

Executive summary

Key messages

- While improved productivity has been good for the competitiveness of the sector and has reduced emissions intensity, it has not enabled an ambitious path to sustainability. Nutrient surpluses remain high, ammonia emissions contribute to the degradation of natural areas, water quality is insufficient in many areas and biodiversity on farmland continues to decline.
- Immediate action is required to reduce nitrogen deposition to protect sensitive nature areas. Reducing agricultural emissions of ammonia quickly will play an important role in achieving this. At the same time, other longstanding environmental challenges must be definitively addressed. This requires:
 - Decisive action to bring the sector into a sustainable path guided by a strong government vision of a viable future for the sector.
 - Setting rules and policy incentives to clearly define environmental limits in a way that incentivises the agricultural knowledge and innovation system (AKIS) and provides planning certainty for farmers.
 - An ambitious strategy to create a data-driven sector that can assess and adjust dynamically to its economic and environmental performance
 - Boosting the capacity of advisory services to encourage adoption of sustainability innovations and providing more incentives for farmers to take advantage of the AKIS system with respect to environmental performance.

The Dutch food, agriculture and horticulture sector is efficient, productive and export oriented, with high value added along the food chain and significant world export shares for many products. The mild maritime climate, flat fertile terrain, geographical position and sea, river, road and aviation infrastructure are advantageous for both agricultural production and trade. A few hundred million potential consumers reside within a 500 km radius.

The innovation system is at the forefront of value creation. The Top Sectors system creates a “triple helix” of cooperation between governments, research institutions and the private sector that ensures innovations are relevant and widely adopted. But it has not succeeded in reconciling productivity and sustainability in the innovation process. The recommendations of the *Innovation, Agricultural Productivity and Sustainability in the Netherlands* (hereafter “2015 Innovation Review”) have been followed by actions to reduce financing gaps, improve participation by SMEs and reduce administrative burden. The *Groenpact* initiative allows better anticipation of future demands, more relevant education and higher impact research. Agri-food innovation benefits from high quality education and research institutions such as Wageningen University and Research (WUR), but more can be done to ensure that the system is as effective as possible in targeting issues of public importance such as environmental sustainability.

But there are many headwinds facing the sector. Reducing excessive ammonia emissions will sharply limit opportunities for livestock-based production. At the same time, OECD agri-environmental indicators show that longstanding problems with nutrient surpluses and declining farmland biodiversity have not been solved despite an improved environmental footprint per unit output. Land and labour costs are among the highest in the EU and the small, densely populated country makes agriculture's impact on surrounding areas an important limitation.

The government needs to do more to shape incentives for environmental sustainability. The circular agriculture vision set out by the government in 2018 needs to be leveraged to create an agricultural policy for the entire agri-food chain that recognises the need to maintain a healthy and profitable sector that lives well within its environmental limits. There are many ways to help farmers adjust to new realities, but those limits must be accurately reflected in regulations and other policies in a way that minimises uncertainty for producers as they plan future investments and provides clear signals for the innovation system to address sustainability issues.

Mainline agricultural policy is increasingly being repurposed for multiple objectives. The Netherlands has generally used CAP flexibilities to direct resources towards rural and environmental objectives. The new CAP Strategic Plan provides opportunities to deepen this approach by embracing eco-schemes and moving funding from Pillar 1 to Pillar 2 for cooperation, knowledge, innovation and investment for sustainability.

Lifelong learning for farmers and farm workers is a challenge. Preparing farmers for the transition to sustainable agriculture calls for an education system that can address issues holistically and not only specific elements of production. Farmers need incentives to engage more strongly with the AKIS on sustainability issues. Efforts are being made to match skills and improve the capacity of the education and extension system to respond to needs of farmers and farm workers (including migrant and temporary workers), but further tailored investments in this area will likely be required.

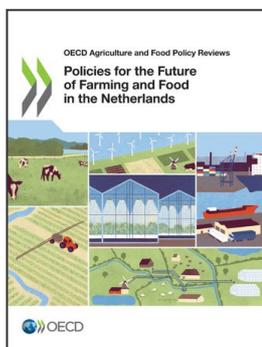
Dutch farmers are well-placed to take advantage of future digital opportunities. The overall good enabling environment for digitisation in the Netherlands still could use some tweaking to achieve the full potential of digitisation for agriculture. The Netherlands is well-placed to be a leader in using farm-level data collection to aid farmers decisions and policy design but needs an overall data strategy. Resolving questions surrounding data ownership, platforms, sharing, portability and trust can accelerate progress.

Recommendations for improved policy in the Netherlands cover four main areas

- **Bring down the environmental pressure of the sector quickly and accelerate the transition to a sustainable future.** Environmental limits need to be clearly identified to provide policy certainty for farmers. Decisive action in the short term to bring the sector into a sustainable path should be combined with a strong government vision of a viable future for the sector. A deeper engagement with stakeholders, including with respect to agenda-setting can increase buy-in and help make policies less susceptible to short-term political forces.
- **Realign economic and regulatory incentives to ensure that negative environmental externalities of agriculture are fully internalised.** Clear policy objectives combined with better data and analysis can reduce uncertainty for farmers and induce innovation. Defining responsibilities for regional and local governments and other stakeholders can set the stage for effective partnerships. Build upon the success of existing innovative agri-environmental programmes to make results-based approaches a larger part of the policy framework.
- **Develop an ambitious strategy to create a data-driven sector that can assess and monitor its economic and environmental performance.** Develop a strategic vision for the sector that provides clear priorities towards an environmentally sustainable path and improve the government

capacity to lead innovation in that direction. Use data to design and implement better policies based on results and to inform farmers regarding their environmental performance. Create an overall data strategy to lift barriers to digital technology adoption on farm and by advisory services.

- **Keep the strengths of the innovation system while boosting its capacity to improve the sustainability of the sector.** Making incentives for social and environmental sustainability factors more present in the innovation system requires reflecting environmental limits in regulation and markets, targeting funding towards environmental innovation and a stronger government role in agenda-setting in the AKIS. Advisory services need more capacity related to adoption of environmental sustainability innovations. Farmers need more incentives to engage with knowledge opportunities by linking on-farm environmental planning to existing support programmes.



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