

This article was downloaded by: [Aarhus Universitets Biblioteker]

On: 15 June 2010

Access details: Access Details: [subscription number 912931706]

Publisher Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



Journal of Environmental Policy & Planning

Publication details, including instructions for authors and subscription information:

<http://www.informaworld.com/smpp/title~content=t713433817>

Generating Policy Capacity in Emerging Green Industries: The Development of Organic Farming in Denmark and Australia

Carsten Daugbjerg^{ab}; Darren Halpin^c

^a Department of Political Science, Aarhus University, Denmark ^b Research School of Social Sciences, Australian National University, Australia ^c Department of Public Policy, The Robert Gordon University, UK

Online publication date: 11 June 2010

To cite this Article Daugbjerg, Carsten and Halpin, Darren(2010) 'Generating Policy Capacity in Emerging Green Industries: The Development of Organic Farming in Denmark and Australia', Journal of Environmental Policy & Planning, 12: 2, 141 – 157

To link to this Article: DOI: 10.1080/15239081003719201

URL: <http://dx.doi.org/10.1080/15239081003719201>

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: <http://www.informaworld.com/terms-and-conditions-of-access.pdf>

This article may be used for research, teaching and private study purposes. Any substantial or systematic reproduction, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

Generating Policy Capacity in Emerging Green Industries: The Development of Organic Farming in Denmark and Australia

CARSTEN DAUGBJERG^{*,**} & DARREN HALPIN[†]

^{*}Department of Political Science, Aarhus University, Denmark

^{**}Research School of Social Sciences, Australian National University, Australia

[†]Department of Public Policy, The Robert Gordon University, UK

ABSTRACT *In many cases, when governments commit themselves to green policy targets, they also imply the development of 'green' industries to reach those targets. But, how do governments foster the development of such industries? This is particularly relevant because such industries are often in a very early stage of their evolution. Taking the case of organic farming, we argue that the state's ability to foster 'policy capacity' is critical to the emerging development trajectories of such industries. Focussing on the state's ability to generate policy capacity in the Danish and Australian organic food sector, this article suggests that policy capacity develops as a result of high levels of state and associative capacity and the ability to create conditions favourable for corporatist deliberation. The comparative study undertaken demonstrates that these conditions are met in the Danish case, resulting in a high level of policy capacity. By contrast, Australia suffers from a low level of policy capacity as a result of low state and associative capacity and lack of corporatist deliberation.*

KEY WORDS: State capacity, interest groups, intermediation, policy capacity, organic farming

Introduction

The vision of a green economy, as articulated by political leaders on both sides of the Atlantic Ocean, relies on the assumption that the industrial sector will turn to cleaner production technologies and that new green industries will emerge and generate income and create new jobs. However, the last 30 years of experience shows that green industries do not necessarily come about by themselves and that relying entirely on the market is not a suitable strategy to bring about the green economy, and particularly not as fast as desired by environmentalists

Correspondence Address: Carsten Daugbjerg, Department of Political Science, Aarhus University, Bartholins Allé 7, DK 800 Aarhus C, Denmark. Fax: +45 8613 9839; Tel.: +45 8942 1283. Email: cd@ps.au.dk

and people concerned about global warming. With the recent weakening of neo-liberalism as a result of the general financial crisis, it has become apparent that the government too has an important role to play in the promotion of the green economy either by providing contexts favourable to green industry development or by engaging directly in the promotion of environmental friendly industries. This article considers intervention in one such green infant industry sector: the organic farming sector.

Environmental policy research has been concerned with identifying which environmental policy instruments to introduce to stimulate green production. This research often concentrates on establishing the effectiveness of a single environmental policy instrument. For instance, Andersen (1994) concentrates on the environmental performance of green taxes and Svendsen (1998) analyses the cost-effectiveness of tradable pollution permits compared with emission charges. However, focussing on the instruments themselves serves to de-emphasize the importance of the institutional setting within which the instruments are designed and, not least, implemented. Institutional settings have independent and important impacts on the choice and effectiveness of instruments (e.g. Linders & Peters, 1989). The choice of instruments is, in and of itself, not necessarily a decisive factor. It is more likely to be the capacity to make them work which explains success or failure. As pointed out by May (2003, p. 225): 'the value of a particular instrument is shaped as much by the political context in which it is employed as by the inherent features of the instrument'. Therefore, environmental policy research should also direct attention to the institutional setting.

Such studies are already on offer. For instance, Jänicke (1992) applies an institutional approach to environmental policy performance and Scruggs (2003) analyses the impact of corporatism on environmental performance. These institutional studies have a very limited focus on policy content, preferring instead to emphasize the impact of macro-level institutions (degree of corporatism in a country) on environmental performance. However, institutional analysis has to be disaggregated to the sectoral, or even sub-sectoral, level to establish the impact of institutions on environmental performance because it is usually at these levels that environmental policies are designed and adopted (Daugbjerg & Sønderkov, 2009).

The concept of policy capacity, defined as the ability of states 'to marshal the necessary resources to make intelligent choices about and set strategic directions for the allocation of scarce resources to public ends' (Painter & Pierre, 2005, p. 2), is useful in obtaining insights into the ways in which workable instruments are chosen and implemented at the sectoral or sub-sectoral level. Policy capacity refers not only to the ability to choose policy instruments which—from a technical perspective—are effective, but also refers to the ability to make an informed choice of policy instruments that 'fit' a particular political and economic context, are consistent with norms and expectations among the target group (key stakeholders) and thus have a reasonable chance of being successfully implemented. Finally, policy capacity also refers to an ability to adjust policy as the environment in which policy is implemented evolves (Painter & Pierre, 2005, p. 10). This does beg the question, which factors generate policy capacity? While state and associative capacities have long been recognized as key conditions, the way in which they must be combined to generate policy capacity has received less attention. Therefore, in this article, we elaborate on the way in which state and associative capacities are to be brought together to generate policy capacity. The organic

farming sector provides excellent opportunities for exploring the conditions under which states can generate policy capacity to engage successfully in the promotion of new green industries.

Hence, in this article, we undertake a comparative analysis of policy capacity development in the organic sector in Australia and Denmark. We ask why the Danish state has had the capacity to engage intensively in organic sector growth while the Australian government lacks the capacity to engage in the sector and has been unable to set up even the most basic regulatory framework to facilitate domestic organic sector growth. This is a bit of a puzzle considering that historically, both countries have experiences and traditions with close cooperation between state and organized interests in the agricultural sector (Daugbjerg, 2005; Halpin, 2005). Further, given the rapidly growing markets for organic food in major markets such as the USA, Germany and the UK up until late 2007, and given that some European countries, such as Austria and Denmark, have been quite successful in state-sponsored promotion of the organic industry, one may wonder why the Australian state has not been able to effectively engage in promoting the organic sector.

The two cases have maximum variation on the dependent variable (policy capacity). Thus, we maximize experimental variance which, from a comparative research methodological perspective, provides the best conditions for producing robust conclusions on the impact of the independent variables in small *N*-studies. The study is based upon a variety of data sources such as official government documents and statements, industry reports and statements and high-quality second-hand literature.

Elaborating Policy Capacity

It is generally recognized that *both* state capacity and associative capacity are needed to create policy capacity (see, e.g. Atkinson & Coleman, 1989; Peters, 2005; Weiss, 1998¹). Peters (2005, p. 83) points out that such a situation 'may be the best of all worlds, given that there can be some choice and mix of instruments to achieve policy goals'.

The state is not a unified actor and its capacity varies significantly across policy sectors (Smith, 1993). Therefore *state capacity* is a sector, or even sub-sector, concept. To generate capacity, a state agency must possess resources, such as policy expertise, professional staff and financial resources, and there must be some degree of organizational continuity (Atkinson & Coleman, 1989, pp. 51–53; Painter & Pierre, 2005, p. 10; Skocpol & Finegold, 1982). Moreover, it must be characterized by the absence of competing decision-making centres within the state in relation to the policy field concerned. Finally, the state agency must demonstrate political willingness to commit itself to deploy these capacities actively and engage in industry development. *Associative capacity* occurs when interest groups in the policy sector concerned are non-competitive, representative and able to generate systematized information regarding the environment in which intervention is to take place. Furthermore, they must have relative autonomy from their members, thus enabling them to discipline their members, whether through persuasion or through selective incentives, and deliver their commitment to comply with the policy measures chosen (Atkinson & Coleman, 1989, pp. 53–54; Peters, 2005, p. 81).²

While there seems to be an agreement that coordination between state and civil society is crucial in obtaining policy capacity, the way in which the interaction between state and society is to develop is less clear. In accounting for the importance of state–society relationships for policy capacity, Peters (2005, p. 80) repeats the key argument of the corporatist and policy network literature, which views the resource exchange relationship between the state and interest groups as essential. However, the fact that state and interest associations recognize that they are mutually dependent upon each other's resources may not, itself, be sufficient to produce high levels of policy capacity. Weiss (1998, p. 38) introduces the concept of governed interdependence which refers 'to a relationship, in which public and private participants maintain their autonomy, yet which is nevertheless governed by broader goals set and monitored by the state'. This particular relationship is vital to 'the state's ability to use its autonomy to consult and to elicit consensus and cooperation from the private sector' (Weiss, 1998, p. 39). For governed interdependence to develop, two conditions are essential. Firstly, it requires venues for repeated interaction in which the parties regularly meet to discuss and decide on policy issues. These may be formal committees, or more or less explicitly stated procedures for informal continuous interaction. Secondly, a shared policy principle must develop which will underpin subsequent policy choices (Weiss, 1998, p. 38).

The concept of governed interdependence seems to assume that the state and interest groups' representatives enter into negotiations with fixed preferences. By contrast, the concept of corporatist deliberation, as elaborated by Mansbridge (1992, pp. 41–47), allows more room for alterations in preferences during negotiations. In corporatist deliberation, the state and interest groups engage in negotiation and deliberation with one another over issues of public policy. Even though such engagement may commence in a manner characterized by a representative or bargaining process, this may 'drift' – as a consequence of sustained interaction and trust building – into a more deliberative form of engagement (McLaverty & Halpin, 2008). An important purpose of corporatist deliberation is for participants to understand what the others really want (Mansbridge, 1992, p. 42). Such an interactive process must involve 'discovering ends, recognizing other parties, marshalling evidence and giving reasons, exploring the implications of various value positions and developing joint responsibility in concrete situations' (Hajer & Wagenaar, 2003, p. 7). To facilitate the process, the participants must recognize that there are different perceptions on a policy issue, and be willing to reflect over their own perception (Mansbridge, 1992, p. 42; Termeer & Koppenjan, 1997, p. 84).

To generate policy capacity, the conditions of state capacity, associative capacity and corporatist deliberation must be present. To implement interventionist policies in industrial sectors, even a state agency with a high level of capacity needs to build relations with interest groups and these must possess capacities to contribute to the development of workable policies and to legitimate these to the target group (Smith, 1993). Even interest associations with substantial capacities may depend upon the state to exercise coercive power within its constituency and to provide financial resources needed to implement policies. For instance, to protect the organic concept, the well-resourced British Soil Association needs the state to set the minimum organic standards, enforce them and provide organic conversion subsidies to farmers.

Policy Capacity in the Danish and Australian Organic Farming Sector

Policy capacity in relation to organic sector promotion can be defined as the ability to develop policy measures which facilitate the functioning and expansion of a market for organic produce. The indicator of a basic level of policy capacity is the ability of the state and its partners to set up, or set the standards for, a trustworthy and transparent certification and labelling system which guarantees consumers that the produce that is labelled organic meets the standards. A high level of organic policy capacity is indicated if policy measures aimed at increasing both demand and supply in the organic market are introduced and that these measures are adjusted to respond to changes within the context in which policy is implemented.

Denmark

In 1987, the Danish parliament adopted the Organic Farming Act which had two main components. Firstly, subsidies were provided to ease farmers' conversion from conventional to organic farming and to support development and innovation initiatives related to processing, marketing and distribution of organic food. Secondly, a state certification system for organic farming was introduced (the 'Ø' label) to replace the certification carried out by the National Association for Organic Farming (Lov no. 363, 1987). Only state-certified farms would be allowed to sell organically labelled products and receive organic farm subsidies. The state labelling scheme has been successful in generating consumer confidence. In a recent survey, 82% of Danes expressed that they had confidence in it.³

Policy development up until the early 2000s was characterized by adjustments of organic farm subsidies to motivate particular groups of farmers to convert. Between 1989 and 1994, the organic farm subsidy scheme was aimed at motivating livestock producers to convert. In the mid-1990s, further potential for expanding the market was envisaged and a new subsidy scheme designed to motivate arable farmers and pig producers to convert to organic farming was proposed (Strukturdirektoratet, 1995). The proposal was adopted in 1997. In 1999, with the market situation for organic food still characterized by under-supply, a strong belief emerged within the Organic Farming Council that there was further potential for market expansion, not least abroad. The ambition was to propel Denmark into the forefront of organic farming internationally, thus new policy measures were proposed (Strukturdirektoratet, 1999).

However, in the early 2000s, after several years with considerable overproduction of organic milk and cereals, it was decided that support schemes directed at selective commodity groups had to be abolished. The market, rather than selective support schemes, was perceived as a better means to determine the level and type of organic production (Food Industry Agency, 13 December 2007, interview). Therefore, in 2004, flat-rate conversion and permanent organic payments replaced the complicated and commodity differentiated subsidy system (though dairy farmers were not eligible for conversion subsidies until 2007 when market forecasts envisaged future under-supply of organic milk).

In addition to these supply side measures, Danish organic farming policy has provided considerable funding for organic research and development, marketing, information and food innovation. State funding for product innovation and marketing increased by more than 350% between 1994 and 1996. Spending was dramatically reduced when the Social Democratic-led government resigned in the

late 2001 and was replaced by a Liberal–Conservative government which, by 2005, had cut funding for organic product innovation and marketing to less than 25% of the 2002 figure. By 2007, increased demand for organic food domestically and internationally persuaded the government to increase funding almost back to the 2002 levels.

Australia

Organic agriculture has been practised for over 40 years in Australia (Clay, 1999). Over the last decade, the sector has grown rapidly, albeit from a comparatively small base. Yet, there is a consensus among industry commentators that growth is significantly slower than it should be.

Export access has been the driver for what little governmental engagement has occurred in the organic sector. Governmental recognition of the industry first came with a discussion paper within the Australian Quarantine Inspection Service (AQIS) floating a national approach to certification in 1989. Such a move would allow Australia to gain access to export markets which existing private certification alone would not easily permit. The Federal Government became more fully involved when in 1990 it helped establish the Organic Produce Advisory Committee (OPAC) (May & Monk, 2001, p. 4), a body formed to develop a national export standard. Currently, the Federal Government regulates organic exports via a government-to-government certificate (The Export Control (Organic Produce Certification) Orders). A 'National Standard for Organic and Bio-dynamic Produce' compiled by an industry committee (Organic Industry Export Consultative Committee (OIECC))⁴ under the auspices of AQIS provides guidance for private certifiers⁵ who enforce private standards that must exceed the National Standard in order that they are recognized certifiers by AQIS. In essence, the state regulates certifiers, who in turn certify producers. For long, Australia lacked a clear and enforceable *domestic* organic standard. However, in October 2009, Standard Australia published a set of domestic organic standards (AS 6000-2009), in agreement with the organic industry. Though voluntary, and falling short of a state system of labelling, the standards will provide a signal to domestic consumers that the produce certified in accordance with this standard is organically produced (Standard Australia, 2009).

The Australian organic industry does not receive any direct targeted assistance from the state. It does receive funding via the tax payer funded Organic Subprogram of the Rural Industries Research and Development Corporation. Research and development funding for the organic sector has been very modest—some say less than the levy income organic farmers pay into industry funded schemes (Wynen, 2003). Organic enterprises are able to receive funding as part of general agricultural or rural industries assistance programmes, such as the Farm Innovation Program and New Industries Development Program. But this is not by virtue of the organic nature of the enterprises; they are treated as generic—albeit 'innovative'—farm businesses.

Comparison of Policy Capacity

The comparison of organic farming policies indicates that the policy capacity in the Danish organic sector is high. A trustworthy state certification and labelling

system has been set up, the organic farming policy applies measures aimed at both the demand and supply side of the organic market and has been adjusted to respond to developments in the organic market. In contrast, the fact that the Australian government has been unable to set up even the most basic regulatory framework to facilitate the growth of the domestic organic sector indicates a low policy capacity in the organic farming sector.

State Capacity

State capacity is first and foremost indicated by the administrative resources at hand to support efforts to establish and implement policies to promote the organic sector. A high level of state capacity would be evident if a state agency had 'in-house' or independent expertise – or at least recourse to such expertise – regarding organic sector issues and human (and other) resources at its disposal to directly monitor implementation *and* to directly sanction. A low level of capacity would be signalled by some basic administrative resources allocated to organic sector issues.

Denmark

Early state engagement in organic farming was initiated by the opposition parties in parliament. The centre-right government decided to give in to the opposition in order to avoid further political conflict over pollution control in the agricultural sector, which was already a highly contested issue (Larsen, 2000, pp. 42–43). Since 1994, agricultural/food ministers, in particular Social Democratic ministers, have been committed to promoting organic farming. The Liberal–Conservative government, gaining power in 2001, was initially less willing to provide state support for the promotion of organic farming, believing in a more market-led approach. Nevertheless, organic farming has remained high on the Food Minister's agenda (see e.g. *Maskinbladet*, 4 August 2006, p. 4).

The Danish Ministry of Agriculture (from 1996, Ministry of Food, Agriculture and Fisheries) showed an early interest in organic farming. Despite initial government reluctance to engage in the organic sector, in September 1986 a ministerial working group was set up to analyse the prospects of organic farming (Landbrugsministeriet, 1986). This marked the start of administrative capacity building within the Ministry. In particular, capacity building took place within its agencies. The Directorate of Agriculture, and later the Food Industry Agency, was given responsibility for providing organic subsidies; it had a staff of four in 1988, increasing to 13 in 1995 and to 20 in 2005 (Kongelig dansk stats- og hofkalender, 1988, 1995, 2005). The Plant Directorate was given responsibility for administering the state organic label, monitoring organic farmers and the farm input industry. Initially, it was dependent on this expertise of National Organic Farming Association, but when the EU introduced organic production standards in 1993 and as a result of the administrative experience obtained, it gained more autonomy (Michelsen, 2001, p. 72). Its Organic Division employed three officials in 1991, increasing to 14 in 2000 and to 22 in 2008. In addition, an unspecified number of inspectors are employed in the Directorate's six district offices (Kongelig dansk stats- og hofkalender, 1991, 2000, 2008). Finally, the Ministry's Veterinary and Food Administration devotes an unspecified amount of resources for

inspections of food processing companies, retailers and restaurants processing or selling organic produce (Danish Veterinary and Food Administration, 2009).

Australia

The Federal Department of Agriculture, Fisheries and Forestry (AFFA) is the lead department with responsibilities for organic farming. It has very little in-house expertise in organic agriculture, and their responsibilities relate principally to managing projects allocating public funds to organic business enterprises. At the last count, the organic team numbered three persons. The Australian Bureau of Agricultural and Resource Economics and the Australian Bureau of Statistics do not distinguish between organic/conventional products in their farm data collection and census activities. A single person within AQIS is charged with convening the annual meeting of the OIECC and implementing the export control regime for organic food exports. Australia is a federal nation, and state level governments are more involved. Departments of Agriculture of several states have been active in developing organic agriculture, including industry development activities, creating supply-chain relationships and fostering coordination among groups of producers. But there is no dedicated state-funded organic advisory service. Neither tier of Australian government has substantive scientific or marketing expertise in respect to organic agriculture.

Organic farming is often presented as a niche product with qualities that have market value. This image constrains the development of any client institutions from within the state. Organic farming is not visible on the broader agricultural policy agenda. Responsibility for organic agriculture does not rest with the relevant Cabinet Minister, but with the much more junior Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry. The recent high-level review of the strategic future of Australian agricultural policy has only one mention of organic farming (AFFA, 2006).⁶ The organic industry development is part of 'new industry' or 'food industry innovation' policy in Australia; and funding and capacity flow accordingly. Nevertheless, there are indications that there is political willingness within the federal (and some state) governments to engage in the organic sector, though the intention is to apply an arm's length strategy by attempting to ascertain the strength of the Organic Federation of Australia (OFA) and in developing associative structures. A recent media release from the Parliamentary Secretary responsible for organic farming stated that in addressing its many challenges, the industry '...must work together under the leadership of the OFA to ensure continued success'. The Hassall & Associates report, funded by the Australian government, includes an Annex which sets out a detailed 5-year plan for putting the OFA on a steady footing (Hassall & Associates, 2005, Attachment A, p. 55).

Comparison of State Capacities

The Danish Ministry of Agriculture/Food engaged very early in the generation of capacities. It achieved full responsibility for organic farming policy and is committed to promote the organic sector. It has generated considerable in-house capacity from the experiences of administering the policy and of certifying and inspecting organic farmers. By contrast, Australia has very poor levels of state capacity. Although desiring growth in the organic sector, the state is not

committed to the organic industry per se, but addresses its development as part of strategies for emerging industry development or innovation in the food sector.

Associative Capacity

The extent to which organic farm organizations are able to provide resources and services that support the efforts to establish and implement organic farming policies is a key indicator of associative capacity. Regardless of the resources the organic sector possesses, they cannot be brought to bear in policy-making, if organic groups are in a competitive relationship. A high level of associative capacity would exist where groups were able to deliver an industry consensus, and a low level of capacity would be signalled by competition among organic groups.

Denmark

The involvement of interest groups and, in particular, the lack of competition between these played an important role in bringing about policy capacity. Biodynamic farmers had organized as early as 1936. However, they were few in number and had limited influence on the development of Danish organic farming policy. Organic farmers formed the National Association of Organic Farming (now Organic Denmark) in 1981 and succeeded in developing this association into the major organization for alternative farming in Denmark. In 1992, the National Association for Organic Farming formed the National Organic Service Centre to promote marketing and sales of organic produce. In 2002, the two organizations merged into one (Ingemann, 2006; Michelsen *et al.*, 2001, pp. 63–70). By 2008, Organic Denmark had a staff of 36 and had developed considerable expertise, particularly in relation to the marketing of organic food (Økologisk Landsforening, 2008).

More importantly, the relationship between biodynamic and organic farming associations was characterized by collaboration and very limited competition indicated by the formation of the Cooperative Committee for Organic and Biodynamic Agriculture in 1982. After some initial conflicts, the relationship between the general farm associations, the Smallholders Union (later the Family Farmers' Association) and the Farmers' Union and the National Association of Organic Farming became less contested and even collaborative. The election of an organic farmer as vice-president in Smallholders' Union in 1993 indicated that organic farming was given a more prominent position within the Union. Initially, the Farmers' Union was sceptical towards organic farming, in particular in relation to the provision of state conversion subsidies; as its President said in 1986: 'You start up a new production if there is a commercial market – you do not run to government to ask for support to this and that' (quoted in Ingemann, 2006, p. 19). A decade later, the Farmers' Union made a U-turn on the issue, now recognizing that organic farming might increase to 15–20% of the farming sector. The President even said that he might become an organic farmer himself (Ingemann, 2006, p. 38).

The positive attitudes towards organic farming, which developed within the established farm unions, also found organizational expression. Both the Farmers' Union and the Smallholders' Union formed committees for organic farming in the mid-1990s (Michelsen *et al.*, 2001, p. 64). Further, in 1997 the National Organic Service Centre became a member of the Agricultural Council (umbrella organization for the farm associations, farmers' cooperatives and a number of

commodity groups and specialized branch associations) (Ingemann, 2006; Michelsen *et al.*, 2001, pp. 63–70).⁷ The close relationship between the organic and established farm unions is also reflected in the fact that the current president of the National Association of Organic Farming is the former chair of the Farmers' Union's Organic Committee and that the chair of that committee in 2007 attended the annual meeting of the National Association of Organic Farming (Økologisk Landsforening, 2007a).

Australia

Fragmentation, or more accurately group specialization, is the rule in associational structures in Australian business generally (Matthews, 1991). By contrast, Australian farmers have been well organized through the National Farmers' Federation in a peak national structure (Connors, 1996). The organic industry is, however, extremely fragmented.

Historically, certification companies have functioned as *de facto* industry groups. But their development as commercial actors has curtailed their political activism. The OFA was established in 1997. The creation of the OFA was initially envisaged by key industry players as assuming the role of industry leadership from the OPAC. While the OFA promises (and claims) a national umbrella role, this is contested by, among others, the Biological Farmers of Australia (BFA).⁸ Indeed, the BFA claims to be the largest national representative organic body in Australia. The OFA lacks organizational capacity. It has no full-time staff, and runs entirely on volunteers (a mix of farmers, consultants and academics). By contrast, some of the certifiers, and the BFA in particular, are well resourced. They have professional staff, a head office and access to updated contact lists of farmers. More importantly, as a certifier-derived organization, the BFA has a history of dealing with the state via their role in developing and maintaining the organic export standards.

The state's attempts to catalyse associative capacity building have till now been frustrated. Mainstream farm organizations are not heavily engaged in organic agriculture. They do not have an organic section, nor have they stated organic farm policies.⁹ Thus, the state has to find some way of working amicably with both the OFA and BFA, while also tending to the broader agricultural policy landscape with its conventional focus.

Comparison of Associative Capacities

Danish organic farmers are organized within the established farm groups and in a distinct organic association. In spite of the existence of different groups representing organic farmers, their relationship is supplementary rather than competitive. By contrast, organic associative structures in Australia are fragmented, with two organizations claiming the role of national representative of the organic sector. Complications include the relative capacity of certifiers versus the OFA.

Interaction

To establish whether corporatist deliberation has occurred, we need to apply indicators. Firstly, institutions that facilitate cooperation between the state and the organic interest groups must be set up. Secondly, a shared policy frame

must be identified. Thirdly, there must be indications that stakeholders have been willing to change their positions.

Denmark

The 1987 Act on Organic Farming set up the Organic Farming Council (later renamed the Organic Food Council, OFC) which, initially, was composed of representatives from the organic and biodynamic interest associations, the established farm unions, the Consumer Council, the Ministry of Agriculture and its agencies and the Ministry of the Environment (Lov no. 363, 1987, article 2). Subsequently, representatives from the Agricultural Council, the Labour Movement, the Ministry of Family and Consumer Affairs, the food processing industry and the retail sector joined the Council (Lov no. 474, 1993, article 20). The Council advises the Minister of Agriculture/Food on proposals related to the promotion of organic farming, advises on certification and inspection activities and monitors research and development activities and the organic advisory service (Direktoratet for FødevarerErhverv, 2007; Lov no. 363, 1987, article 2).

During the first period of its existence (ca. 1994), the Council played a limited role, executing low profile duties. However, in this period, the Council may have laid the ground for the effectiveness with which it performed in relation to the preparation of two action plans for organic farming published in 1995 (Strukturdirektoratet, 1995) and 1999 (Strukturdirektoratet, 1999), respectively (Lynggaard, 2001, p. 98). It was particularly in the 1990s that the Council developed into the major forum for organic farm policy-making. Therefore, our analysis concentrates on the period between 1987 and the late 1990s.

The members of the Council represented associations with differing views on organic industry development. Since its formation, the National Association of Organic Farming has had the objective of transforming the whole Danish farm sector into an organic industry, wanting long-term ecological concerns to be prioritized over economic concerns in farming industry development (Økologiens Hus, 1999, p. 11; Økologisk Landsforening, 2007b). Since the vast majority of their members farm conventionally, this objective is not acceptable to the mainstream farm unions. Though the Farmers' Union favoured an increase in the size of the organic sector as a result of increased consumer demand in the early 1990s (De danske Landboforeninger, 1991, p. 120; Økologiens Hus, 1999, p. 12), it opposed a purely state-driven form of development based upon permanent subsidies for organic production because it would be unfair competition in relation to traditional farming. Conversion subsidies were fully acceptable to the Union (*Politiken*, 29 March 1995). Despite the different views, the members of the OFC have succeeded in agreeing on a shared policy principle to guide policy-making. As the Council stated: 'the underlying logic is that the organic farming sector can best be developed in accordance with the market, which is created by the demand for organic produce. Thus, conversion is based on voluntary action and positive motivation' (Strukturdirektoratet, 1999, p. 16, see also Strukturdirektoratet, 1995, p. 8 for a similar statement). However, in practice, the market orientation was somewhat relaxed as the Council supported the use of conversion subsidies, but the use of permanent subsidies was considered a temporary measure which might be reconsidered at a future date (Strukturdirektoratet, 1995, p. 22; 1999, p. 40). This shared policy principle defines the room for manoeuvre when making organic farming policy.

There are several indications that the OFC has been capable of engaging in open-ended dialogue. Based on interviews conducted with Council members in 1999, Lynggaard (2001, p. 98) reports that there was broad agreement that discussions in the Council were characterized by pragmatism and openness 'in the sense that members of the OFC agree that discussions were governed by the "best available argument" and not so much by predetermined interests and organizational powers'.¹⁰ An important reason the working relations of the Council developed this way might have been that the conventional farm unions initially gave relatively low priority to the work in the Council (Lynggaard, 2001, p. 97) and appointed representatives who themselves were organic farmers or very positive towards organic farming (Østergaard, 2003, p. 25).¹¹ This meant that the Council became pro-organic (Lynggaard, 2001, p. 97). This positive attitude towards organic farming within the Council may have fed back into the conventional farm unions and made organic farming more acceptable within the farming community (Michelsen, 2004, p. 231). However, the Council may have lost some influence in recent years, as informal contacts have become more important (National Association of Organic Farming, 2009, interview).

Australia

Attempts to forge a working relationship between the state and the industry have been difficult. The only formal venue where the industry and government engage with one another is the OIECC,¹² which meets 1 day per year. This is managed by AQIS, and has a narrow remit to manage export standards and regulations. Industry events, such as the now annual Organic Conference, present venues for an exchange of views on scientific and market themes, but not for policy formulation.

The issue of a domestic organic standard and labelling exemplifies the cost of the lack of capacity. For some time, the Australian government has resisted calls to get actively involved in regulating the trade of organic goods; suggesting that the industry seek redress for false claims about organic status through the courts under the Trade Practices Act. Most recently, there has been an acceptance by the government that the domestic sector will not grow without clearer regulation for certified organic. The government has implicitly accepted it must 'govern' the industry. The Parliamentary Secretary recently stated that 'The future success of the organic industry in Australia depends in large measure on its ability to promote the attributes and benefits of organic products' (Ley, 2006). Promotion, she argued, was reliant on clarity of labelling, and she applauded moves for an Australian Standard for Organic and Biodynamic Products through the Standards Australia organization.¹³ This emerging acceptance has opened up an opportunity for industry to engage with the state. But progress has not been easy.

The OFA accepts it is unlikely the government will introduce positive legislation to protect the label 'organic' on the domestic market and have backed the Standards Australia Plan also favoured by AQIS and the government.¹⁴ This would mean a self-regulatory system with an industry technical committee setting and adjusting standards over time. The BFA, the only other industry body in Australia, prefers a legislative approach under Food Standards Australia and New Zealand.¹⁵ The details are less relevant than the overall point that without industry acceptance at the formulation stage, any standard will be difficult to implement. The OFA met with AQIS and DAFF in March 2005 to discuss

proposals and agreed to put forward the Standards Australia plan. But the weak mandate of the OFA threatened to halt attempts there. The debate over the issue of a domestic standard has been carried out with a vitriolic and public exchange of views which has made interest mediation impossible.¹⁶ A series of two Industry Round Tables were conducted in the mid-2005, involving a range of industry players (Hassall & Associates, 2005), but seem not to have brought any more unity (BFA, 2006, p. 6). It is particularly salient that even with a firm signal that the state is willing to adopt a proactive role in facilitating organic industry development – creating an environment in which the industry can grow on a market basis – industry growth has been frustrated. Corporatist deliberation is lacking despite an agreed policy principle. While all parties accept that active engagement with industry development issues is necessary, there are no conditions to generate policy capacity. As discussed above, in late 2009, the Standards Australia Plan was implemented. However the ‘new’ standards have by no means been greeted with universal acceptance, and their long-term impact on organic development in Australia is still not clear.

Comparison of Interaction

The interaction between the Danish Ministry of Agriculture/Food and the interest groups is characterized by corporatist deliberation, enabled by the Organic Food Council as a venue for repeated high-quality interaction and by a shared policy frame. In Australia, the only venue for engagement between the state and industry is around export standards development and administration. This proves a limited and unsatisfactory means of engaging in strategic policy development and implementation.

Conclusions

While there is broad acceptance that state involvement in fostering green industry sectors is necessary, we argue that attention needs to be given to the precise arrangements (not just instruments) that are constructed in order to do so. In this article, we suggest that one way of accessing this form of state engagement is to look at levels of policy capacity. This broad approach has certain similarities with what is a rich thread in comparative public policy that finds the combination of a strong state apparatus *and* healthy, capable interest associations as a potent recipe for industrial growth and reform. However, we extend this thread by outlining a three-legged approach: we argue that state and associative capacities need to be brought to bear through a form of corporatist deliberation to generate policy capacity. When applied to the organic farming sector, our analysis demonstrates that Denmark has a high level of policy capacity in the organic sector in contrast to Australia, which has very low levels of organic policy capacity. This marked difference in policy capacity in the Danish and Australian organic sector may explain why the organic sectors of the two countries have developed very differently. Within Europe, Denmark is considered to be the stand out case of successful organic development (Hamm & Gronefeld, 2004; Michelsen *et al.*, 2001). By contrast, Australian organic agriculture is at an early stage of development (Halpin, 2004). Future research must devote more attention to the relationship between policy capacity and policy outcomes. Although such analyses pose major methodological challenges, they represent the next step in the

development of policy capacity research (see Daugbjerg & Sønderkov, 2009 for an attempt to undertake such an analysis)

All approaches have their limitations, arising from a need for some kind of parsimony. In our case, it is important to accept that our approach treats policy capacity as something that emerged from the convergence of three conditions. However, these conditions can themselves be subject to *concerted* efforts at development. For instance, a state may 'change its mind' on a policy area and decide to develop its own capacities. Thus, in the case of Australia, a new government may decide to take up organic farming as a key plank in a green farming agenda. This is hard to imagine given current conditions, but it is a logical possibility. If it did, this could guide state capacity development, which may spark the sector into action. And, in other policy sectors, it is a scenario that scholars could anticipate. So, in conclusion, our policy capacity approach presupposes that the background 'commitment' of states and civil society to act in a concerted manner in a given policy area is relatively stable.

But, this means the approach is well suited to examine cases where states have already committed themselves to action, but need to 'enrol' the industry in achievement of such action. For instance, high salience issues, like global warming, draw nation states into making binding international agreements with specific targets. But in meeting these agreements, states need to rapidly grow infant industry sectors, such as the renewable energy sector. This is particularly challenging given that the renewable sector is an infant – and not a mature – industry: it is a sector at an early stage of development. Our policy capacity approach developed here offers scholars a way to engage in analysis of governing growth in important *emerging* industry sectors.

Acknowledgement

Earlier versions of this paper were presented at the Annual Meeting of the ECSA-DK, Aarhus, 24–25 August 2006 and at the General Conference of the ECPR 2007, 6–8 September, in Pisa. We thank the participants, in particular Johannes Michelsen and Peter Feindt and Linda Weiss, and two anonymous reviewers and the editor of this journal for valuable comments. The financial support of ICROFS and the Aarhus University Research Foundation is much appreciated.

Notes

1. Weiss (1998) applies the not dissimilar concept of transformative capacity. Painter and Pierre (2005) have a state-centric approach with limited attention paid to the capacities of interest groups.
2. See also the discussion of 'group capacity' by Culpepper (2001).
3. These findings are obtained from a survey of 1003 randomly selected Danish residents conducted in April 2008 by A.C. Nielsen. For further information, please contact the authors.
4. This replaced the Organic Produce Export Committee (OPEC), which had previously replaced the OPAC.
5. With the exception of Safe Food QLD, which is an agency of the Queensland government.
6. It was only one line suggesting food standards need strengthening, with organic food standards being used as the example.
7. In 2002, when the National Association of Organic Farming and the National Centre for Organic Production merged, the new association took over the membership of the Agricultural Council.
8. Formerly a certifier/cooperative but in 2002 separated from this business and now the only other industry body with ambitions for national coverage.

9. Indeed, in the debate over the release of GM crops in Australia, the NFF position was that producers should be able to choose between organic, conventional and GM.
10. Confirmed in a personal conversation with Preben Mikkelsen who represented the Dairy Board in the late 1990s.
11. Troels V. Østergaard served in the Council as the representative of the Consumer Council from 1987–1997.
12. Membership consists of all seven certifiers, AQIS, OFA, Organic Retailers and Growers Association of Australia, International Federation of Organic Agricultural Movements, State Departments of Agriculture.
13. These standards are recognized by the Australian state, and are often used in governmental regulation.
14. This governmental attitude reflects the broader de-regulatory thrust of Australian government policy which is generally aimed at handing back industry regulation to the industry itself.
15. This would make the standard part of the mandatory food regulation framework in Australia. Previous applications to the Australian and New Zealand Food Authority (ANZFA) for the development of legislation for domestic organic produce have been denied.
16. See exchange of letters between OFA and BFA letters at www.bfa.com.au.

References

- AFFA (2006) Creating our future: Agriculture and food policy for the next generation. Available at http://www.agfoodgroup.gov.au/next_generation.html (accessed 15 August 2006).
- Andersen, M. S. (1994) *Governance by Green Taxes: Making Pollution Prevention Pay* (Manchester: Manchester University Press).
- Atkinson, M. M. & Coleman, W. D. (1989) Strong states and weak states: Sectoral policy networks in advanced capitalist economies, *British Journal of Political Science*, 19(1), pp. 47–67.
- BFA (Biological Farmers of Australia) (2006) An organic standard for Australia: Industry at the crossroads – are we asleep at the wheel. Available at http://www.bfa.com.au/_files/ (accessed 30 August 2006).
- Clay, L. (1999) Talking to the world about organic trade – Oceania. Presented at IFOAM's 6th International Organic Trade Conference, Florence, Italy.
- Connors, T. (1996) *To Speak with One Voice* (Canberra, ACT: NFF).
- Culpepper, P. (2001) Employers, public policy, and the politics of decentralized cooperation in Germany and France, in: P. Hall & D. Soskice (Eds) *Varieties of Capitalism*, pp. 275–306 (Oxford, UK: Oxford University Press).
- Danish Veterinary and Food Administration (2009) Kontrollen med økologiske fødevarer. Available at <http://www.foedevarestyrelsen.dk/Maerkning/Okologi/Kontrol/forside.htm> (accessed 2 October 2009).
- Daugbjerg, C. (2005) Uniting to meet challenges: Danish farm interest groups in the 21st century, in: D. Halpin (Ed) *Surviving Global Change? Agricultural Interest Groups in Comparative Perspective*, pp. 71–89 (Aldershot, UK: Ashgate).
- Daugbjerg, C. & Sønderkov, K. M. (2009) Environmental policy performance revisited: Do organic food policies matter for sustainable consumption? Paper presented at the 5th ECPR General Conference, Potsdam, September.
- De danske Landboforeninger (1991) *Beretning 1991* (Copenhagen, Denmark: De danske Landboforeninger).
- Direktoratet for FødevarerErhverv (2007) Det Økologiske Fødevareråd. Available at <http://www.dffe.dk/Default.asp?ID=32474> (accessed 20 July 2007).
- Hajer, M. & Wagenaar, H. (2003) Introduction, in: M. Hajer & H. Wagenaar (Eds) *Deliberative Policy Analysis: Understanding Governance in the Network Society*, pp. 1–30 (Cambridge, UK: Cambridge University Press).
- Halpin, D. (Ed) (2004) *Australian Organic Industry Profile* (Canberra ACT: Department of Agriculture, Fisheries and Forestry).
- Halpin, D. (2005) “Digging deep to keep their clout” agricultural interest groups in Australia, in: D. Halpin (Ed) *Surviving Global Change? Agricultural Interest Groups in Comparative Perspective*, pp. 141–163 (Aldershot, UK: Ashgate).
- Hamm, U. & Gronefeld, F. (2004) *Analysis of the European Market for Organic Food* (Ceredigion, UK: University of Wales).

- Hassall & Associates (2005) Industry partnership program organic industry taking stock and setting directions, Vol. 1. Available at http://www.bfa.com.au/_files/ (accessed 30 August 2006).
- Ingemann, J. H. (2006) *The Evolution of Organic Agriculture in Denmark*, Working Paper 2006:4 (Aalborg, Denmark: Department of Economics, Politics and Public Administration).
- Jänicke, M. (1992) Conditions for environmental policy success: An international comparison, in: M. Jachtenfuchs & M. Strübel (Eds) *Environmental Challenges in Europe: Assessments, Challenges and Perspectives*, pp. 71–97. (Baden-Baden, Germany: Nomos Verlagsgesellschaft).
- Kongelig hof- and statskalender (1991) Copenhagen: Schultz Information.
- Kongelig hof- and statskalender (1995) Copenhagen: Schultz Information.
- Kongelig hof- and statskalender (1988) Copenhagen: Schultz Information.
- Kongelig hof- and statskalender (2000) Copenhagen: Statens Information.
- Kongelig hof- and statskalender (2005) Copenhagen: It- og Telestyrelsen.
- Kongelig hof- and statskalender (2008) Copenhagen: It- og Telestyrelsen.
- Landbrugsministeriet (1986) *Redegørelse om økologisk Jordbrug* (Copenhagen, Denmark: Landbrugsministeriet).
- Larsen, T. Z. (2000) Fra hønsesrik til nålestribet. Det økologiske landbrugs udvikling i Danmark, Master dissertation, Institute of Political Science, University of Copenhagen.
- Ley, S. (2006) Organic produce needs consumer awareness. Media Release DAFF06/043SL, 21 July 2006. Available at <http://www.psmaff.gov.au/releases/06/06043sl.html> (accessed 10 August 2007).
- Linder, S. H. & Peters, B. G. (1989) Instruments of government: Perceptions and contexts, *Journal of Public Policy*, 9(1), pp. 35–58.
- Lov no. 363 (1987) Lov om Økologisk jordbrugsproduktion, *Lovtidende A*, 1987, Copenhagen.
- Lov no. 474 (1993) Lov om ændring af lov om støtte til forbedring af strukturen og effektiviteten i jordbruget og om ophævelse af lov om økologisk jordbrugsproduktion og lov om tilskud til skovforbedrende foranstaltninger, *Lovtidende A*, 1993, Copenhagen.
- Lynggaard, K. S. C. (2001) The farmer within an institutional environment. Comparing Danish and Belgian organic farming, *Sociologia Ruralis*, 41(1), pp. 85–111.
- Mansbridge, J. (1992) A deliberative theory of interest representation, in: M.P. Petracca (Ed) *The Politics of Interests: Interest Groups Transformed*, pp. 32–57 (Boulder, CO: Westview Press).
- Maskinbladet (2006) Økologien bliver meget større, August 4. Available at http://www.maskinbladet.dk/article/article_view.php?id=15449 (accessed 9 January 2009).
- Matthews, T. (1991) Interest group politics: Corporatism without business?, in: F.G. Castles (Ed) *Australia Compared: People, Policies and Politics*, pp. 191–218 (Sydney, NSW: Allen and Unwin).
- May, P. J. (2003) Policy design and implementation, in: B.G. Peters & J. Pierre (Eds) *Handbook of Public Administration*, pp. 223–233 (London: Sage).
- May, R. & Monk, A. (2001) *Organic and Biodynamic Produce*, Discussion Paper. (Canberra, ACT: RIRDC).
- McLaverty, P. & Halpin, D. (2008) Deliberative drift: The emergence of deliberation in the policy process, *International Political Science Review*, 29(2), pp. 197–214.
- Michelsen, J. (2001) Organic farming in a regulative perspective: The Danish case, *Sociologia Ruralis*, 41(1), pp. 62–84.
- Michelsen, J. (2004) Miljø-regulering mellem faglig og politisk rationalitet – med landbrug som eksempel, in: W. Søgaard (Ed) *Miljøet og økonomien: I sanfunds- og erhvervsøkonomisk perspektiv*, pp. 203–252 (Odense, Denmark: Syddansk Universitetsforlag).
- Michelsen, J., Lynggaard, K., Padel, S. & Foster, C. (2001) *Organic Farming Development and Agricultural Institutions in Europe: A Study of Six Countries*, Organic Farming in Europe: Economics and Policy, Vol. 9 (Stuttgart, Germany: University of Hohenheim).
- Økologiens Hus (1999) Strategi 2003, bilag 23-2000.
- Økologisk Landsforening (2007a) *Deltagerliste: Generalforsamling*, 2. 3 marts 2007. Available at <http://www.okologi.dk/GF2007/Deltagerliste.doc> (accessed 7 August 2007).
- Økologisk Landsforening (2007b) Værdigrundlag for Økologisk Landsforening. Available at http://www.okologi.dk/Om_Økologisk_Landsforening/værdigrundlag/default.asp (accessed 20 July 2007).
- Økologisk Landsforening (2008) Afdelinger og ansatte i Økologisk Landsforening. Available at http://www.okologi.dk/Om_Økologisk_Landsforening/Afdelinger_og_ansatte/Default.asp (accessed 20 February 2008).
- Østergaard, T. V. (2003) Dilemmaer og valg i økologiens første år, in: J.H. Ingemann (Ed) *Økologisk landbrug mellem historie og principper*, pp. 28–32, arbejdsrapport 2003:3 (Aalborg, Denmark: Institut for økonomi, politik og forvaltning).

- Painter, M. & Pierre, J. (2005) Unpacking policy capacity: Issues and themes, in: M. Painter & J. Pierre (Eds) *Challenges to State Policy Capacity: Global Trends and Comparative Perspectives*, pp. 1–18 (Basingstoke, UK: Palgrave).
- Peters, B. G. (2005) Policy instruments and policy capacity, in: M. Painter & J. Pierre (Eds) *Challenges to State Policy Capacity: Global Trends and Comparative Perspectives*, pp. 73–91 (Basingstoke, UK: Palgrave).
- Politiken (1995) Landbrugstop støtter økoplan, March 29. Available at <http://www.infomedia.dk.ez-always.statsbiblioteket.dk:2048/ms/GetArticleFull.aspx?outputFormat=Full> (accessed 9 January 2009).
- Scruggs, L. A. (2003) *Sustaining Abundance: Environmental Performance in Industrial Democracies* (Cambridge, UK: Cambridge University Press).
- Skocpol, T. & Finegold, K. (1982) State capacity and economic intervention in the early new deal, *Political Science Quarterly*, 97(2), pp. 255–278.
- Smith, M. J. (1993) *Pressure, Power and Policy: State Autonomy and Policy Networks in Britain and the United States* (Hemel Hempstead, UK: Harvester Wheatsheaf).
- Standard Australia (2009) Certainty and assurance ripe with new Australian standard for organic and biodynamic products, Media Release, 9 October 2009. Available at http://standards.org.au/downloads/091009_Organic_and_Biodynamic_Australian_Standard.pdf (accessed 20 November 2009).
- Strukturdirektoratet (1995) *Aktionsplan for fremme af den økologiske fødevarereproduktion i Danmark* (Copenhagen, Denmark: Statens Information).
- Strukturdirektoratet (1999) *Aktionsplan II: Økologi i udvikling* (Copenhagen, Denmark: Strukturdirektoratet).
- Svendsen, G. T. (1998) *Public Choice and Environmental Regulation: Tradable Permit Systems in the United States and CO₂ Taxation in Europe* (Cheltenham, UK: Edward Elgar).
- Termeer, C. J. A. M. & Koppenjan, J. F. M. (1997) Managing perceptions in networks, in: W.J.M Kickert, H.-E. Klijn & J.F.M. Koppenjan (Eds) *Managing Complex Networks: Strategies for the Public Sector*, pp. 79–97 (London: Sage).
- Weiss, L. (1998) *The Myth of the Powerless State: Governing the Economy in a Global Era* (Cambridge, UK: Polity Press).
- Wynen, E. (2003) *Organic Agriculture in Australia – Levies and Expenditures*, No. 03/002 (Barton: ACT, Rural Industries Research and Development Corporation).