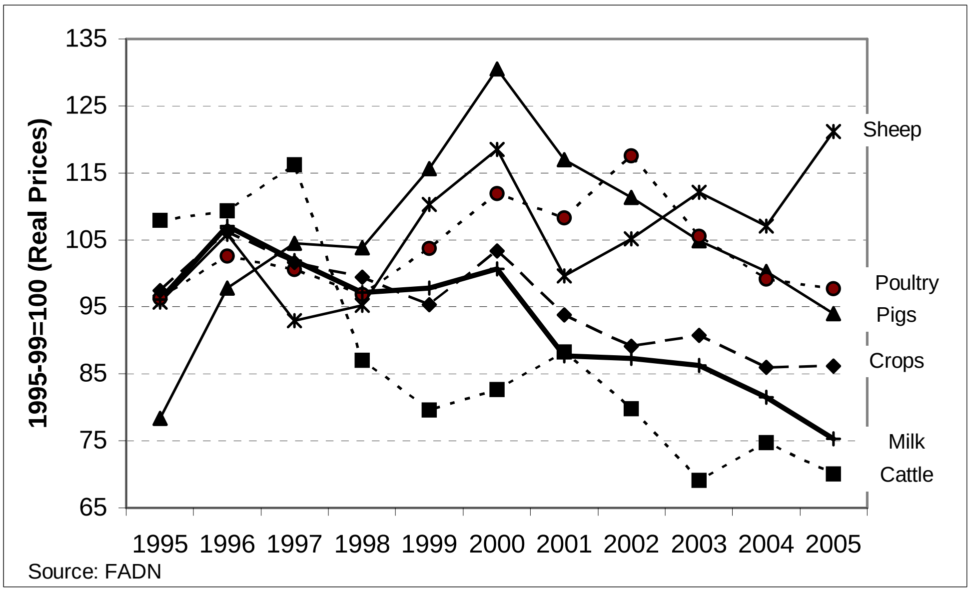


Figure 2.12 Agricultural Output and Sector Output, Sweden 1995-2005



According to Eurostat's FADN figures, agricultural output in Sweden has decreased by about 9% in real terms since 1995-99 (Figure 2.12). The output of the sector (including non-separable activities) has decreased by around 13%.

Figure 2.13 Output from crops and animals, Sweden, 1995-2005

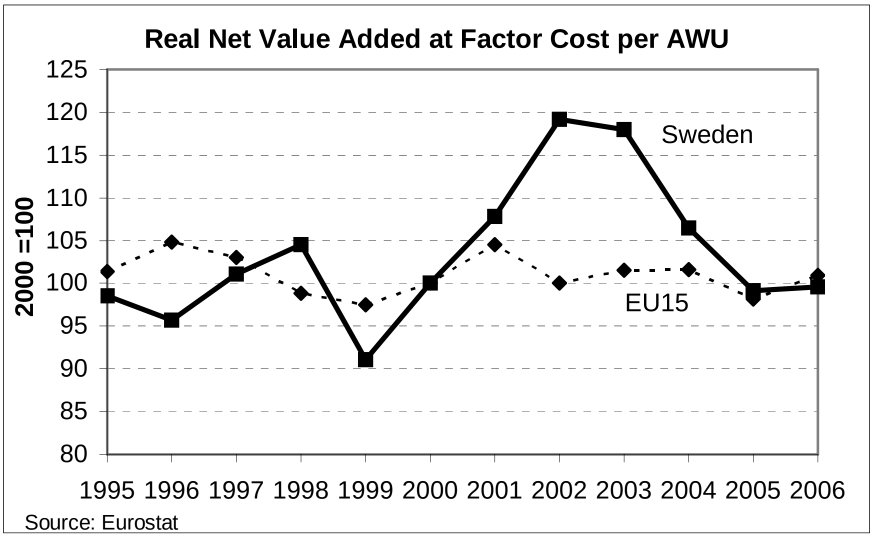


Source: FADN

Of the individual farm enterprises the minor livestock activities (sheep, poultry and pigs), showed an increase in output value until about 2003. After that only sheep and goats (insignificant in share) remained above the 1995-99 average. Crop output has seen a steady decline, to a level almost 15% below that of the early years after accession. The value of milk and beef output has fallen by about 25% (Figure 2.13).

Real net value added at factor cost, per AWU is one of the indicators of farm income provided by Eurostat. The time series for Sweden and the EU15 since 1995 (Figure 2.14) shows that Swedish farmers experienced rather mixed fortunes for a few years following accession, but enjoyed three years of increasing returns from 1999 to 2001. As we have seen this was a time of increasing returns for some livestock products. However the indicator will also have been affected by the rate of labour exit from the industry (see below). From 2003 the trend was sharply downward, so that Swedish net value added per AWU was back to 2000 levels by 2006.

Figure 2.14 Real Net Value Added at Factor Cost per AWU, Sweden and EU15, 1995-2006



2.6 The Scale, Role and Relative Importance of CAP Expenditure

This section will present some basic facts about CAP expenditure in Sweden, (including both Pillar 1 and Pillar 2), and attempt to provide some impression of the relative importance of different elements of that expenditure. It will also explore some indications of the relative importance of Pillar 1 direct payments for different types of farms. A description of recent and current Pillar 2 interventions in Sweden will be presented in Section 3, where the focus moves away from agriculture and towards a broader view of rural development.

The broad configuration of CAP expenditure in Sweden at the present time is illustrated by Figure 2.15, which shows that almost 70% of expenditure takes the form of "Direct Aid" (mostly Single Farm Payments – SFP). A further 11% of the 2005 budget was allocated to residual market intervention (export refunds and storage). Less than one fifth was allocated to Pillar 2.

Figure 2.15 Allocation of the CAP Budget in Sweden in 2005

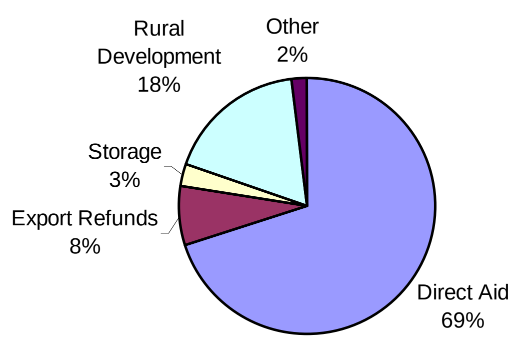
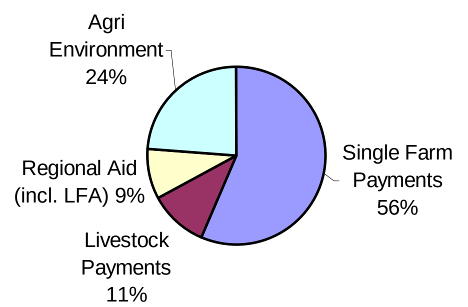


Figure 2.16 provides a breakdown of actual direct payments to farmers (both Pillar 1 and Pillar 2) in Sweden during 2006. SFP's dominate, with 56% of payments. Agri-environment payments are also extremely important, at almost a quarter of the total direct payments. Regional aid, (comprising EU Less Favoured Area payments and Swedish funded additional payments to farmers in the far north) and continuing (coupled) livestock payments, each account for about a tenth of direct payments to the agricultural sector. It is perhaps worth noting that some Pillar 2 payments, which take the form of one-off capital grants, or other forms of assistance outside the definition of regular "direct payments" are not included in this diagram. However such expenditure forms a relatively small proportion of the Swedish Environment and Rural Development Programme (see Section 3).

Figure 2.16 Direct Payments (EU and National) to Swedish Agriculture, 2006



Source: Agricultural Statistics Yearbook Table 9.1

Over the decade or so since accession there has been a degree of consistency in the configuration of direct payments to the agricultural sector in Sweden (Figure 2.17). The largest single element has always been area payments (more recently in the form of SFP). By 2006 the SFPs amounted to over €610m. Regional Aid and Livestock Payments have accounted for consistently smaller share, (about €210m by the mid 2000s) especially since SFP have absorbed some of the former Livestock Payments. Agri Environment Payments are more substantial, rising from less than €140m in 1996 to €230m in 2006.

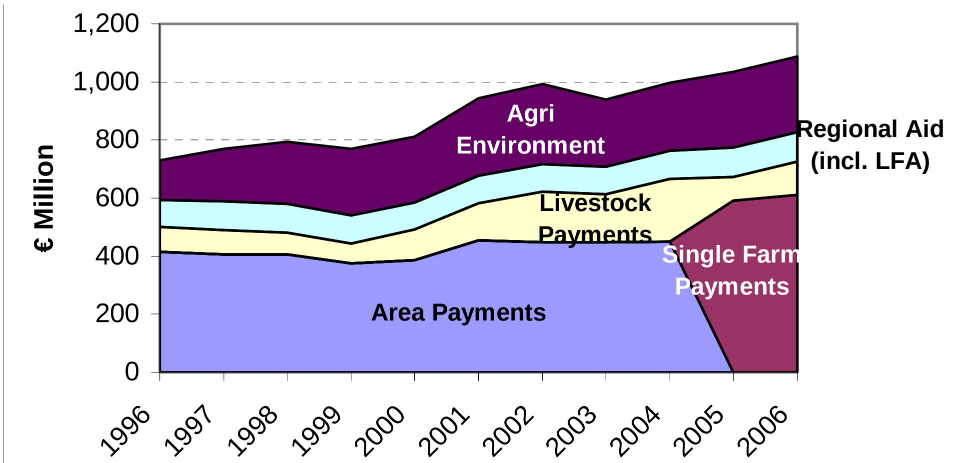
The total value of direct payments to Swedish farmers has risen steadily from a little over €700m in 1996 to more than a billion ten years later. Whilst the majority of this expenditure was EU funded, a substantial national contribution is included in these figures.

The relative importance of direct payments within the overall receipts from farming, for five different farm types, in 2005, is shown in

Table 2.8. In this particular year direct payments accounted for between 17% (mixed farms) and 46% (beef producers). Dairy farms were dependent upon direct payments for 20% of their receipts, whilst cereal farmers received between 22% (small) and 29% (large) of their revenue from this source.

Figure 2.18 shows that these farm type difference were fairly constant since 2001 (though the levels jump up from 2002 onwards.

Figure 2.17 Direct Payments (EU and National) to Swedish Agriculture 1996-2006



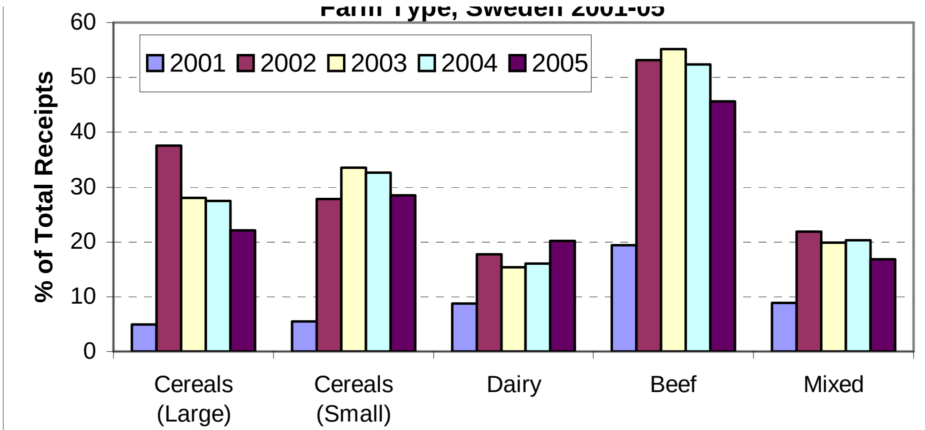
Source: Agricultural Statistics Yearbook Table 9.1

Table 2.8 Receipts from Farming (including Direct Payments), Sweden, 2005.

2005	Farm Type:	Cereals (Small)	Cereals (Large)	Dairy	Beef	Mixed
Receipts from Farming:			€ per holding			
Crops		28,521	70,165	12,766	11,978	24,993
Livestock		20,816	19,996	387,817	67,521	141,279
Other		19,878	16,478	37,748	32,460	18,119
Total		**69,215**	**106,639**	**438,331**	**111,960**	**184,391**
Direct Payments:						
SFP		16,619	34,457	35,568	45,701	23,665
Livestock Payments		270	550	10,640	4,522	2,709
Dairy Payments		0	0	16,467	183	1,370
Other Payments		2,763	7,554	48,205	43,791	9,637
Total		**19,651**	**42,561**	**110,880**	**94,197**	**37,381**
Total Receipts		**88,866**	**149,211**	**549,222**	**206,146**	**221,772**
Direct Payments as % of Total Receipts		**22.1**	**28.5**	**20.2**	**45.7**	**16.9**

Source: Board of Agriculture Report JO 40 SM 0701 (Farm Econoimic Survey 2005)

Figure 2.18 Direct Payments as a Percentage of Total Receipts, by Farm Type, Sweden 2001-05

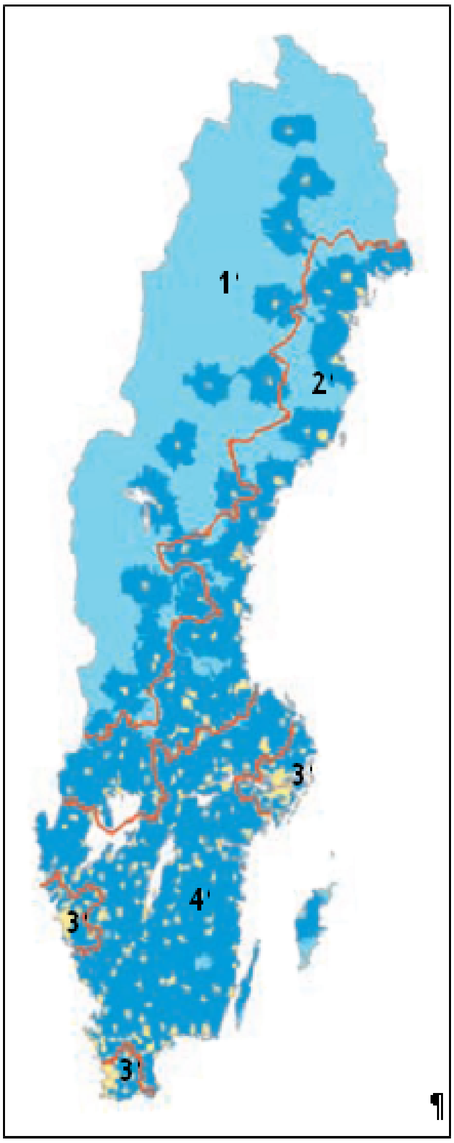


Source: Board of Agriculture Report JO 40 Series, Table 12

2.7 Rural Population

In Sweden there are several definitions of rurality, developed within different policy contexts, and by academics. This report adopts the National Rural Development Agency definition (Figure 2.19).

Figure 2.19 Definition of rural in Sweden



A sparsely populated area is an area more then 45 minutes by car from the nearest urban area with a population of more then 3,000 as well as islands not connected by bridge to the mainland.

More accessible rural areas are areas that are within a 5 to 45 minute car journey from urban areas with a population of more then 3,000 people.

Urban areas are communities with a population of more than 3,000. The area within a 5 minute car journey from the urban area is also counted as being part of the urban area.

Since there are major differences within these different categories the agency have divided Sweden into different areas (Figure 13).

1 = Inland parts of northern Swedish counties

2 = Other parts of northern Swedish counties

3 = Metropolitan regions

4 = Rest of Sweden

Source: The National Rural Development Agency (2005)

According to the National Rural Development Agency´s definition of rural areas 22 % of the population lives in more accessible rural areas (Table 2.9). Only 2 % lives in sparsely populated areas. Since the EU accession, population levels in sparsely populated areas have continued to decline while urban areas have seen continued increase (The National Rural Development Agency, p 5 2005).

Table 2.9 Population by type of area in 2003 (National Rural Development Agency definition)

Region	Sparsely populated areas Number %	More accessible rural areas Number %	Urban areas Number %	Total number
Inland N. Swed. counties	104,846 *30*	84,548 *24*	160,061 *46*	**349,455**
Rest of N. Swed. counties	33,606 *2*	416,717 *29*	975,761 *68*	**1,426,084**
Metropolitan regions	27,373 *1*	319,903 *9*	3,125,326 *90*	**3,472,602**
Rest of Sverige	18,180 *0*	1,146,451 *31*	2,562,898 *69*	**3,727,529**
Whole country	184,005 *2*	1,967,619 *22*	6,824,046 *76*	**8,975,670**

Source: The National Rural Development Agency (2005)

Table 2.10 Population change 1998-2003

Region	Sparsely populated area Number %	More accessible rural area Number %	Urban area Number %	Total Number
Inland N. Swed. counties	-8,333 -7.4	-5,413 -6.0	-4,045 -2.5	-17,791 -4.8
Rest of N. Swed. counties	-3,648 -9.8	-9,302 -2.2	-9,941 -1.0	-22,891 -1.6
Metropolitan regions	1,502 5.8	16,616 5.5	120,649 4.0	138,767 4.2
Rest of Sverige	-1,040 -5.4	-24,552 -2.1	48,861 1.9	23,269 0.6
Whole country	-11,519 -5.9	-22,651 -1.1	155,524 2.3	121,354 1.4

Source: The National Rural Development Agency (2005)

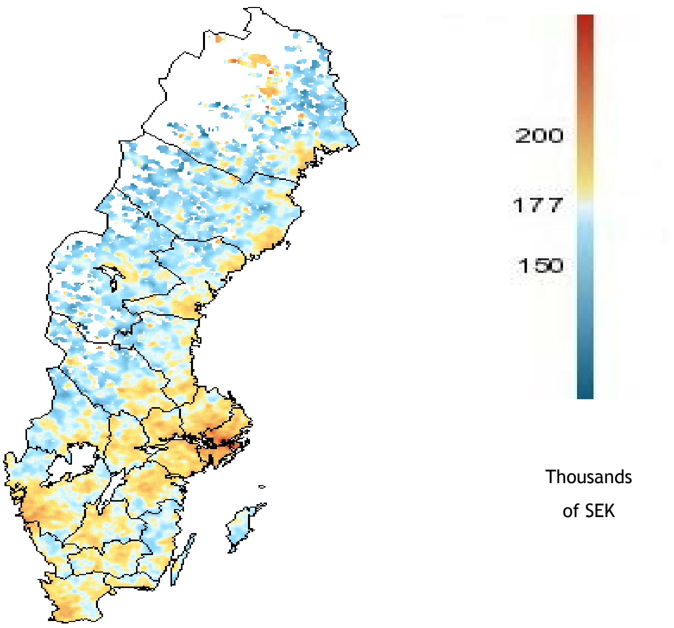
The inland parts of northern Sweden have, in percentage terms, lost most population compared to other parts of the country (Table 2.10), while the metropolitan regions are the winners in all classification groups during the period 1998-2003. The population decline in northern Sweden is due to old age structure, few women in fertile age causing low birth-rates and negative migration patterns (The National Rural Development Agency, 2005 p6).

2.8 Rural Incomes

The Ministry of Agriculture has stated that there is not a big urban-rural income disparity in Sweden: “Unlike many other countries, the general standard of living of the population of Sweden, including standard of housing, does not vary very much, between rural and urban areas. The range of services and cultural activities on offer is, however, smaller in the rural areas than in the large towns" (Ministry of Agriculture 2000 p11-12)

However, the National Rural development Agency (2006) have highlighted the need for an in-depth study of economic growth and development possibilities in different, both rural and urban, parts of Sweden. They also conclude that the availability of credit mostly depends on where in Sweden you live. In the rural and inland parts of northern Sweden the availability of credit is the lowest. The willingness to grant a loan seems to be especially low during the start up phase of a new enterprise, or when a enterprise needs to do larger investments to develop their business further. (National Rural development Agency 2006). This is partly due to the lower estate values and smaller market possibilities. The lower income levels (Figure 2.20) in the northern inland and other rural areas must also be an important factor.

Figure 2.20 Income levels among population above 16 years, 2004



Source: The National Rural Development Agency (2005)

Most businesses located in rural areas are micro-businesses with 1-9 workers (http://www.glesbygdsverket.se/site/default.aspx?id=8677). Most of these have no employees. They are very closely connected to the owner and are often located in the owner's home. Most are in agricultural and forestry business or producing knowledge-intensive services[9]. Micro-businesses employ larger numbers of people in rural areas than

[9] http://www.glesbygdsverket.se/site/default.aspx?id=8677

they do in urban areas (Ibid). Selling or transferring the enterprise to another person can become problematic, if the previous owner wants to continue to live on the property. In a report from the Swedish Agency for Economic and Regional Growth (Nutek, 2006) 9 out of 10 small enterprises in Sweden get approval when they seek new loans. Investment banks specialised on agriculture enterprises most often tend to approve new credits since the financial outcome is consider to be good.

2.9 Rural Employment Structure

The proportion of the Swedish population employed either in agriculture or forestry is declining. In 2005 they accounted for 10% of male employment in sparsely populated areas and 8% in more accessible rural areas (The National Rural Development Agency, p 16 2005). Agriculture's proportion for the whole country amounted to 1.7% in 2003 (see p11).

Table 2.11 Change in total hours worked in agriculture, hunting, forestry and fishing, (1993 =100).

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
100.2	100.1	95.4	94.6	96.1	101.4	98.4	96.3	98.4	93.2	98.1	97.3

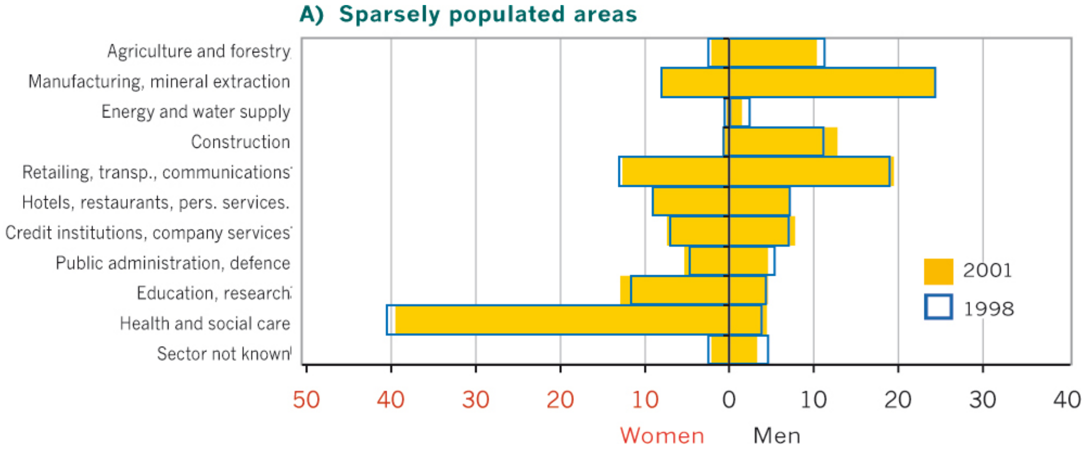
Source: Statistics Sweden ENS95

Even though the number of farm holdings increased between 2003 and 2005, actual labour requirements declined (The Swedish Board of Agriculture ii, 2006). The decrease mostly affected animal production, but still farm holdings specialised on animal production use 54% of the total labour requirement (The Swedish Board of Agriculture ii, 2006).

The forecast effect of the 2004 enlargement on the forestry industry was increased trade with the acceding countries (The Swedish Forestry Agency, 2003). In recent years the raw materials for the paper and pulp industry have generally come from new member states in Eastern Europe or from Russia (SOU 2006, p14). The price of imported raw materials has been relatively low, causing economical problems for domestic suppliers who can't compete with east European prices, due to higher production costs. The result is decreased domestic timber harvesting. As a strategy the forestry sector is becoming increasingly specialised in processed goods, such as timber houses, advanced furniture and designer goods. There seems to be a growing market for these products and this development will probably be further explored in the future. Nevertheless employment in forestry related industries seems likely to continue to fall, due to a combination of high prices for domestic raw materials and increasing efficiency (SOU 2006, p14).

During previous decades the public sector was able to compensate for lost work opportunities in agriculture and forestry by creating new jobs in public administration, the health sector and various other services etc (Ekerberg and Wide 2000, Persson and Westholm 2004). However, since the financial crises in the beginning of the 1990´s, the number of public jobs has tended to decrease as well.

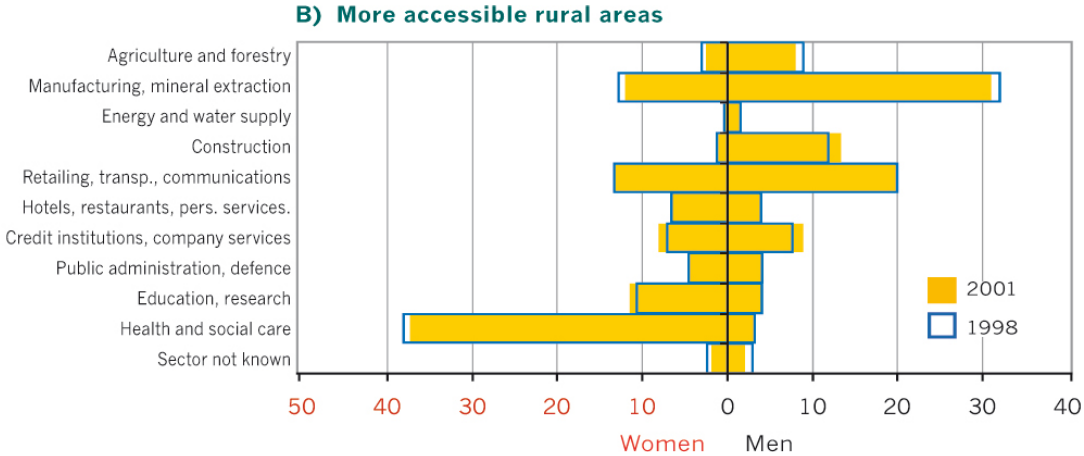
Figure 2.21 Employment structure in sparsely populated areas



Source: The National Rural Development Agency (2005)

The Swedish labour market is segregated between the sexes. Men in rural areas commonly work in the manufacturing industry, while health and social care services are the dominant source of female employment, accounting for 40% of all women in both sparsely populated areas and more accessible rural areas. In urban areas they constitute 30 % (The National Rural Development Agency, p 16 2005). In sparsely populated areas manufacturing, mineral extraction and transportation are the major sources of work opportunities.

Figure 2.22 Employment structure in more accessible rural areas



Source: The National Rural Development Agency (2005)

There are only small differences between sparsely populated areas and more accessible rural areas in employment structure. The construction sector has been growing in both areas since 1998 and today there is a general shortage of construction workers and engineers. Credit institutions and business services are another area which is not well developed in rural labour markets.

2.10 Pluriactivity

As a response to fewer work opportunities due to the withdrawal of the public, forestry and agricultural sector, farm households have become more active seeking new sources of income. The reduction of the public sector, amongst other things, has resulted in a shift in employment patterns in rural areas. Temporary employment and part-time employment has become more common among both men and women. Combinations of temporary jobs and seasonal work have always been a part of the rural society, but the role played by such arrangements has increased in recent years. New work opportunities are not found in the traditional sectors such as agriculture or forestry (since they too have decreased).

Table 2.12 Number of farm holdings, in all holding categories, with other gainful activities directly related to the holding.

	Tourism, accommoda-tion, other outdoor activities	Handi-crafts	Farm product processing, on-farm marketing of farm products	Wood proces sing	Aqua-culture	Renewable energy	Farm contracting	Other	Total
1999	1,241	314	621	505	120	203	2,928	914	5,714
2003	1,966	511	904	694	126	383	4,061	1,963	8,718
2005	2,265	558	1,104	985	183	874	4,652	2,105	9,952

Source: The Swedish Board of Agriculture
http://www.sjv.se/webdav/files/SJV/Amnesomraden/Statistik%2C%20fakta/Sysselsattning/JO30/JO30SM0601/JO30SM0601_tabeller13.htm

The farmers have responded to the situation by introducing new income sources. Since 1999 the number of other gainful activities have increased rapidly, in some cases by about 50%. There are regional differences between which OGA is present in an area since different levels of demand and distance to markets affect the new activities economical results. Being diversified, having temporary or seasonal work can though be seen as an adjustment to rural living conditions, and is therefore nothing new.

2.11 Approaches to rural development

The accession to EU was a major change for the Swedish society. Policy makers, politicians, farmers and ordinary people had to adjust to new rules, systems and programs. Sweden had already, before the EU-accession, actively tried to improve regional unbalances, especially in the north of Sweden where financial support for agriculture had existed since the 1940’s. Regional policy after the EU accession meant a shift to new end-users, increased bureaucracy and regulation, and higher levels of financing. According to several evaluations, the first years of EU policy unfortunately didn’t affect the quality of the actions taken in a positive way, compared with the older national programs. One positive result (SOU:106 p 32) was that Swedish authorities learned to systematically evaluate actions taken, trying to improve the effectiveness of future financial support both in regional and rural policy areas.

Living conditions are relatively good in Sweden as a result of earlier years of economic growth and policies of equal welfare distribution. There has, however been a decline in public services in rural areas, especially in the northern inland areas, in response to demographic trends. The governmental rural policy aim is to achieve development that is ecologically, economically and socially sustainable. Rural entrepreneurship and farming is supported by the Environmental and Rural Development plan for 2007-2013. Regional development and economic growth are supported by special programmes on the regional level, whilst at the local level municipalities work with rural development through municipal Rural Development Programmes or by the municipal Comprehensive Plans.

3 POLICY MEASURES TO MANAGE SOCIO-ECONOMIC CHANGES IN RURAL AREAS

3.1 Introduction

In Sweden the configuration of policies to support rural areas is subtly different to that of many other EU member states. There is a substantial degree of "path dependence" in this. Several contextual issues are important to an understanding of Swedish rural policy:

(i) The highly developed welfare state, regional policy, and local public sector – which have (until recent years at least) minimised urban-rural disparities in income, living standards and so on. Specifically "rural" policies were perhaps less easy to justify, - almost like positive discrimination.

(ii) The reform of Swedish agricultural policy in 1990 whetted the (urban) public appetite for trade liberalisation, and made the implementation of the CAP on accession in 1995 seem like a step backwards towards protection. In this context agri-environmental payments, to "purchase" landscape and bio-diversity public goods on behalf of urban consumers has proved the most acceptable way to "package" continued support for farmers.

(iii) Environmental concerns have also been associated with a drive to increase organic production.

(iv) In this context structural change (in the sense of creating more economically viable holdings) has to some extent lost its policy imperative. Environmental public goods and organic products may be provided at least equally effectively by small part-time farms.

The first of these issues seems to have resulted in territorial, "broad", or "bottom-up" approaches being relatively poorly developed in Sweden, whilst the other three explain the dominance of agri-environment policy within the CAP Pillar 2 programmes in Sweden.

3.2 The broader policy context for EU-funded Rural Policy in Sweden

Before describing the implementation of the CAP in Sweden it will be helpful to briefly summarise three issues from the policy context, an appreciation of which is necessary for a correct interpretation of the choices made when designing the Swedish rural development programme. The first of these is the Swedish welfare state model, regional policy and local government. The second is a set of national environmental objectives. The third is the nature and role of the voluntary sector in rural Sweden.

3.2.1 The Swedish Welfare State, Regional Policy, and the Local Public Sector

The Swedish Welfare State model embodies Social Democratic principles, and has been attributed to the wartime Finance Minister Ernst Wigforss, and to the two economists Gösta Rhen and Rudolf Meidner (Coronel 2002). During the 1950s the policy model they created, - which combined central collective bargaining, an extensive social welfare system, and strict fiscal and credit controls, - resulted in low unemployment, steady economic growth, and a reduction in social and economic inequalities. It also involved a substantial growth of public sector employment. Persson and Westholm have argued that an unintended effect of the Swedish Welfare State model has been an amelioration of regional and urban-rural inequalities:

> *"The growth of the public service sector within the welfare model seems to be a main explanation for the regional stabilisation. Public service employment increased, especially in rural areas, and state transfers to*

individuals and firms in those regions was in stable growth. Altogether, the general welfare policy (with no explicit spatial intentions), has given some of the poorest rural regions more public resources per capita than the urbanised areas." Persson and Westholm 1994

Within the environment created by the Welfare State model regional policy has, until recently been further designed to compensate for disadvantage redistribute wealth (Neubauer *et al*, 2007). The strength of Swedish local democracy, and the effective tax equalisation system (Ikonen and Knobblock 2007) are also important factors, without which it is difficult to fully understand the development of Swedish rural policy.

The Swedish Welfare State model began to disintegrate in the 1970s (Coronel, 2002). There were a variety of reasons for this, including the failure of central collective bargaining, a weakening of national credit controls, the rise of globalisation, and the increasing influence of neo-liberal economics, (the latter associated with accession to the EU). Persson and Westholm (1994) predicted that this would have serious consequences for rural areas; "when the welfare system is 'run backwards' due to recession and political change, the negative effects in rural areas may well exceed the positive effects of support mediated through agricultural and regional policy."

The reduction of the "safety net" provided by the welfare state has coincided with a change in the philosophy of regional policy, from redistribution to competitiveness and support for innovation. "This approach highlights the gradual shift in what was traditionally considered regional policy away from concentration on support to "weaker" regions and towards a refocusing on the encouragement of indigenous strength and competence building across all parts of the national territory" (Neubauer *et al*, 2007).

A further important contextual issue for rural development policy is known as "regional enlargement" (Andersson *et al,* 2007). Changing residential and travel-to-work patterns have important implications for the economic viability of public and private service delivery in rural areas. An associated issue is the debate about the restructuring of local and regional government in Sweden (ibid), which is at least in part driven by a search for scale economies.

3.2.2 The National Environmental Quality Objectives

In 1999 the Swedish government adopted 15 National Environmental Quality Objectives (NEQO). A 16th (biodiversity) objective was added in 2005. The NEQO are not a policy (with a budget etc); rather they are a set of guidelines, within which national, regional and local administrations must operate. They therefore provide an aspirational framework for the various EU and national policies described later in this chapter. The Swedish Government's aim is to achieve the environmental quality objectives within the lifespan of one generation.

The County Administrative Boards have the overall responsibility for all objectives in their regions, except the objective for sustainable forests, which is covered by the Swedish Forest Agency (Skogsstyrelsen) (The County Administrative Board of Västerbotten, 2004).

Table 3.1 National Environmental Quality Objectives

1. Clean air	9. A varied agricultural landscape
2. High-quality groundwater	10. A magnificent mountain landscape
3. Sustainable lakes and watercourses	11. A good urban environment
4. Flourishing wetlands	12. A non-toxic environment
5. A balanced marine environment, sustainable costal areas, archipelagos	13. A safe radiation environment
6. No eutrophication	14. A protective ozone layer
7. Natural acidification only	15. Limited influence on climate change
8. Sustainable forests	16. A rich diversity of Plant and Animal Life

Source: The Swedish Government (http://www.miljomal.nu/english/english.php#)

In every county the objectives are adapted to local conditions and (if appropriate) additional objectives are devised. There are three quality objectives that particularly affect rural areas;

- *A varied agricultural landscape*: "The agricultural landscape and the value of agricultural land for organic production and food production are to be protected, while the biological diversity and cultural heritage are preserved and strengthened."
- *No eutrophication*: "Concentrations of eutrophying substances in land and water are not to have a negative impact on human health, on the conditions necessary for biological diversity or the potential for versatile use of land and water."
- *A Non-toxic environment*: "The environment is to be free from substances and metals that were created in or produced by society and which can be threaten human health or the biological diversity."

(Ministry of Agriculture, Food and Consumer Affairs 2005a, p13).

The NEQO have so far generated mainly discussions, meetings and plans. It is too early to say how far they have been implemented and how effective they will be at the municipal level, but according to an ongoing study at Umeå University (Jonsson, 2006) only 25 of 79 investigated municipalities were in some degree working actively with the objectives by May 2006. The lack of implementation and financial prioritization suggests that the progress of fulfilling the NEQO may be slow.

3.2.3 The Voluntary Sector

In Sweden there is a strong voluntary sector (Ekerberg and Wide, 2000 Chapter 2). There are approximately 4,400 local Village Actions groups, and about 1/3 of all people living in rural areas are believed to be active in the voluntary sector (The Ministry of Agriculture, Food and Consumer Affairs 2006, p4). The Swedish Popular Movements Council for Rural Development (Folkrörelserådet Hela Sverige ska leva) is a good example of a Village Action movement of voluntary organisations dealing with rural and community development[10].

[10] They are estimated to engage approximately 100,000 persons, while 3 million people is said to be affected by their work (Swedish Popular Movements Council for Rural Development).

The movement was established in the late 1980´s when the Government together with NGOs started the campaign "All Sweden shall live" to encourage local initiatives and support local development, changing attitudes among decision-makers and the public regarding rural areas, and to improve national rural policies during a time when rural areas were facing many difficulties (Swedish Popular Movements Council for Rural Development, a). A Rural Parliament (Landsbygdsriksdagen) also became established and is held every second year with representatives from e.g. village actions groups. As in the 80´s many actions groups are still created as a result of some type of crisis or specific need, such as a lack of childcare, a school closing down or bad maintenance of a local village road. It generally starts with a few dedicated people, often consisting of women and newcomers, getting together (Ibid). Some village actions groups run independent village schools, others make it possible for elderly people to continue living in the village by establishing cooperative care homes. They also work with entrepreneurship, build "advance factories", assist business development, tourism development, cultural activities and run local shops. The Village Action movement is a part of the social economy in rural areas. It is non-profit and not connected to the public sector.

3.3 Swedish Agricultural Policy and the CAP

3.3.1 Post-war policy development, the 1990 Reform, and the CAP

From 1947 until 1990 Sweden had a protectionist agricultural policy, originally motivated by the need to achieve self sufficiency in food to complement her neutral status[11] (Sandberg, 1965, Rabinowicz, 2004, Lindberg, 2007). The policy was "steered" by several principles, which varied in relative importance during the four decades of its existence:

(i) A commitment to ensure that farm incomes were broadly equivalent to those in other sectors.

(ii) A counterbalancing objective of restraining consumer prices for food.

(iii) Avoidance of surplus production.

(iv) The goal of efficiency in agriculture.

In practice the main instrument was a system of import levies and export subsidies. The level of protection was fixed annually in talks between the farmers union (LRF) and the "Consumers Delegation", which set administrative prices for the main farm products. Unlike the CAP of the same period, surpluses were not a consequence of the policy because the export subsidies were largely paid through a levy on producers. Like the CAP, Swedish agricultural policy incorporated supply control measures during the 1980s, in the form of milk and sugar quotas.

It has been estimated that by 1990 public support to agriculture in Sweden was equivalent to 59% of the value of production (Rabinowicz, 1992). The Swedish producer subsidy equivalent (PSE) was higher than that of the EU for most farm products at that time. The extra cost to the consumer (consumer subsidy equivalent) was estimated at 67% of the value of consumption at farm gate prices. (ibid). Both the PSE and the CSE peaked in the second half of the 1980s.

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[11] Rabinowicz (1992) suggests the roots of the protectionist theme go back to the Depression of the 1930s.

In the late 1980s, in part due to the loss of influence by the Agrarian Party (the Social Democrats held power), partly in anticipation of the Uruguay GATT negotiations, and partly because of a general loss of public support for interventionist agricultural policy, a Reform proposal gradually materialised. This became law in 1989, and began to be implemented in July the following year.

The former price support system was to be dismantled over a five year period. The effects of the anticipated price falls (averaging about 20%) would be ameliorated in a number of ways, including "conversion grants" for farmers who reduced the area of the most highly supported crops, and "investment grants", for arable land converted to deciduous forest or wetlands. Other measures included provision of advice, a commitment for state purchase of land (under certain circumstances) and assistance for those facing bankruptcy. The quota system had already been dismantled in the late '80s, so all that remained which might be described as interventionist were income supports for farmers in very marginal regions in the North. Early forms of agri-environment policy, regional assistance to farmers in the North, and a retirement scheme for dairy farmers, remained untouched by the Reform (Rabinowicz, 1992).

Ekerberg and Wide (2000, p6) have stressed the agri-environmental aspects of the Reform: "The early 1990s can … be characterised as a new era for Swedish agri-environmental and forest-environmental policies, which again took a sharp turn with the EU membership in 1995 by re-introducing large subsidies to agriculture along with detailed regulation."

However, just a year after the Agricultural Reform, Sweden applied for EU membership, and four years later acceded to the Union. It was clear to the farming community that the implementation of the CAP would, at least in part, reverse the Reform of 1990. In consequence the vast majority of land taken out of production in return for Conversion Grants came back into cultivation in order to maximise eligibility for Arable Area Payments, and livestock numbers increased in response to headage payments (Andersson, 2005, Rabinowicz 2004).

Bruckmeier and Larsen (2002, p3) point out that the introduction of the CAP on Sweden was taken as an opportunity to strengthen agri-environment policy in Sweden:

> *"The major consequence of EU-membership was then that agri-environmental policy, dating back to landscape conservation measures (existing since 1986) was reinforced and Sweden made the "ecological transformation" of agriculture a main component of agricultural policy. For the second half of the 1990s agri-environmental policy with the three components of landscape conservation, management of environmentally sensitive areas and organic farming was characterised by ambitious objectives and high levels of support and compensation payments for Swedish farmers."*

The importance of agri-environment payments in Sweden has already been illustrated in Chapter 2. The dominance of environmental aspects of rural development policy is also clearly revealed by the description of Sweden's Pillar 2 programmes, which follows.

3.3.2 The Environment and Rural Development Programme (ERDP) 2000-2006

Although the ERDPs cover the whole of Sweden, peculiarities of the EU funding arrangements mean that, during this first programming period, some measures (which were part of the ERDP in the rest of Sweden) were administered as part of the EU Structural Funds Objective 1 Programmes of Norra Norrland and the South Forest Region.

The stated aim of the 2000-06 Environmental and Rural Development Plan was to promote the ecologically, economically and socially sustainable development of agriculture, food production, forestry and rural areas. Equal opportunities for development for men and women are promoted. The programme had two priority areas:

(i) Environmentally sustainable agriculture and Economic and;

(ii) Socially sustainable rural development. (Ministry of Agriculture, Food and Fisheries 2000, p107).

Although it was of course formulated within the guidelines laid out in the EU Rural Development Regulation (RDR), the ERDP was closely aligned with both national environmental policy (see below) and regional development policy (Regeringskansliet 2005, p13).

Bruckmeier and Larsen (2002, p18, 23) highlight the continuity with the objectives of the more limited 1996-2000 programme:

> *"The RDP signals more continuity than change for Swedish rural development – a second phase of "ecological transformation" of Swedish agriculture that started after Swedish EU-membership in 1995 with a similar programme, the Swedish environmental programme for 1996-2000…"*

> *"The RDP shows a dominance of environmental measures for agriculture. This is not a new feature of the programme, but an expression of the continuity of Swedish agricultural policy since the prior period of agri-environmental measures after EU-membership."*

3.3.3 ERDP Measures 2000-06

Twelve of the (1257/99) RDR measures were implemented by the 2000-06 ERDP (Table 3.2). Of those not implemented in Sweden, some reflect local conditions (e.g. "afforestation of agricultural land", and "agricultural water resource management"). Perhaps more significant is the failure to implement "basic services for the rural economy and population" – which it might be imagined could be helpful in remoter parts of the country.

Measures f and t, which were intended to utilise the positive environmental impact of agriculture and minimising its negative environmental impact, played a prominent role in the first ERDP. It was intended that these measures would contribute to the achievement of the NEQO in relation to the farmed landscape. (Ministry of Agriculture, Food and Fisheries 2000, p 107) Most of the remaining measures were aimed at improving the competitiveness of the countryside by facilitating and accelerating necessary adaptation of the agricultural sector to new conditions. Measures o, p and s had potential to address the needs of the majority of non-farming rural residents and businesses.

Within *Priority I (*Environmentally sustainable agriculture), area-based environmental payments were the most important in terms of expenditure. This priority also included other measures such as compensatory allowances for Less Favoured Areas, aid for environmental investments, training, aid to improve the ecological value of forests and compensation for protecting the environment in connection with agriculture, forestry and conserving the landscape, and improvements in animal welfare. The agri-environmental programme of the ERDP was structured in three sub-programmes (ibid, p110-116):

Sub-programme 1 aimed to compensate farmers for their production of collective services such as biodiversity, genetic diversity and cultural heritage values.

Sub-programme 2 supported the maintenance of an open farmed landscape through environmentally-friendly ley farming. This measure covered woodland and mixed woodland/flatland areas and northern Sweden.

Sub-programme 3 included measures to stimulate an increased use of organic production methods and measures to reduce nutrient leaching and erosion from agriculture.

Within priority II (Economic and socially sustainable rural development) the measures included investment aid, setting-up of young farmers, improved processing and marketing of agricultural products, training and measures to promote the adaptation and development of rural areas. An important part of the rural development plan comprises measures which help facilitate a diversification of agricultural holdings and promote the further processing of raw materials produced within agriculture and horticulture and the production of other services and collective services. (Ibid, p108)

Table 3.2 The 12 measures implemented in the ERDP

a. Investment in agricultural holdings
b. Setting-up of young farmers
c. Training
e. Less-favoured areas
f. Agri-environment
g. Improving processing and marketing of agricultural products
m. Marketing of quality agricultural products
o. Renovation and development of villages and protection and conservation of the rural heritage
p. Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative income
r. Development and improvement of infrastructure connected with the development of agriculture
s. Encouragement for tourist and craft activities
t. Protection of the environment in connection with agriculture, forestry and landscape conservation as well as the improvement of animal welfare

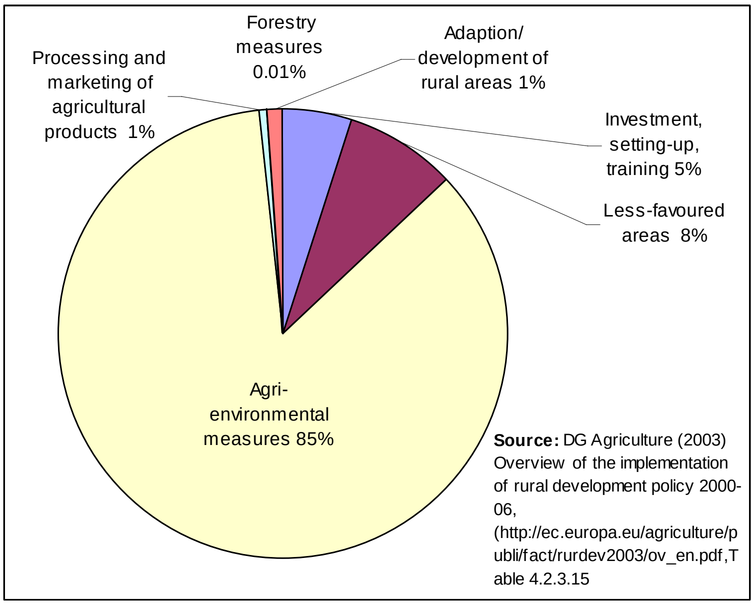
Source: DG Agriculture (2003) Overview of the implementation of rural development policy 2000-06, (http://ec.europa.eu/agriculture/publi/fact/rurdev2003/ov_en.pdf, Table 4.1.1.1

Note: *indicates measures integrated into the Structural Fund Programmes in Norra Norland and the South Forest Region. The remaining measures are implemented through the ERDP throughout Sweden

3.3.4 Distribution of ERDP Funding 2000-05

The total budget for the ERDP 2000-06 was about SEK 23 billion (€2.5bn) (Ministry of Agriculture, Food and Fisheries 2005b). About 45% was co-financed by the EU (Ministry of Agriculture, Food and Consumer Affairs 2003, p50.)

Figure 3.1 Distribution of (actual) ERDP expenditure 2000-2005



Source: DG Agriculture (2003) Overview of the implementation of rural development policy 2000-06, (http://ec.europa.eu/agriculture/publi/fact/rurdev2003/ov_en.pdf,Table 4.2.3.15

Figure 3.1 shows the distribution of expenditure of European funds by the ERDP during the period 2000-05. It illustrates well the dominance of Agri-environment measures, (at 85%). The next most significant areas of expenditure are the Less Favoured Area payments (8%) and farm investment, setting up of young farmers, and training (together 5%). The remaining measures, (including those with the potential to assist the wider rural economy) account for a mere 2% in total.

3.3.5 Assessment of ERDP 2000-06 impact, outcomes etc

The mid-term evaluation of the ERDP, which was carried out in 2003, was generally more positive. It concluded that the ERDP had contributed to ecological, economic and social sustainability of rural areas (particularly in relation to agriculture) (Ministry of Agriculture, Food and Consumer Affairs 2003.) Several of the objectives associated with Priority I had already (in 2003) been fulfilled, and those which had not, seemed likely to be fulfilled before 2007. The ERDP had also had a significant impact on the fulfilment on two of the National Environmental Quality Objectives[12].

The evaluators were more critical in relation to Priority II – where it was felt that there had perhaps been insufficient time for significant impacts to be felt. There were also concerns relating to the geographical distribution of expenditure. (Ministry of Agriculture, Food and Consumer Affairs 2003.) During the period 2000-2003 the economic support for farmers had mostly gone to those living in the coastal areas of Norra Norrland, in response to a greater number of applications coming from that area. Some measures were in fact over-subscribed. It was therefore suggested that the County Administrative Boards in

[12] A varied agricultural landscape Objective and the No Eutrophication Objective.

Västerbotten and Norrbotten should prioritise areas within their regions for future economic support.

The evaluators also criticized the programme for being too focused on agriculture at the expense of other important rural activities. The problem seems to have been more a question of implementation than programme design, since several of the key measures (in terms of providing support to the wider rural economy) were already implemented in the ERDP. The evaluators therefore suggested that the main remedy was better integration of the ERDP with other regional development programmes. In particular it was suggested that the Regional Growth Programmes should pay more attention to rural development issues. Integration between different ERDP measures could also be improved, especially between measures addressing landscape issues and other (economic development) measures within Priority II.

Bruckmeier and Larsen (2002, p46) observed that there was a danger, due to the centralised style of programme development and implementation, that the ERDP might become bureaucratically "frozen", unresponsive to local and regional needs and effectively a continuation of narrow, sectoral, agricultural policy. Interestingly they speculated that this was more likely in the southern counties, where farming is more productive, with larger scale farm businesses which are able to operate in an independent way. In the North and the Forest Districts, where the sector, and the farms, are smaller, and where pluriactivity and integration with other sectors of activity is a long tradition, they believed there was a greater chance of the implementation of the ERDP representing a broader more integrated concept of rural development.

Bruckmeier and Larsen (2002, p49) were also critical of the balance between the two sections of the ERDP (agri-environment and broader rural development), suggesting that:

> *"…measures for economically and socially sustainable development represent a weak and less-budgeted part of the programme. This imbalance between agri-environmental and rural development measures seems inadequate for the context of rural development in Sweden…. Although the diagnosis about the specific conditions for rural development in Sweden is clear in the RDP - document, the structure of measures provided by the programme does not cover sufficiently these requirements for integrated rural development: non-agricultural activities are neglected in the programme…."*

More recently the Swedish Rural Committee has also argued that there is need to further adapt the programme to regional and local conditions, working in partnership with regional development policy (Swedish Rural Committee 2005, p19, 37). The Swedish national rural development agency (Glesbygdsverket) has pointed to the need to develop broader rural policy that is not focused solely on the structural changes taking place within agriculture. Other areas such as the environment, food production and a broadening of the rural economy should become more important (Glesbygdsverket 2005, p51).

The Rural Committee has argued the need for greater simplicity of implementation (Swedish Rural Committee 2005 p37). They have also suggested that the evaluation system should be reshaped so that more attention is paid to aims, the fulfilment of aims, results and effects. (Swedish Rural Committee 2005, p39). This echoes an earlier criticism by the Ministry, related to the lack of appropriate performance indicators, which means that the EU evaluation system requires considerable investment of time and effort (Ministry of Agriculture, Food and Consumer Affairs 2003, p18).

3.3.6 LEADER+

Before discussing the current (2007-13) ERDP programme it will be helpful to complete the picture of EY-funded rural development policy in the 2000-06 period with a brief account of LEADER+ activity.

In Sweden, to be eligible for LEADER+ rural areas had to be located at least 4 kilometres from a population centre of at least 20,000 inhabitants or on archipelagos or islands with permanent residents but no bridge to the mainland. (Swedish Network for Leader+.)

The Swedish LEADER+ programme aimed to develop rural areas and thereby reduce regional disparities by;

- improving the conditions for a strong economy in the area;
- contributing to new job creation;
- increasing the value of natural and cultural heritage, and;
- improving organisational opportunities in society.

The horizontal objectives of the Swedish national programme included increased employment, gender equality, integration and preservation and development of environment. (Swedish National Rural Development Agency, 2001.)

Programme activity was carried out by 12 LAGs (Local Action Groups, Figure 3.2), which were partnerships consisting of representatives from public, private and non-profit-making sectors, (in principle one third from each). The work had a bottom-up approach based on local conditions and needs. Activities were required to be innovative in the local area, but transferable and usable in other rural areas. A national network was established to collect experiences and share them with others (Swedish National Rural Development Agency)[13].

The LAGs each base their work on one of four development themes (Swedish National Rural Development Agency 2001). These are:

a. The use of new skills and new technology to make rural products, including services, more competitive.
b. Raising the value of local products, including services, particularly by collaboration between smaller businesses in order to gain improved market access.
c. Improving the quality of life in rural areas.
d. Improved exploitation of natural and cultural resources, including Natura 2000 areas.

The groups chose the measure they considered best suited to the area's identity and local conditions. They followed a local development plan intended to take account of their area's particular opportunities and constraints.

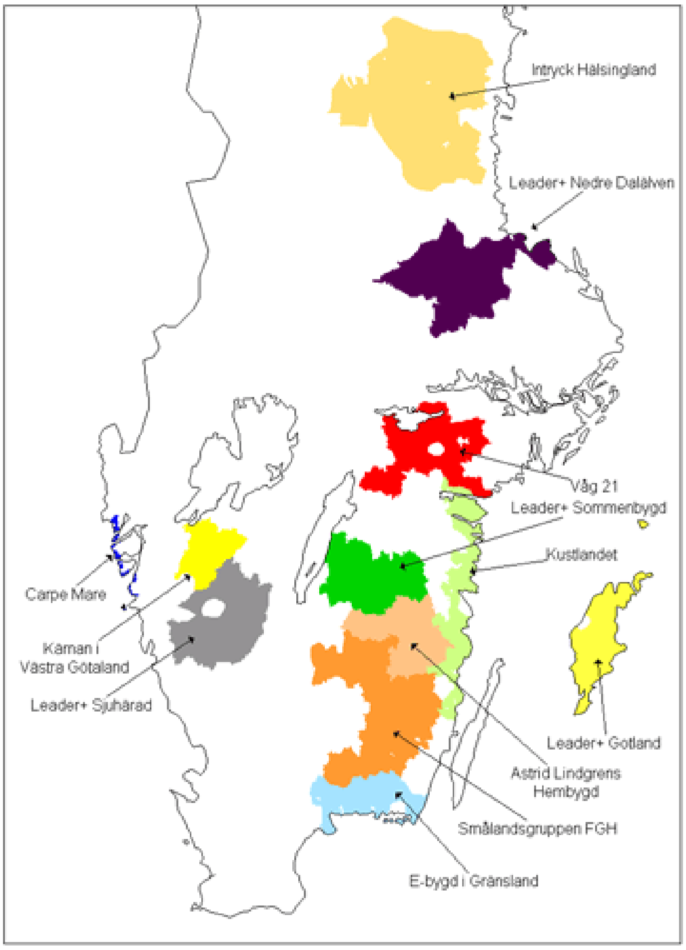
According to the mid-term evaluation the Leader+ in Sweden had been implemented in a generally satisfactory and positive manner. The case studies made by the evaluator revealed enthusiasm for the way of working in the LAGs. The method was seen as valuable and built important components of local rural development. (EuroFutures, 2003, p5.)

[13] http://www.glesbygdsverket.se/.)

Leader contributed to local mobilisation and created conditions for economic development.

However, on the negative side, a lack of focus in the process, with too many goals, and unclear administration has made it relatively expensive (Ministry of Agriculture, Food and Consumer Affairs 2006, p4). Furthermore, according to the mid-term evaluation only about half LEADER+ projects reached their objectives, especially in relation to employment and improvement of nature and cultural heritage. This can be partly explained by the fact that the projects were at the time of the evaluation, quite newly established (EuroFutures, 2003, p5.)

Figure 3.2 LEADER+ areas in Sweden. (Glesbygdsverket)



3.4 The New ERDP Programme (2007-13)

3.4.1 Budget, Objectives and Axes

The planned budget of the new programme is set at 35 billion SEK, which means roughly the same annual expenditure as in the 2000-06 period in absolute terms, probably a slight reduction in real terms.

The overall objective of the policy remains the same; to promote economically, ecologically and socially sustainable development in rural areas, through safeguarding cultural and natural assets in the agricultural landscape and minimising the negative environmental impacts of farming. Furthermore the policy aims to improve economic growth, competitiveness, entrepreneurship and rural employment. The policy is also still closely connected with environment policy and the 16 national environmental quality objectives. (Ministry of Agriculture, Food and Consumer Affairs, 2006).

However the new Swedish rural development plan must be consistent with the broad structure set out by Regulation 1688/2005, especially in terms of the balance between the four “axes”, and the minimum expenditure percentage assigned to each.

The Swedish plan assigns 15%[14] of expenditure to measures from Axis 1 (Improving Competitiveness). It is proposed that this part of the programme will promote enterprises, growth and employment by strengthening the competitiveness and economic strength of agriculture, forestry and other rural businesses. The programme will focus on production in agriculture and in forestry and on the natural resources that they manage by tradition. It is seen as supporting the restructuring and development of sustainable and resource efficient production of goods (food and other) and services which the public and private sector/consumers will continue to demand. New production technology consistent with this will be supported[15]. The programme will also focus on measures that correct negative external effects of production. The main emphasis seems to be on supporting farmers as land managers and as producers of public goods. However it is important to note that other rural actors such as entrepreneurs, forest owners and non-profit organisations will also have the same possibility to receive financial support (Ibid.)

Axis 2 (Improving the Environment and the Countryside) is planned to receive 75% of expenditure. This is substantially more than the minimum 25%, reflecting a continuing dominance of the agri-environment measures. The justification for this, it is argued, is an integrated view of the natural and cultural assets of the rural environment and landscape as a basis for development and growth in rural areas. The programme document points out that the countryside is a unique resource for rural development and growth. Farming and forestry with sustainable methods contribute to a landscape which is increasingly in demand by both private and public sector. A clean and healthy rural environment is crucial to businesses in the visitor tourism and recreation industries, especially those based upon hunting, fishing and other outdoor activities. It is also important in terms of the quality of life for new rural residents, many of whom commute to nearby urban areas. They argue that preventive healthcare and rehabilitation are important new fields for developing activities which link rural and the urban society (Ibid.)

Under Axis 3 (Quality of Life and Diversification of Rural Areas) the programme is intended to promote wider rural development. Here the intention is to allocate 10% (the legal minimum) of the programme budget to support employment creation, sustainable use of resources, and the improvement of local services and infrastructure. The programme emphasises, and will support, active local involvement via local development groups and opportunities for partnerships, thus involving the whole rural community (including non-farmers). An integrated approach to rural development is to be sought in both planning

[14] The legal minimum is 10%

[15] But, by implication new technology which will simply increase production will not be supported. It is not clear on what criteria the different sorts of technical improvements will be distinguished.

and implementation. On the basis of the overarching national strategy, objectives and priorities coordination between actions is to be strengthened and a greater regional say in the application and implementation of actions is to be sought. (ibid.)

The Leader programme will be implemented in all three of the above Axes. The overall objective of this part of the programme is to promote efficient implementation of the rural development programme by means of the added value inherent in local support, local influence and local cooperation (ibid.)

3.4.2 Assessing the prospects for a shift in emphasis within the context of the new ERDP

The Board of Agriculture claims that during the next years rural development policy in Sweden will enter a new phase, with both broadened tools and possibilities, addressing some of the criticisms of the previous programme.

However, opinion has been rather divided about how resources of the 2007-13 programme should be spent. Ultimately this may hinder the prospects for development. The fight over money (as seen in public debate and in the media) has been between interests and agencies aligned to the different axes, and in some cases seems to have weakened the possibilities of projects and ideas that overlap between axes. Although many taxpayers see “nature” as a resource they are willing to pay for, some rural development actors clearly do not think the same way.

The allocation of such a large share of the financial resources of the new ERDP to the environmental axis is indicative of the Board of Agriculture’s view that the environment is the key comparative advantage of rural Sweden, which must be exploited in new ways, and through new kinds of rural enterprise. Thus the ERDP is said to be based on “an ecosystems approach”.

Of course the previous (2000-06) programme also had a strong environmental focus. However, at this time, in the eyes of the Board of Agriculture and the regional and local planning communities, the potential “environmental entrepreneurs”, were farmers and public advisors. Within the new programme, rules and possibilities are broadened in terms of who the beneficiaries can be. The crucial question is whether the rural population at large, outside of the "green" interest groups, are prepared to develop the Board of Agriculture’s vision.

This explains why those responsible for the new ERDP are so aware of the need for adjustments to rural development governance. The authors of the new programme argue that evaluation of the 2000-06 programme had demonstrated its contribution to mobilising local action groups (some suggest up to 4,000 across rural Sweden). These have given a voice to minority groups within the rural community, and have begun to provide a balance to sectoral interests which have traditionally dominated the debate over rural policy. This shift will be effected through Axis 4 (LEADER-like implementation), and it is indicative of the importance attached to this that the Ministry of Agriculture, Food and Fisheries have submitted resources for an information campaign together with Glesbygdsverket, the Board of Agriculture and the County Administrative Boards.

Once the new programme document is approved each county will be responsible for developing their own implementation strategy, and for the distribution of funding between the different measures. The County Boards will thus have an important role in creating better conditions in rural areas since the regional focus will be stronger and the regional strategies will affect who the end users will be.

3.5 European Structural Fund Policy

European Structural Funds Policy in Sweden, like Rural Development Policy, has passed through three programming periods since accession in 1995. In each of these periods Structural Funds policy has had some impact upon rural areas of Sweden. Measuring that impact is of course fraught with difficulties, and well beyond the scope of this project. It will perhaps nevertheless be helpful to provide a brief description of the programmes associated with each period, highlighting those elements which are most likely to have benefited rural areas.

Between 1995 and 1999 most of northern Sweden (excluding a narrow strip along the coast of the Gulf of Bothnia) was designated under Objective 6. This was a special, temporary designation, negotiated as part of the terms of accession, recognising the extreme problems of peripherality, sparsity and adverse climate.

Among the 6 priorities listed in the programme document are "Agriculture, fisheries and natural resources" and "Rural and community development". A third priority provided assistance to the Sami (Lap) community and reindeer herding. The remaining priorities focussed on enterprise, human capital and infrastructure.

Katajamäki, (2002, p29) in his synthesis of evaluations of the Swedish and Finnish programmes criticised the association of "rural" and agricultural" in programmes for regions where farming is very much a marginal minority activity:

> *"In the Objective 6 Areas in the mid-1990s the significance of agriculture was low for the countryside as a whole. As far as the Commission was concerned, this had possibly not become sufficiently clear, since in its rhetoric rural development in the mid 1990s referred predominantly to agriculture and operations directly related to it, while in the national discourse in Finland and Sweden, rural development referred to the promotion of micro-businesses, rural tourism and the availability of welfare services in the countryside. Agriculture was just one functional piece in the mosaic of the various rural operations."*

Along the coast of the Northern counties, and in the forest districts further south Objective 2 and 5b programmes were implemented during this period.

The Objective 6 and 5b designations disappeared in the reform of the Structural Funds of 1999, and for the next programming period (2000-06) the North of Sweden was designated under Objective 1 (except for a coastal strip which received "Special Programme" status). Further south a patchwork of Objective 2 and "transitional" programme areas were defined.

During this period most of the CAP Pillar 2 measures were integrated within the Objective 1 programmes, (the main exceptions being Agri-environment measures and LFA, which were administered as nationwide horizontal programmes.) Much of what has already been said about the ERDP measures also applies to the rural development component of the Objective 1 programmes.

The remaining priorities in the 2000-06 Objective 1 programmes (including the Sami programme) were superficially similar to those of Objective 6 during the preceding period, and related to rural development in a broad, indirect way. The Objective 2 programmes of this period had a more urban focus, relating to entrepreneurship, infrastructure, business development, the knowledge based industries, human capital, R & D, regional marketing and so on.

During the current programming period (2007-13) there is no integration of the ERDP into Structural Fund Programmes. The ERDP has in this sense become more self contained, and separate from regional policy. The Swedish Structural Fund programme now covers the entire Swedish territory, through eight regional operational programmes, all designated under the Regional Competitiveness and Employment Objective. The Swedish National Reference Framework sets out the following priorities:

- Innovative environments and entrepreneurship
- Skills supply and increased labour supply
- Accessibility
- Strategic cross-border cooperation

Clearly each of these may indirectly benefit the territorial development of rural areas, though they are not intended as rural development instruments.

3.6 Some generalizations

The following generalisations may be drawn from the above description of policies affecting rural Sweden since accession, (these reflect both strengths and weaknesses of the Swedish experience):

(a) The Swedish public sector tradition and culture has meant that EU policies have been implemented with careful regard to the legislative rules. This is clearly positive in that the legality of the programmes or individual payments has not been questioned. However some (Katajamäki 2002, Bruckmeier and Larsen 2002) would say that during the first two programming periods this brought with it a sort of “top-down” inflexibility which constrained the ability to respond to local needs with innovative approaches. In the third programming period this issue has been addressed through regional programming and implementation.

(b) The relatively weak implementation of “axis 3” type measures addressing the development needs of the wider rural economy in Sweden is probably due at least in part to the “traditional” role of the welfare state and regional policy. This illustrates the need for careful integration of Pillar 2 policy taking account of the broader policy context of the member state.

(c) In the context of an increasingly urbanised society and culture, and after the experience of trade liberalisation (the 1990 Reform), the most acceptable rationale for CAP expenditure in Sweden drew upon the concept of the agricultural sector as a provider of wholesome pure food and environmental public goods. Hence the emphasis upon agri-environment and organic farming.

(d) The relatively generous agri-environment payments and support for organic farming have probably contributed to the continued survival of smaller less competitive holdings, as providers of public goods rather than of conventional outputs. This is evident particularly in the north of Sweden, where many holdings are cultivated in a minimal way, (cutting the grass once a year to prevent reforestation) in order to maintain eligibility for agri-environment payments.

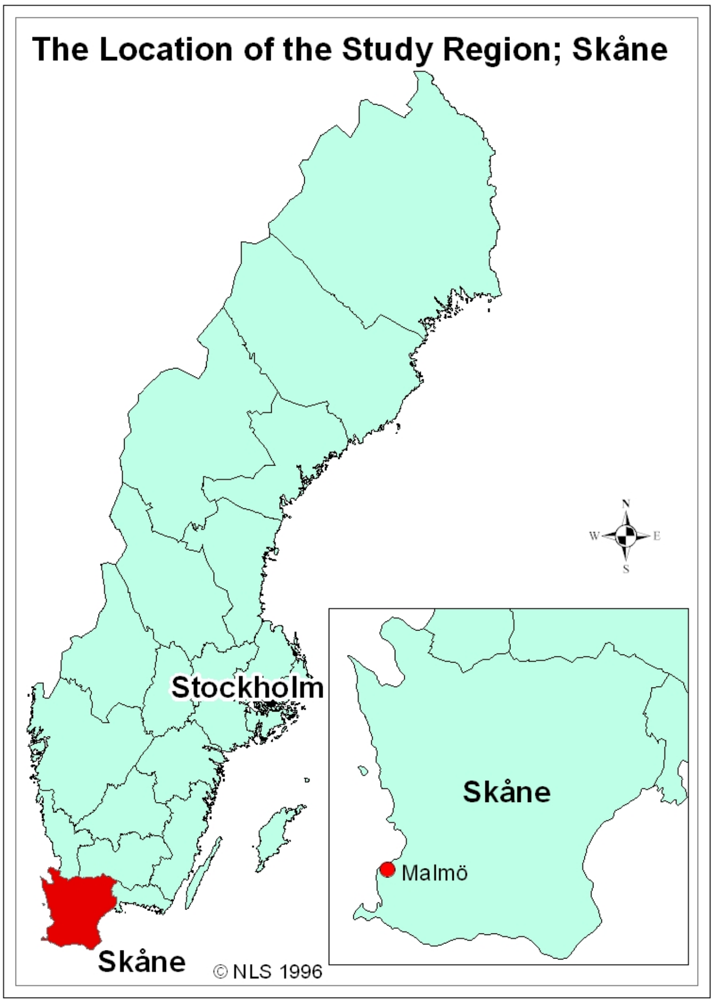
The recent increase in registered holdings, associated with the introduction of SFP points to a similar impact from Pillar 1 payments. Although the increase in the number of holdings probably does not represent an increase in agricultural activity it nevertheless provides evidence that the CAP is having some impact upon the rate of structural change. Since SFPs will provide no more than a fraction of a household income, their ability to keep people “on the land” depends upon the local availability of opportunities for remunerative activities off-farm. (This also applies to (d) above.)

4 PARTICULAR EXPERIENCE IN ONE CASE STUDY REGION

4.1 Introduction

Skåne was selected as the case study region for this report on the grounds that many would say that it has the most competitive agricultural industry in Sweden. It has both physical advantages (in terms of climate, topography, soils) and locational advantages (close to a major urban market, export gateways, and a very dynamic labour market, offering many opportunities for off-farm employment). Farm structures are also more commercially orientated in comparison with other Swedish regions. It should therefore be viewed as a region likely to benefit from the wider market access provided by EU membership, rather than from aspects of the CAP addressing structural or regional handicaps.

Figure 4.1 The Location of the Study Region



Skåne is the most southerly of the Swedish *län* (counties), and faces the Copenhagen region of Denmark to the west, across the (recently bridged) Öresund channel. The bridge provides both road and rail links and the region is gradually becoming more integrated with the economy of the Danish capital region. Skåne is one of the most accessible parts of the

Swedish territory, both via the new fixed link to Denmark, and the ports of Helsingborg and Malmö (routes to the West and North via the Kattegatt), and Trelleborg (facing Germany and the Baltic). The county is the second most densely populated in Sweden (107 persons per square kilometre), having a total population of more than 1.1 million (13% of the Swedish total) but an area only just over 11,000 square kilometres (less than 3% of the country's total).

The topography of Skåne is mainly low-lying, the highest point being a little over 200 metres. The underlying geology is predominantly boulder clay with some sand and till. The climate is mild and more maritime than most other parts of Sweden, with little snow, and a growing season of more than 200 days. The north of the county has more forest cover, whilst farmland dominates in the south. 90% of Skåne´s land area is either agricultural land or covered with forest (CAD. Interview).16 Large parts in northern Skåne are still characterised by forest and farms located there are more dependent on forestry and animal production, compared to the flat lands of southern Skåne.

Malmö (248,000) Sweden's third largest city, is situated in the southwest part of the region. During the economic crisis of the early 1990s 27,000 workplaces disappeared when industry and trade decreased in the city (www.malmo.se). When the decision to build the Öresund Bridge was taken at the national level, a vision of the Öresund region and of Malmö as a trans-national city was developed. Influenced by the European spatial planning concept of polycentricity, a network between cities in the region emerged (Plan, p.22-29). New attractive urban areas have been built where residences, workplaces and recreation are situated close to each other, in what were earlier seen as remote rural areas. From being dependent on industries, Malmö has transformed into a modern "knowledge city" which attracts both companies and people.

Malmö has thus adapted successfully to the twenty-first century economic environment. The transformation has also affected residential choices. In 2005 3,500 Danish people moved to Skåne. 2,200 of them settled in Malmö (Planering, p12). It is not only urban areas which have increase their population levels (Figure 4.2). Areas close to Malmö and the coast have increased their rural population levels, while areas in northern Skåne have a seen continued negative population trends.

The recent development of the Öresund region is more noticeable in the Malmö area than anywhere else in Skåne. The development not only affects employment in urban areas of the region. Rural areas close to Malmö or to the railway stations are also being transformed. Commuting has become more frequent and real estate prices are increasing in what were previously seen as peripheral areas of Skåne. The price of agricultural land has increased, as a direct consequence of competition from residential uses.

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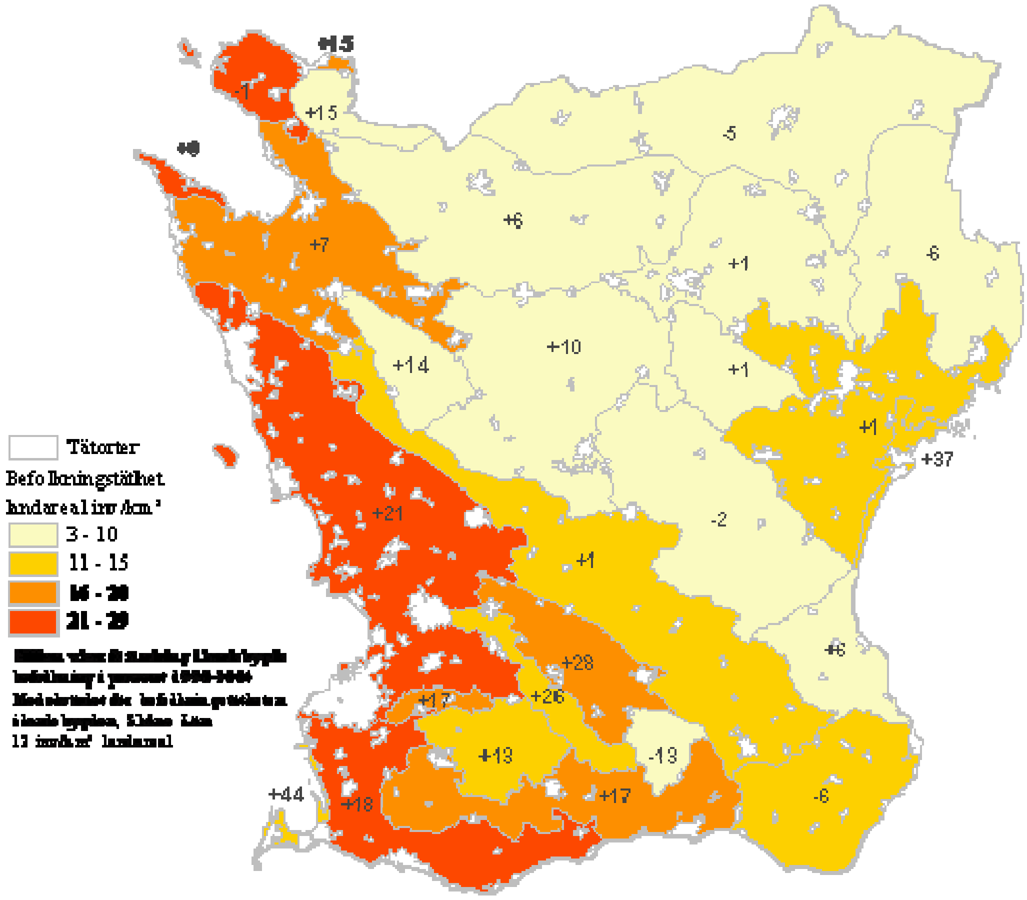
[16] 15% of this area is pasture land while 41% is cultivated (County Administrative Board, Interview)

Figure 4.2 Change of the rural population between 1990-2004 in percent

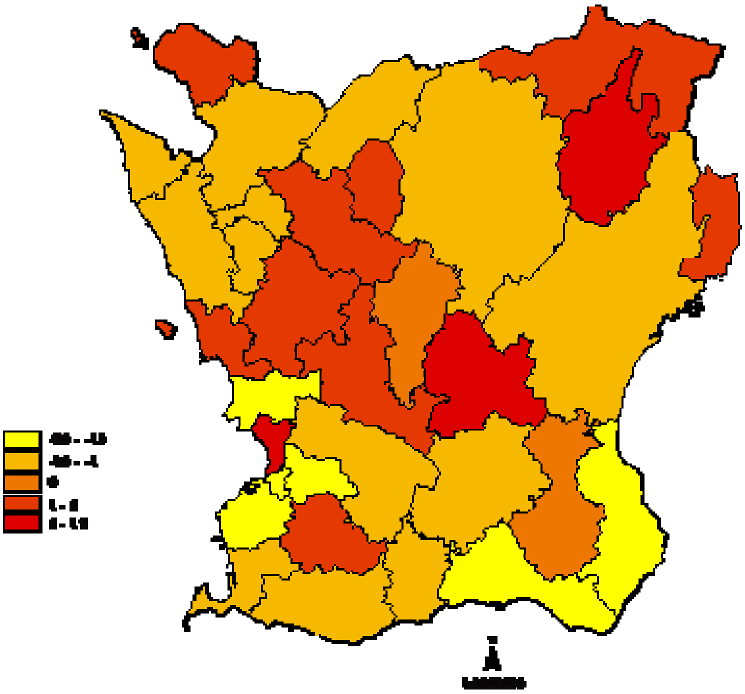


Source: The County Administrative Board, Skåne

4.2 Land Use Patterns

At 31% the proportion of land area covered by forest in Skåne is the lowest of any county in Sweden. Furthermore, with more than half its area under either arable land or pasture Skåne is by far the most “agricultural” part of the country. Urban land use is also relatively important, at over 10% of the total area. It is therefore already clear that Skåne is a county with a combination of advantages for farming, both environmental and in terms of proximity to markets.

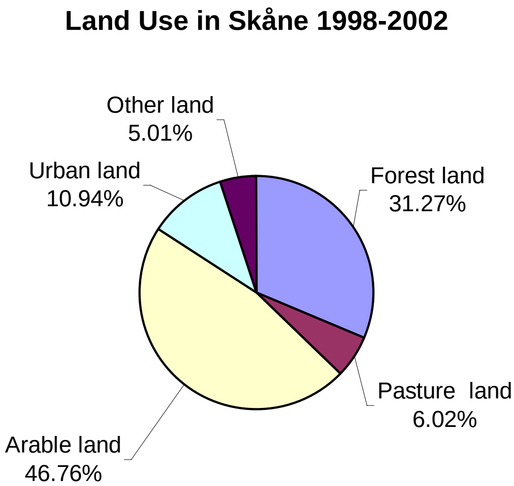
Figure 4.3 Shane's future development of arable land in percent 2003-2013.



Source: The County Administrative Board in Skåne

The County Administrative Board (CAD) in Skåne have analysed the likely impact which current changes will have on arable land area (Figure 4.3). They predict a decrease of arable land in the southwest, and an increase in the northeast part of the region.

Figure 4.4 Land use in Skåne 1998-2002



Source: Swedish National Forest

About half of the arable land in Skåne is used for cereal cultivation, and about a fifth for other cash crops (Figure 4.5). Both these proportions are significantly above the Swedish average, while the proportion under temporary grass (about 20%) is below that for the country as a whole. Cereal yields in Skåne are, on average, at least 10% higher than the Swedish average (Table 4.1), and the county accounts for between 25% and 30% of the total cereal production of Sweden (Figure 4.6). More than one third of Sweden's winter wheat is grown in Skåne. Small volumes of peas, potatoes and oilseed rape are also produced.

Figure 4.5 Use of Arable Land in Skåne and Sweden

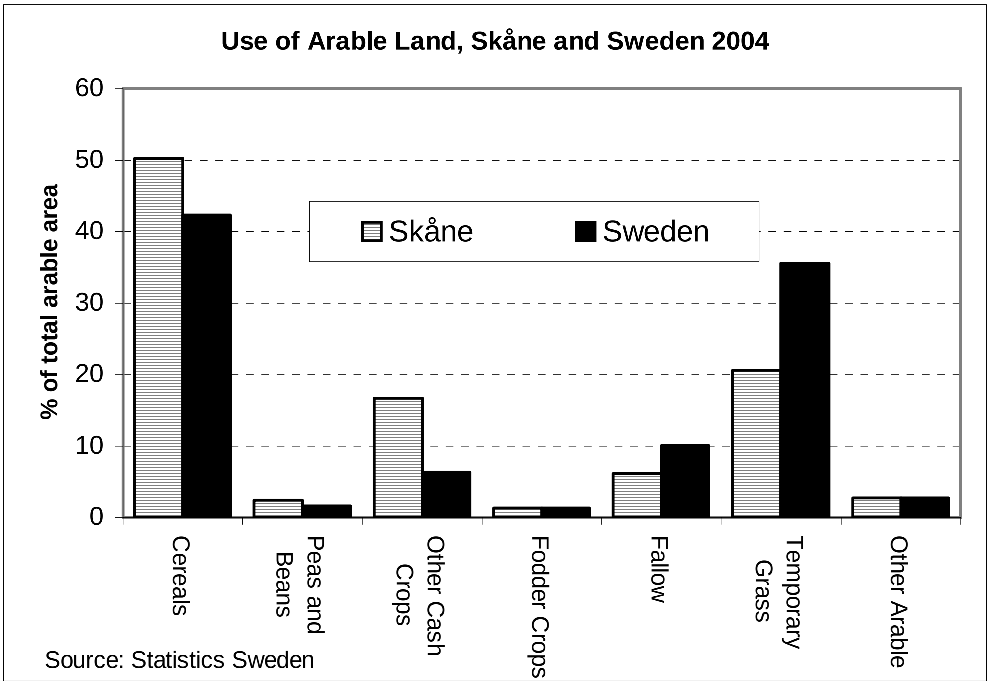
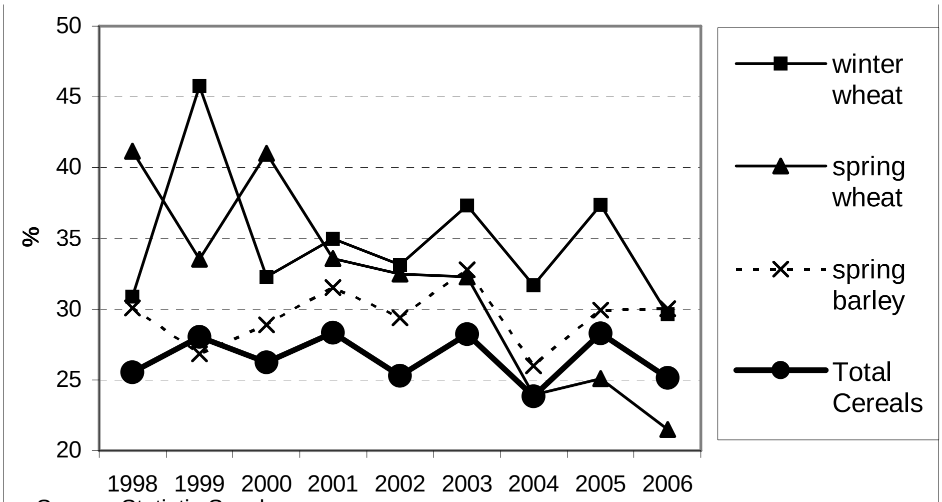


Table 4.1 Cereal Yields in Skåne 2000-06

	Average Yield 2000-06	
	Kg per Ha	SE=100
Winter wheat	7,344	120
Spring wheat	5,649	119
Rye	6,104	116
Winter barley	6,010	115
Spring barley	5,289	128
Oats	5,047	132
Triticale	5,366	109

Source: Statistics Sweden

Figure 4.6 Cereal Production in Skåne as a Percentage of the Swedish Total 1998-2006



Source: Statistis Sweden

4.3 Livestock in Skåne

The relative importance of different kinds of livestock common to Sweden may be judged by comparing the shares of the Swedish total (Table 4.2) with Skåne's share of farmland[17] (roughly 16%). Pigs and poultry are particularly important; roughly 30% of Swedish pig production and 20% of poultry numbers are located in this small county. Beef cows are also relatively important. Dairy cows and sheep are less important in Skåne.

Table 4.2 Livestock in Skåne 2003

	Skåne	% of Sweden	Sweden
	000	%	000
Dairy cows	45.0	11.2	403
Cows for calf production	34.7	21.0	165
Heifers, bulls and steers	71.5	13.6	527
Calves, under 1 year	72.9	14.2	512
Rams and ewes	19.5	9.3	210
Lambs	22.7	9.5	238
Breeding boars	2.0	50.4	4
Breeding sows	62.9	30.8	205
Fattening pigs, 20 kg and over	325.1	28.8	1,127
Piglets, under 20 kg	170.1	30.0	567
Poultry	1,013.6	22.5	4,498
Laying chickens	66.7	4.4	1,509

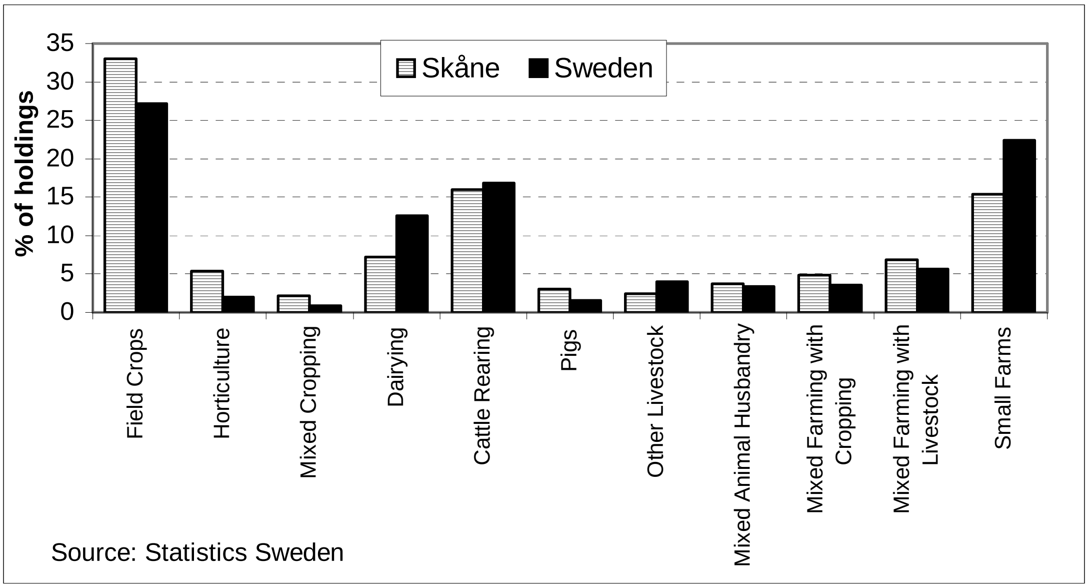
Source: Statistics Sweden

[17] Defined as arable plus permanent grass area.

4.4 Farm Structures in Skåne

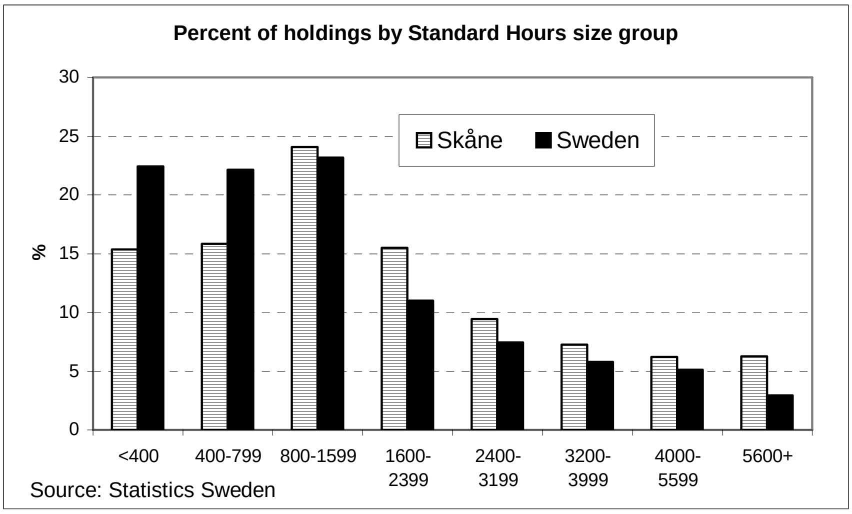
Skåne has a greater proportion of field crop, horticulture, and mixed farms, and a smaller proportion of farms in most of the livestock types, except for pig farms (Figure 4.7).

Figure 4.7 Percentage of holdings in Skåne and Sweden by Farm Type



There is also a higher proportion of farms in the larger size groups (measured in standard man hours), and fewer small farms, in Skåne, compared to Sweden as a whole (Figure 4.8).

Figure 4.8 Percentage of holdings in Skåne and Sweden by Standard Hours Size Group



4.5 Changes in Land use and Farm Structures in Skåne since Accession

The arable area of Skåne has declined by about 4% since accession (Table 4.3). This is in line with national average change, and also represents the continuation of a steady trend in place before accession. In terms of individual crops, the largest change since accession has been a 60% increase in winter wheat area between 1991-95 and 2001-05. Although there was a small increase during the 1980s the rate of change has accelerated since 1995. The increase in Skåne has been more rapid than that of Sweden as a whole. Cultivation of other cereals in Skåne has either remained fairly stable (spring wheat), or declined by between 15% and 30%. Only spring wheat has shown a significant deviation from national trends, (by remaining stable, instead of increasing, as elsewhere).

Table 4.3 Trends in arable crop areas in Skåne and Sweden 1981-2005

	1981-85	1986-90	1991-95	1996-2000	2001-2005
	Index (1991-95=100)				
Skåne					
Total arable land	103.75	102.28	100.00	98.52	96.19
Winter wheat	100.98	108.24	100.00	138.38	161.52
Spring wheat	126.95	153.73	100.00	117.07	96.23
Rye	141.95	122.45	100.00	78.95	70.15
Barley	129.30	103.63	100.00	88.39	83.50
Oats	139.97	143.69	100.00	79.83	77.99
Sweden					
Total arable land	105.76	103.48	100.00	99.73	96.56
Winter wheat	93.09	102.28	100.00	129.90	141.51
Spring wheat	219.55	201.53	100.00	132.37	142.95
Rye	141.64	129.17	100.00	77.21	63.56
Barley	151.14	123.09	100.00	99.90	85.46
Oats	142.91	130.70	100.00	90.69	76.96

Source: Statistics Sweden

The figures for livestock trends (Table 4.4) should be interpreted in the light of what we already know about the relative importance of different kinds of livestock. Thus, for example, the increase in rams and ewes is not particularly important, given the small numbers involved. On the other hand the substantial decline in pig numbers and, to a lesser extent in poultry, (especially for egg production) both suggest that these branches of farming have not been doing too well in Skåne since accession. Trends in the county seem more negative than in the country as a whole, but (in the pig sector at least) were already in train in the 1980s.

In recent years, according to the County Administrative Board an average of 2.7% of all farms have gone out of production in Skåne each year (County Administrative Board, 2007 iii, p.7). They forecast that, if current trends continue, by 2013 approximately 2,000 farms will cease production (Ibid p.7). The reduction of farms is not evenly spread among different types of farms businesses. The farm holder's age, size of the farm and line of production affect the business risk.

Table 4.4 Livestock trends in Skåne and Sweden 1981-2005

	1981-85	1986-90	1991-95	1996-2000	2001-2005
	Index (1991-95=100)				
Skåne					
Dairy cows	123.81	110.37	100.00	85.94	73.83
Cows for calf production	60.57	54.35	100.00	105.41	103.21
Heifers, bulls and steers	111.68	98.07	100.00	95.95	83.57
Calves, under 1 year	104.27	92.15	100.00	89.60	88.21
Rams and ewes	59.25	71.89	100.00	107.82	119.62
Lambs	56.57	70.18	100.00	93.18	97.99
Breeding boars	144.91	118.67	100.00	62.71	49.62
Breeding sows	121.88	103.86	100.00	98.20	76.02
Fattening pigs, 20 kg and over	122.52	98.69	100.00	99.61	81.86
Piglets, under 20 kg	137.32	117.84	100.00	70.10	53.73
Poultry	98.51	95.84	100.00	100.88	81.77
Laying chickens	83.84	70.52	100.00	71.85	49.79
Broilers	86.01	62.56	100.00	n/a	n/a
Sweden					
Dairy cows	127.94	112.29	100.00	87.91	79.18
Cows for calf production	45.18	42.99	100.00	117.84	119.57
Heifers, bulls and steers	104.98	94.43	100.00	107.69	96.65
Calves, under 1 year	104.66	92.53	100.00	92.18	90.25
Rams and ewes	94.07	86.96	100.00	105.23	113.95
Lambs	93.24	88.48	100.00	90.45	89.05
Breeding boars	143.59	117.65	100.00	63.93	42.27
Breeding sows	115.82	99.00	100.00	104.84	86.15
Fattening pigs, 20 kg and over	109.33	92.76	100.00	114.13	99.60
Piglets, under 20 kg	127.27	110.26	100.00	74.35	59.70
Poultry	105.47	106.42	100.00	93.73	83.28
Laying chickens	108.18	103.65	100.00	94.74	76.01
Broilers	79.49	64.17	100.00	105.93	163.36

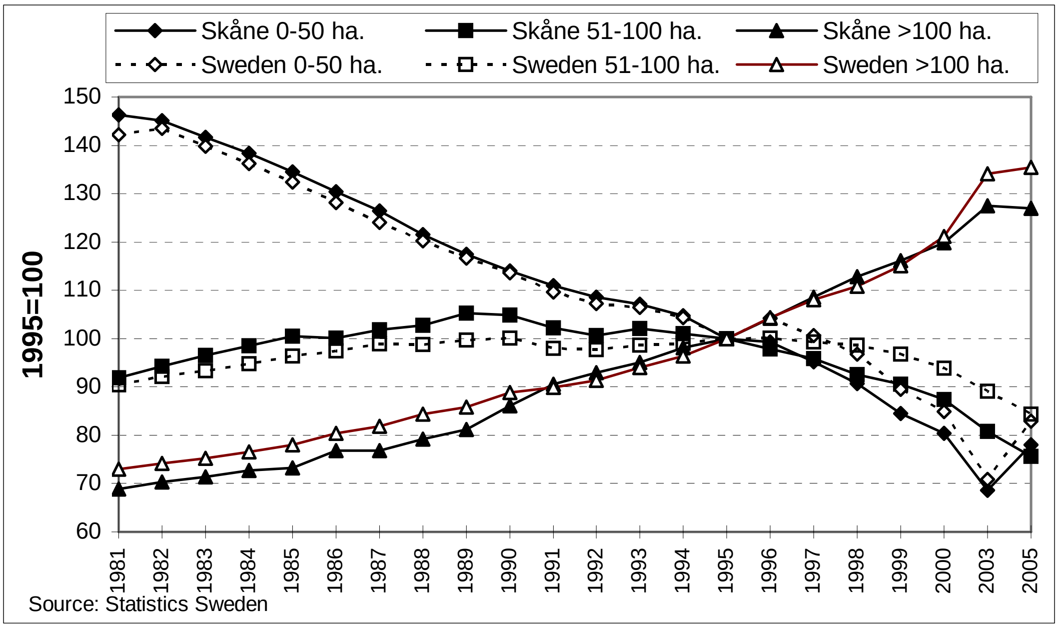
Source: Statistics Sweden

Analysis of data from Statistics Sweden suggests that in terms of trends in the number of holdings, there are three distinct groups, both in Sweden as a whole, and in Skåne in particular. Holdings of 50 hectares or less have seen a steady decline, throughout the past two and a half decades (Figure 4.9)[18]. In Skåne the decline seems to have been more rapid than in Sweden as a whole since 2000. The loss of small farm households are an direct effect of structural changes. Larger farms have the economic capability to expand their production by either buying or renting additional land. The price of agricultural land is high in Skåne, which make it difficult for smaller farms to expand their production. As a consequence small farmers often rent out their land, or seek employment elsewhere, instead of buying more farmland in order to expand their production. The number of small

[18] The "hiccup" in 2004-05 is a consequence of a proportion of small farms, previously let out, being re-registered in order to receive Single Farm Payments.

farms will probably continue to fall as long as there is a possibility to find employment elsewhere.

Figure 4.9 Trends in the number of small, medium and large holdings, Skåne and Sweden 1981-2005



The second group, "medium size holdings" (51-100 hectares), began the period on a gradually increasing trend, and ended it declining almost as steeply as the small farms. The turning point seems to have been at the beginning of the 1990s, (rather than 1995) and was therefore more likely associated with the Swedish agricultural policy reform, rather than accession and the introduction of the CAP. The Swedish and Skåne trends follow a very similar path, except after 2000, when the decline in Skåne is again more rapid than in the country as a whole.

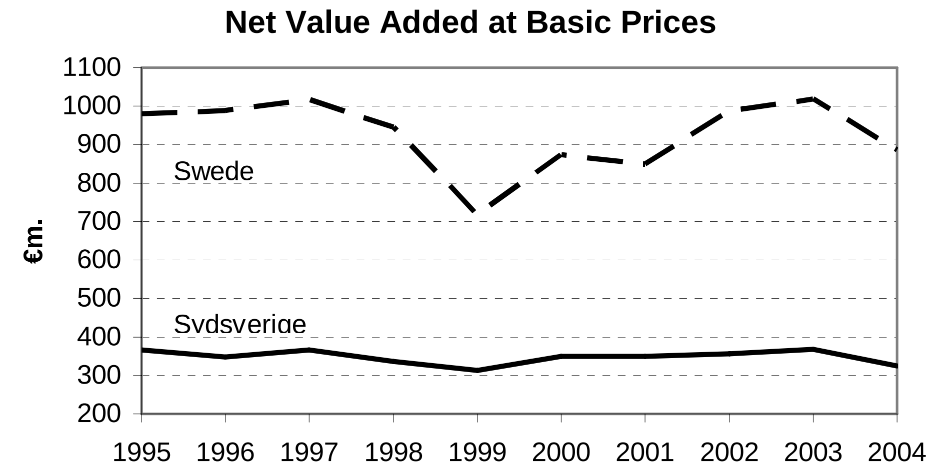
Farms of more than 100 hectares increased steadily in number, both nationally, and in Skåne county, throughout the last two and a half decades, except for the final year, when the introduction of Single Farm Payments checked the process of amalgamation (see footnote 14).

The implication of the above findings is that structural change in Southern Sweden has been largely independent of policy, being driven mainly by global technological and market factors. The only exceptions to this, are the change in trend of medium size holdings, possibly associated with the 1990 Swedish agricultural policy reform, and the interruption of the process of amalgamation in 2004-05 due to the introduction of the SFP.

4.6 Farm Incomes in Skåne

Farm income data for Sweden is available from two sources; the European Farm Accountancy Network (FADN) database, and the Swedish Board of Agriculture. Unfortunately neither data series extends back to the pre-accession period. The FADN data (Figure 4.10) for Farm Net Value Added shows that over the period 1995-2004 the NUTS 2 region of Sydsverige (Skåne+Blekinge counties) has accounted for an average of 37% of the Swedish total value added. The region seems to have been less severely affected by the decline between 1999 and 2002. During these years its contribution to the Swedish total rose to more than 40%.

Figure 4.10 Net Value Added by Agriculture, Sydsverige and Sweden 1995-2004



Source: FADN (REGIO table A2acct97

The data published by the Swedish Board of Agriculture are for average farm household income (including social transfers). These show the average Skåne farm household had an income up to 5% above the national average (Table 4.5). These data show a similar trend to that of the FADN, though year-to-year variation is less extreme, presumably due to the inclusion of non-farm income sources.

Table 4.5 Farm Household Income after Transfers in Skane and Sweden 1999-2004

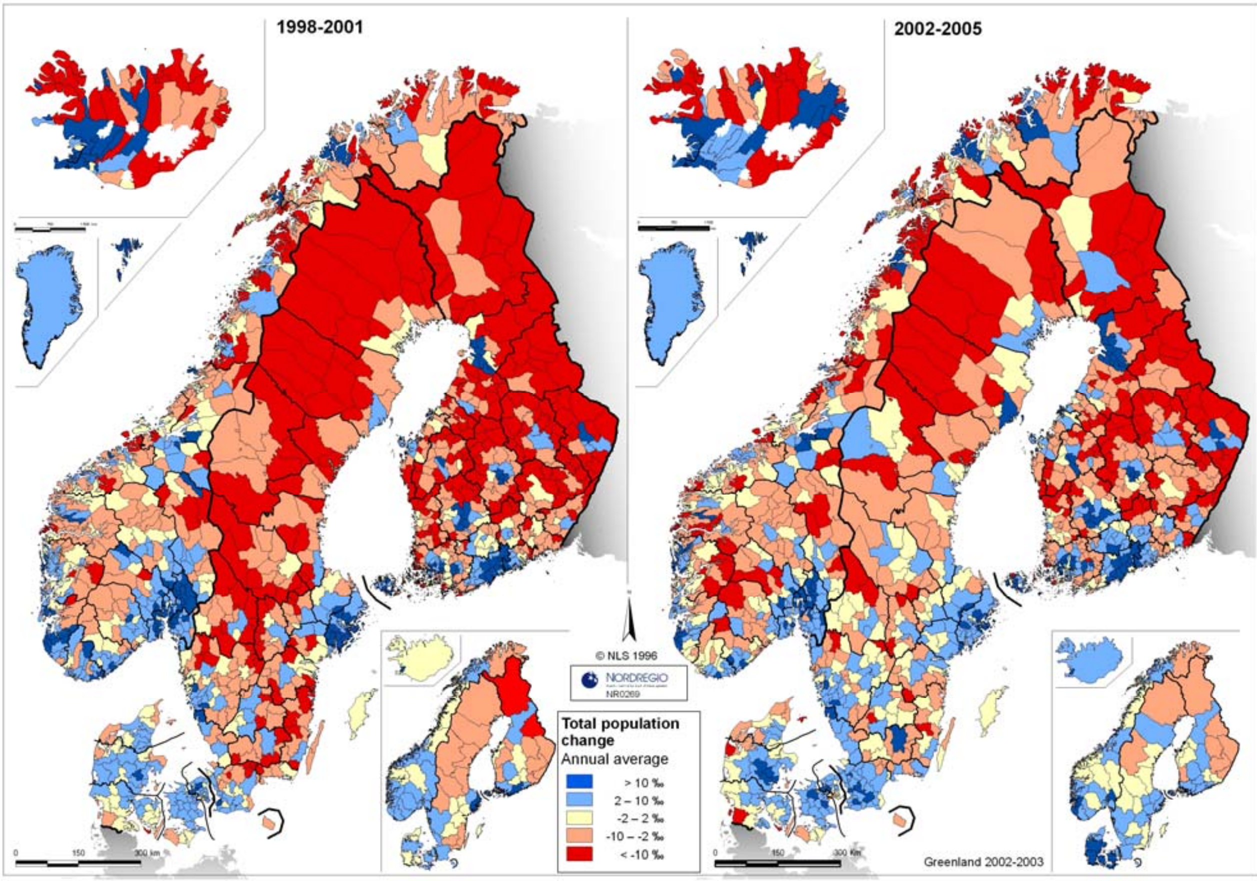
	Average Farm Household Income after Transfers (SEK)					
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
Skåne	194,726	211,469	226,700	228,600	232,900	240,100
Sweden	190,405	205,548	216,000	225,400	226,800	238,000
Skåne (%) of SE	102	103	105	101	103	101

Source: Board of Agriculture JO42 SM 0101, 0201, and 0601

4.7 Rural Population, Employment and Income Levels

The population of Skåne is very much concentrated in the urban areas, especially Malmo. According to the Glesbygdverket definition almost 83% of the inhabitants live within 5 minutes drivetime of a settlement of over 3,000 people. 17% live within 45 minutes journey time of such a settlement. Less than 1% live in areas classified as “sparsely populated” (i.e, > 45 minutes from a settlement).

Figure 4.11 Population change in the Nordic Countries 1998-2005



Since 1998 the majority of municipalities in Skåne have seen population growth (Figure 4.11), some by as much as 10% per annum.

Table 4.6 provides a selection of labour market indicators for Skåne and Sweden in 2001. Economic activity rates are usually quite uniform across regions within member states, so it is not surprising to find little difference in these indicators. It is interesting, however, to note that employment rates are lower, and self-employment rates higher, in Skåne than in Sweden as a whole. The incidence of higher education qualifications in the workforce is above the national average. This is to be expected where there are large urban centres, and is perhaps also due to the presence of one of Sweden's largest universities (Lund). Unemployment rates (both sexes, youth and long-term) are all higher in Skåne than in the country as a whole.

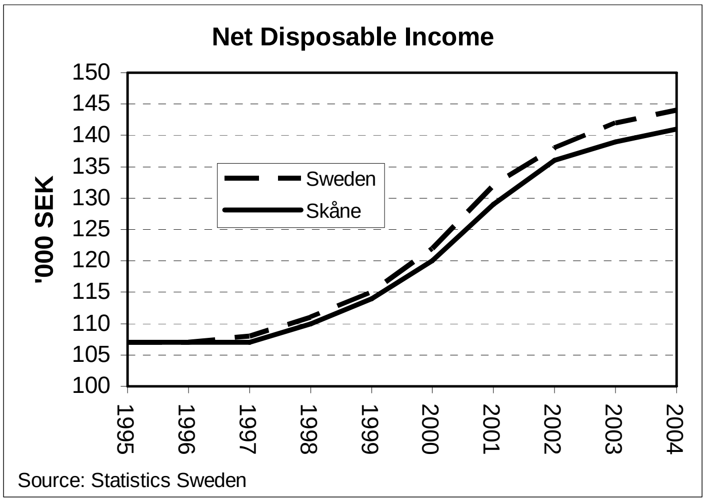
The average Net Disposable Income (across all sectors) has risen considerably (in both Skåne and Sweden as a whole) since the difficult times of the late 1990's (Figure 4.12), although Skåne has consistently lagged behind the Swedish average in this respect.

Table 4.6 Selected Labour Market Indicators for Skåne and Sweden, 2001

	Skåne	Sweden
Economic activity rate (total)	77.29	78.10
Economic activity rate (male)	81.00	80.52
Economic activity rate (female)	73.53	75.58
% of economically active <25 years	11.59	11.21
Employment rate (total)	69.27	72.70
Employment rate (male)	75.57	76.02
Employment rate (female)	69.31	71.76
% of workforce self-employed	10.56	9.94
% of workforce/population with ISCED 5+ qualification	21.12	18.72
Unemployment rate (total)	6.20	5.35
Unemployment rate (male)	6.60	5.71
Unemployment rate (female)	5.80	4.92
Long term unemployment rate	26.13	21.97
Unemployment rate <25 years	13.40	12.99

Source: Various Eurostat REGIO Database tables (see Copus *et al* 2006 for details)

Figure 4.12 Net Disposable Income, Skåne and Sweden 1995-2004



Source: Statistics Sweden

4.8 Extent and nature of pluriactivity

Almost thirty percent of farm holders in Skåne have "other gainful activities" (OGA). This is slightly below the average for Sweden (Table 4.7). In the case of just over a fifth of holders (both in Skåne and Sweden as a whole) the OGA was connected with agriculture. A little more than one-sixth of holders were working on enterprises which were not related directly to agriculture.

Table 4.7 Selected Labour Market Indicators for Skåne and Sweden, 2001

	Holdings with OGA directly linked to Farming		Holdings with OGA not directly linked to farming		All	
	Number	%	Number	%	Number	%
Skåne	2,030	21.18	1,544	16.11	2,780	29.00
Sweden	16,323	21.53	13,504	17.81	22,985	30.32

Source: Board of Agriculture Report JO 47 SM 0701

The distribution of different kinds of OGA in Skåne is known to be similar to the national average, which has already been presented above (Table 2.12).

4.9 Sectoral composition of the rural workforce

4.9.1 The Primary Sector

Approximately 25,000 people work on farms in Skåne. Many of these work part time, and this figure equates to only about 11,000 full-time jobs (Table 4.8). Although the data series has been distorted by the increase in registered holdings resulting from the introduction of the SFP, it seems that in Skåne the number of persons working in agriculture has fallen by at least 2% over 6 years. In terms of full-time equivalents (AWU) the loss has been more substantial – at least 7%. Across Sweden as a whole the equivalent changes were just 1.8% and 2.8% respectively.

Table 4.8 The agricultural workforce in Skåne and Sweden, 1999, 2003 and 2005

	Skåne		Sweden	
	Persons	AWU	Persons	AWU
1999	26,954	12,457	177,068	74,242
2003	25,086	11,082	167,950	70,662
2005	26,396	11,566	173,884	72,162

Source: Board of Agriculture Statistical Yearbook

The primary sector accounts for a little over 2% of economic activity in Skåne, and a little under 2% in Sweden as a whole[19] (Table 4.9). The share of employment in the primary sector has declined steadily since 1999, both nationally, and in the county.

Even if Skåne, and especially the southwest part of the region, is successfully modernised, a strong agricultural sector and future agricultural production is vital for the economy. 18% of all employment in Skåne is connected, directly or indirectly, to agriculture and food production. The total value of this production is 28 billion SEK (€3bn) or 10% of Skåne´s GDP (CAD Interview).

[19] These percentages, published by the Swedish Board of Agriculture, are not strictly comparable with those in the next section, which are published by Statistics Sweden, and relate to the workforce.

Table 4.9 Primary Sector Employment as a percentage of Economically Active Skåne and Sweden 1999-2005

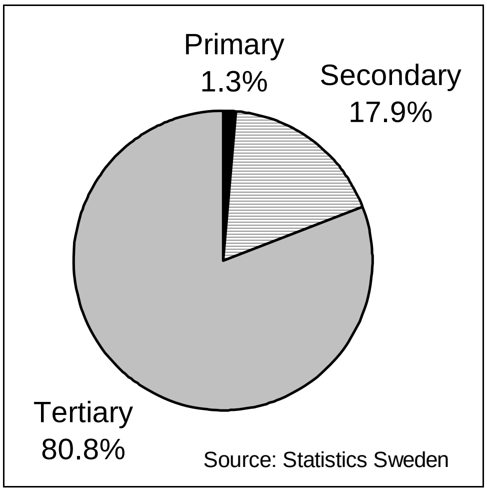
	Skåne		Sweden	
	Agriculture Hunting and Forestry	Agriculture	Agriculture Hunting and Forestry	Agriculture
	% of Economically Active			
1999	2.6	2.4	2.0	1.5
2000	2.5	2.3	1.9	1.5
2002	2.3	2.1	1.8	1.3
2003	2.2	2.1	1.7	1.3
2004	2.3	2.1	1.9	1.4
2005	2.2	2.0	1.9	1.3

Source: Board of Agriculture Statistical Yearbook

4.9.2 The Primary Sector

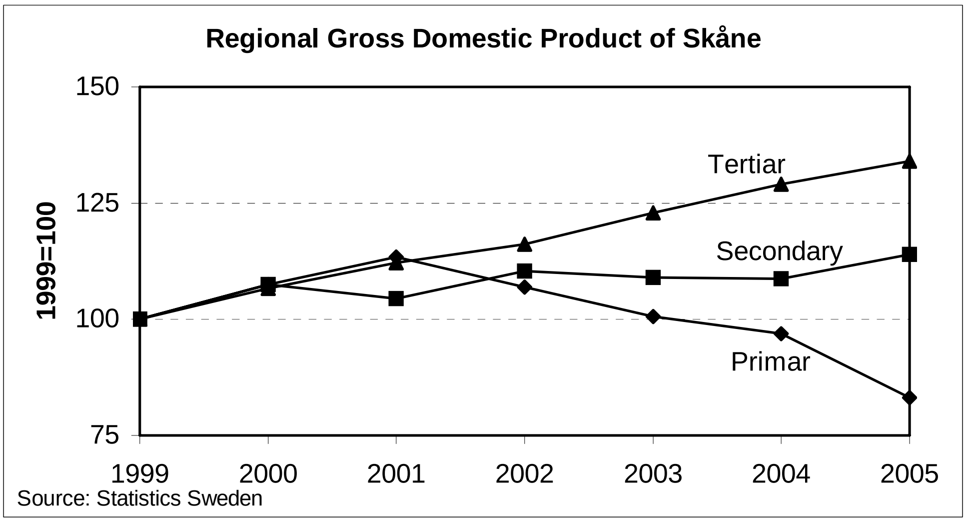
In 2005 the secondary sector in Skåne employed approximately 680 thousand people, (just under 16%) of the workforce. The tertiary sector accounted for 82%. These proportions were almost identical to those for the country as a whole. The proportions for Regional Gross Domestic Product (Figure 4.13) were broadly similar.

Figure 4.13 Regional Gross Domestic Product, Skåne 2005



The value of Regional GDP from primary sector decreased by 17% between 1999 and 2005 (Figure 4.14). That for manufacturing rose by 14%, whilst that for services rose by more than one third.

Figure 4.14 Regional Gross Domestic Product, Skåne 1999-2005



4.10 Driving forces for rural changes in Skåne

The Skåne case study has given a strong impression of the continuing importance of the market environment (rather than policy) in driving rural change and restructuring. The County Administrative Board, for example, regards ongoing structural change in Skåne´s agricultural sector to be mainly a result of increased competition rather than of accession to EU (County Administrative Board i, 2007).

One of the most powerful drivers of structural change in Sweden since accession has been the increasing consumption of imported food. The imports are mainly from other EU Member States close to Sweden such as Denmark and Finland (The Swedish Board of Agriculture 2006, p5). The consumption of imported products had already started to rise after the 1990 Agricultural Reform, when Swedish farmers were subject to increased competition, and land use adjusted as described above. However access to the wider markets of the EU will also have provided new opportunities to farmer in regions with better natural resources and accessibility.

In the case of Skåne infrastructure improvements have dramatically reinforced the impact of accession in enhancing access to markets by farmers and other rural businesses. In this way rural development in Skåne has been much influenced by the development of the Öresund region, which has had a profound effect on Skåne´s economy, employment structure and population.

5 SUCCESS FACTORS IN MANAGING RURAL CHANGES SINCE EU ACCESSION

This section is an attempt to identify the principles underlying those policy measures which have exhibited some degree of success in influencing the development of the Swedish rural economy and rural structural change over the past decade. This will initially be based upon the review of rural socio-economic trends and policies at a national level provided in Sections 2 and 3. Subsequently the views of the interviewees in relation to four selected policies in the case study region will be presented.

5.1 The National Perspective

The following “success factors” may be identified at the national level:

Devolved Programming and Implementation: In Sweden lessons seem to have been learned from the first two programming periods in terms of the style of implementation and delivery. A more flexible, regionalised, framework allows more creative inputs from local actors and stakeholders.

Integration of Rural Development into the broader Policy Context: The Swedish rural development programmes cannot be understood without reference to the national policy context and tradition (particularly the welfare state model and strong regional policy). This highlights the need for careful integration of Pillar 2 policy taking account of the broader policy context of the member state.

The Balance of Measures should reflect the (urban) Societal View of the Role of Agriculture: The relative importance of different rural development measures (structural, competitiveness, agri-environment, or broader rural development and quality of life) should reflect the level of rural economic development, urbanisation, and (urban) attitudes to the economic and societal role of the farming community.

Agri-environment Measures can have a Structural Impact: Agri-environment payments and support for organic farming can raise the survival chances of smaller, less competitive, holdings, as providers of public goods rather than of conventional outputs.

Single Farm Payments may have a Structural Impact: Decoupled Single Farm Payments may have a similar impact in terms of slowing the rate of restructuring, although this depends upon the availability of other activities to supplement farm household income, and a sufficient motivation to remain on the farm.

5.2 The Regional Perspective

As we have seen the primary reasons for Skåne’s recent prosperity relate to its favourable natural resources, position, and infrastructure improvements which have allowed it to exploit the opportunities to compete on a wider European market since accession. However this success has also been nurtured by a variety of EU, National and regional policies. A number of these were identified and discussed by the interviewees, and a brief account of their views is provided here.

5.2.1 Measure 1: The Single Farm Payments, and CAP Pillar 1 Support

In 2005 the single farm payment system funded by the EU was introduced in Sweden. The aim (at an EU level) was to decrease over-production and enhance demand-driven production. The system replaced both area based payments for crops and most premiums for animal production.

The single farm payments are intended to compensate farmers for falling prices. Since competition from imported meat, dairy products and cereals has increased during the last 15 years, this compensation payment is considered crucial for producers. In Sweden the single farm payment is administered by the County Administrative Boards (CAD) of each region, while the Swedish Board of Agriculture are the coordinating authority with overall responsibility for payments. In 2006 one fifth of the national total Single Farm Payments of €586m. was distributed to Skåne´s farmers (The Swedish Board of Agriculture 2007, p.144).

5.2.2 Measure 2: Agri-Environment Schemes within Sub-programme 1

The Swedish Rural Development Programme 2000-2006 had a strong focus on agri-environmental schemes. They have, according to evaluations had a positive effect on the Swedish National Environmental Quality Objectives. Within the programme there were 11 different schemes divided into three sub-programmes. The sub-programme 1 aim was to compensate farmers for their production of collective services such as biodiversity, genetic diversity and cultural heritage values. Farmers had to sign a five year agreement to receive the payment. The allocation in Skåne to this sub-programme was €12.4m during 2006 (The Swedish Board of Agriculture 2007, p.147).

The County Administrative Board was responsible for administering the 2000-06 agri-environmental schemes. The agri-environmental schemes had an positive effect on nitrogen leakage according to evaluations and interviews (Both HUSH and the CAD mentioned it during the interviews). Without measures to ensure an open landscape, and the maintenance of old pasture land, large areas in Skåne would have been re-forested or overgrown.

5.2.3 Measure 3: Measures from priority II (Economically and socially Sustainable Rural Development) of the ERDP

Training was one of the measures included in Priority II of the ERDP and these measures were administered by the CAB in each county. The national aim of this measure was to provide training for 15,000 participants during the program period. Participation in training measures has been free of charge. Since the measure was a part of Priority II of the ERDP the overall aim have been to enhance a shift in Skåne´s agricultural production towards a less specialised and more diversified production system. Another aim was to complement other measures such as investment aid, start up aid to young farmers and to increase impact of those measures. The total national cost for this measure in 2003 approximated to €13.9m (SOU 2003:105, p.171). In Skåne several projects enhancing farmers’ skills and knowledge have been carried out during the period 2000-2006. Results of an evaluation of 6 training measures in Skåne, was primarily positive. Most of the participants had increased their skills and knowledge while going to training. On a scale from 1 to 4, (where 4 is the most favourable assessment), the *average* score on most questions was over 3. A summary of the evaluation is provided in Table 5.1 Of those participating in Skåne´s training measures most had turned there new knowledge into practice. The training was a source of inspiration, a way to find new partners to collaborate with, and a way to develop new products.

Training activities have not affected the participants alone. The County Administrative Board stated in the interview that they also see a direct positive effect on the environment due to this measure.

Table 5.1 Evaluation of training measures

Question	Mean
Information	2,97
Training material	3,17
Teaching	3,34
Methods	3,38
Content	3,30
Overall impression	3,39
Increased knowledge	3,13
Inspirational	3,13
Put new knowledge into practice	2,58
Will participate in another course	3,12
Total	3,15

Source: The County Administrative Board 2007 ii

5.2.4 Measure 4: A Skåne Policy: The regional strategy for rural development

The CAB in Skåne is currently involved in developing a regional strategy for rural development after a request from the Swedish government. The process has created a large interest, especially on the local level among Skåne´s municipalities. The upcoming regional programme will provide a comprehensive approach to deal with sustainable development in Skåne (CAD Interview).

To achieve more sustainable agriculture production in Skåne capital investments, specialisation, skilled labour and possibilities to develop small-scale food production are all necessary according to the Skåne County Board. The regional strategy for rural development for the period 2007-2013 will seek to ensure increased competitiveness for agriculture and forestry, improve environmental conditions and landscape development, and increase diversification and quality of life in rural areas. Measures taken by the regional strategy are also important for the fulfilment of the national environmental objectives "a varied agricultural landscape".

5.2.5 Key Success Factors (Across these Policy Measures)

Agricultural and rural policies have aimed to ensure the continued viability of rural areas and of the agricultural sector, and yet rationalisation and structural changes, both in the case study area Skåne and across Sweden, continue. Interviews and written sources both conclude that these changes were inevitably, even if Sweden had not joined the EU in 1995. "Further structural changes have probably been prevented due to the membership in EU" is a comment made by one of the respondents (HUSH interview). The alternative to EU membership, was a fully unregulated market, which would probably have accelerated the rate of structural change. There are also some (perceived) negative changes directly linked to the membership such as regulations regarding set-aside[20] etc, but these changes can still be considered as negligible, compared to other events.

In Skåne diversification is less important then in other areas of Sweden. The reason for this is that conventional agricultural production is regarded as relatively successful, compared to other Swedish regions. The County Administrative Board thus argues that the accession may have had a negative effect on the extent of diversification since it became more profitable to produce agricultural products in large scale. Instead of investment into other gainful activities, most farmers have had a part-time job outside the farm.

The picture is now changing as it is becoming less profitable to produce agricultural products, and Single Farm Payments are decoupled. Many smaller farmers either sell or rent out their farm land to larger farm holdings, or do investments in small scale food processing (HUSH and CAD Interviews). Diversification is therefore becoming more important.

Measures such as training or investment aid can help farmers to diversify, since expensive investments often are connected to these activities. However, it has been hard to identify direct effects of training in evaluation etc, but they are regarded as successful when it comes to environmental improvement and small scale food production. Investment aid is seen as important by the respondents in this study, since financial outputs from production in Skåne are *perceived* to be low. Investment aid give farmers an opportunity to modernise, develop there production and adjust to the market. Start up aid to young farmers is another measure highly regarded by the respondents, since the average age of farmers is high.

For the future the respondents are putting a lot of hope into Skåne´s regional rural development programme. Among other things one respondent is hoping that it will introduce LEADER-like approaches, which have not been very prominent or successful in the county in the past.

Production and economical outcomes from agriculture would probably been different without the membership. Agriculture production was deregulated in 1990, but these conditions were changed later due to the accession. The deregulation in 1990 is described by the HUSH as a paradigm shift, leaving farmers in an insecure position since it resulted in a demand driven production and market prices. The system was used until Sweden became members in the EU. Agriculture payments and regulations were then reintroduced, which had a big impact on the farm households. This suggests that a more complete adaptation to market prices and the structural changes in Skåne would have occurred earlier than they actually did, if Sweden had not joined the EU. The accession and implementation of the CAP in 1995 was almost regarded as a step backwards to a protectionist agricultural policy by many Swedes and also by Swedish farmers. The MTR in 2003 was therefore necessary, if financial support to farming was to continue, and have public support. The MTR in 2003 had a positive outcome since it decreased overproduction. It also shifted the focus more towards rural development (HUSH Interview). On the downside, the MTR increased the administrative exercise, which has affected both authorities and farmers negatively (CAD Interview).

[20] These regulations have now been changed, since world market prices on cereals have increased.

6 CONCLUSIONS

Sweden's experience of EU accession and implementation of the CAP is probably unique. The starting point was very far from a "blank page". What was required was a careful and sensitive integration of EU policies into a well-established and finely balanced national system. However, whilst other member states have experienced the process of reconciling and integrating a highly developed national policy framework with European-wide policies, few, if any, have been obliged to dismantle a liberalising agricultural policy reform which had barely had time to "bed in". This has undoubtedly had a strong influence upon public perceptions of agricultural and rural development policy in Sweden, and, indirectly, upon the choices made by those who have designed and implemented the Environment and Rural Development Programme.

It is clearly essential that a discussion of the impact of EU accession upon rural structures and livelihoods takes account of this unique context. It is particularly difficult in the Swedish case, to have a clear view of the "counterfactual" scenario – i.e. what would have happened if Sweden had not joined the EU – because the medium-long term outcome trajectory of 1990 reform could not be reliably established by 1995. Indeed farmers were already taking possible accession into account in their business planning well before the Reform had been "phased in".

Bearing in mind the above provisos, what lessons can be learned from the Swedish accession experience which may have a wider relevance and application?

(a) The implementation of the CAP, especially Pillar 2 cannot take place in isolation from the existing policy context, or indeed the national "policy culture" and traditions. Successful implementation is more likely if potential overlaps, duplication or conflicts are minimised, and if it incorporates tried and tested approaches which are familiar to both the participant rural population and to urban "spectators". In former socialist countries the details of the existing policy milieu are likely to be rather different from those of Sweden, but the same basic principle applies.

(b) A particularly important aspect of this issue relates to the common perception of the role of agriculture. In Sweden it was important to try to avoid the impression that the CAP was a simple reversal of the 1990 Reform (although it was still perceived as such by some). Embracing a "post-productivist" view of the countryside/farm function, primarily for consumption of environmental public goods for the urban population, leading to a strong emphasis upon agri-environment measures, was the found to be appropriate solution for Sweden. In less urbanised member states, where agriculture remains an important production sector, and a source of livelihood for many rural residents, this would probably not be appropriate, and a greater emphasis upon restructuring for competitiveness might be implied.

(c) The third lesson is perhaps more independent of the national milieu. This relates to the need to build into the implementation arrangements the facility to respond to regional variations in the rural situation, preferably through some kind of "bottom-up" involvement of the local representative organisations. This may not be easy where social capacity is less well developed. Nevertheless an inflexible, horizontal, sectoral approach is unlikely to be effective in the medium-long term.

(d) On the whole the rate of structural change in Swedish agriculture has not changed very much since accession. The regional case study gives the impression that technological trends and the market environment have had more impact, both upon structures, and the profitability of rural livelihoods. A rather striking exception to this has been the recent increase in the number of registered holdings which the Swedish Board of Agriculture links to the introduction of the Single Farm Payment. It is important to recognise, that this is probably mainly a statistical affect. Nevertheless it does suggest that policy arrangements can have an impact upon patterns of land holding (if not land use).

(e) Finally, it has been argued that both agri-environment payments and Single Farm Payments can have the effect of slowing down structural change, because they can make it possible for small, marginal holdings to survive, to some extent independent of market trends, particularly if they are accessible to opportunities for off-farm work.

It is unfortunately inevitable that these “lessons” are generic rather than specific, given the considerable differences between rural Sweden, and its policy environment, and the majority of newer EU member states. However it is to be hoped that together with the findings of the other, parallel, case studies carried out by the SCARLED consortium, they may add up to a useful body of recommendations and guidelines.

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Annex

Interviews:

Lantbrukarnas riksförbund (LRF):

The Federation of Swedish Farmers (LRF) is Sweden's only interest and business organisation representing those who own or work on farm and forest land. LRF seeks to create the appropriate conditions for sustainable and competitive companies and to develop a favourable base for social life and enterprise in rural areas. LRF is not affiliated to any political party and is an independent organisation which finances its activities by membership fees, combined with returns on asset investments and business operations.

- Pia Sandell (vice director in Skåne) and other staff members at LRF in Skåne.

The Rural Economy and Agricultural Societies Kristianstad (HUSH):

The Rural Economy and Agricultural Societies is an independent member's organisation dedicated to enhancing an enterprising spirit in rural areas and promoting a healthy environment in the country as well as in the cities. There are agricultural societies in every county. There are one of the oldest rural organizations in Sweden and have been involved in most issues relating to rural development during recent years.

- Christer Yrjas. Responsible for Rural Development in Skåne

The County Administrative Board in Skåne (CAD)

The function of the County Administrative Boards is to be a representative of the state in their respective counties, and serve as a link between the inhabitants, the municipal authorities, the Central Government, the Swedish Parliament and the central state authorities.

- Christina Håhus, Agricultural division CAD Skåne.
- Richard Gullstrand, Agricultural division CAD Skåne.