

Multifunctionality – The State of the Art

AgriMultifunctionality II



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Summary

Multifunctional Agriculture became widely known because of its relevance to international trade in the 1990s. The European Union made sustainability and multifunctionality key objectives of its Common Agricultural Policy (CAP). Agriculture and rural areas are viewed not only as producers of agricultural commodities but also as producers of environmental and social goods. The term “Multifunctional Agriculture” means different things to different people. Although the agricultural market situation has definitely become more complex, we can observe possibilities opening up for European farmers as sellers of goods and services. The AgriMultifunctionality II project aims to address the problems of an ageing farm workforce and the ongoing flow of young people out of the countryside, both of which are serious challenges to the sustainability of the European rural economy.

Multifunctional Agriculture can be seen as a response to the challenge of rural limitations, be they economic, environmental, social or cultural. It is also a reaction to changing views on the nature of supply and demand. Economic factors are among the most important driving forces for farmers to pursue multifunctionality, but there are many others. The genuine tradition of European agriculture is continuous progress and development. Multifunctional Agriculture must develop while respecting regional cultures. Not every concept works in every region.

1 Introduction – objectives of the AgriMultifunctionality II project

Emerging in the 1980s and spreading in the 1990s, the concept of Multifunctional Agriculture (MFA) took on several forms in the eyes of different scientific disciplines, countries and stakeholders. This paper aims to present the state of the art of MFA by highlighting the many existing examples of theory and practice of MFA. In order to define MFA there is a need to take into account the political background of European agriculture and the current situation of farmers in Europe. There are new trends and tendencies in MFA which offer prospects for the future of young qualified European farmers.

The AgriMultifunctionality II project aims to address the problems of an ageing farm workforce and the ongoing flow of young people out of the countryside, both of which are serious challenges to the sustainability of European rural economy. In order to overcome these challenges, the European Commission promotes the MFA concept, which encourages new economic activities on farms. The difficulties in adapting to the multifunctionality concept are due to the lack of suitable preparation by farmers. The essential objective of the AgriMultifunctionality II project is to provide young farmers with all the skills and competences they need to adapt their farms to the multifunctionality concept, thereby enabling them to develop new ideas and put them into practice (Lifelong Learning Programme Leonardo da Vinci, 2008, p.2). New case studies of young farmers' activities from the 27 Member States will be key to the AgriMultifunctionality II project's transfer of innovation in the field of agricultural multifunctionality. The final training system should provide young farmers with all the basic knowledge they need to adapt, or to start up their own farming business, making full use of the concept of multifunctionality (Lifelong Learning Programme Leonardo da Vinci, 2008, p.5).

The short-term target group of the project consists of young farmers, the long-term target group being institutions, decision-makers and organisations dealing with agriculture at European, national and local levels. The protection of existing jobs and the creation of new rural jobs will be immediate consequences of the project, which will contribute to stopping the exodus from rural areas and to providing better opportunities for young farmers in rural areas. In the long term, an enhanced economic diversification is expected to make rural areas more attractive and competitive.

2 Political background: use of the term Multifunctional Agriculture

The initial use of the term “multifunctionality” in relation to agriculture is linked to events which are not obviously connected. Firstly, the efforts of the United Nations to secure commitments from the states participating in the “Earth Summit” of 1992 in Rio de Janeiro, which focused on sustainable development. Secondly, the WTO agenda which began in 1986 and aimed to achieve “substantial progressive reductions in support and protection”, concluding with the Uruguay Round Agreement on Agriculture (URAA) in 1994.

The concept of Sustainable Agriculture and Rural Development (SARD) was particularly popular in FAO circles, the idea being that multifunctional agriculture “conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable” (FAO, 1999).

The 14th chapter of Agenda 21, the official document containing the commitments made in the Rio Declaration, entitled “Promoting sustainable agriculture and rural development”, was the basis for the European Union’s efforts towards reforming the Common Agricultural Policy. These efforts began with Agenda 2000 and the CAP mid-term revision. Multifunctionality has therefore become a key-word for sustainable agriculture in Europe.

Beginning with the Uruguay Round commitments, the OECD investigated the multifunctionality approach in agriculture for governments of developed countries, claiming that ‘because of its multifunctional character, agriculture plays a particularly important role in the economic life of rural areas. Policy can play a role where effective markets for such public goods are absent, where all the costs and benefits are not internalised’ (OECD, 2001). Many visions of the future of land use in the world are inspired by the multifunctional paradigm. This is connected to the conventional primary production of food and fibres, but developed in an environmental, social, cultural and political framework, with a focus on water and groundwater protection, renewable energy sources, stimulation of rural communities, protection of biodiversity and food safety.

The Common Agricultural Policy (CAP) governs agricultural policies and programmes for the EU’s 27 member states. Established in 1962, the CAP’s objectives are:

- to increase agricultural productivity
- to ensure fair living standards for farmers

- to stabilise markets
- to ensure the availability of food
- to provide food at reasonable prices. (Article 39 of the 1957 Treaty of Rome)

These aims were achieved primarily by interventions in commodity markets. To prevent imports from undercutting the high internal prices, the EU levied variable tariffs on imported agricultural products. Export subsidies were used to eliminate the resulting surpluses of agricultural products. During the 1970s and 1980s, the CAP accounted for 70% of the total EU budget. As a result, the CAP was criticised by EU trading partners for distorting world markets.

The EU has reformed the CAP since 1992 towards support that is more market-oriented and decoupled from current production and prices. The changes also reduce the budgetary costs of the CAP and bring EU agricultural policy in line with World Trade Organisation (WTO) rules and restrictions (Johnson et al., 2009, p.3f.). With the Agenda 2000 reform and the European Council of Luxembourg, MFA became a policy concern at national and European levels. The European Union made sustainability and multifunctionality key objectives of the CAP. Agriculture and rural areas are viewed not only as producers of agricultural commodities but also as producers of environmental and social goods. This reorientation is expressed in the so-called 'European model of agriculture' which was described by the European Commission (2002) as:

- a modern and competitive farming sector, capable of occupying a leading position in the world market, while safeguarding domestic producers' living standards and income,
- a sustainable, efficient farming sector which uses hygienic, environment-friendly production methods and gives consumers the quality products they desire, and
- a farming sector which serves rural communities, reflecting their rich tradition and diversity, and whose role is not only to produce food but also to guarantee the viability of the countryside as a place to live and work, and as an environment in itself. (Knickel and Kröger, 2008, p.2)

The term MFA has rapidly emerged from obscurity into common use in environmental, agricultural and international trade circles, often at the centre of heated discussion. MFA rapidly spread in very different contexts and with different meanings. Proponents of MFA generally point to the fact that agriculture can provide benefits

other than the production of food or fibre. These benefits often remain unrewarded in the marketplace, but this varies considerably for different farming practices.

The concept of MFA means different things to different people. Because the term first gained popularity with countries which are under tremendous pressure to reduce subsidies and protectionism for their domestic farmers, MFA was greeted with scepticism. Developing countries expressed concern that MFA was just a fancy term which European countries and others used to legitimise the shutting of their markets to agricultural imports, and the continued dumping of excess production overseas (De Vries, 2000, p.1).

All human activities are multifunctional, i.e. they contribute to a varied set of needs and values of society in addition to fulfilling the primary function which is their 'raison d'être' (FAO, 1999). This is also true of agriculture, whose 'raison d'être' is to provide food and raw materials for society. This is the basis of farmers' livelihoods. There are no internationally agreed definitions of MFA. The debate on the progress towards the goal of sustainable agriculture and rural development cannot be isolated from other important international debates and instruments. The commitment to Article 20 of the World Trade Organisation's 'Agreement on Agriculture' was reaffirmed on many occasions. Further negotiations are mandated within the World Trade Organisation framework. It is also generally acknowledged that policies in one country must not undermine the social, rural development and environmental objectives in other countries (FAO, 1999).

3 Current situation and perception of European farmers

The agricultural market has changed considerably over the last few years and many great challenges lie ahead for European farmers, such as providing enough safe food of high quality to a growing world population, reducing dependency on fossil fuels, playing an increasingly important part in environmental protection, maintaining the high value of European landscapes and playing a vital role in maintaining the social and territorial cohesion of rural areas. Rural identities are being reinvented, as traditional actors pursue new activities and new actors appear on the scene (Multagri project, 2005, p.4). The equality of village and agriculture became a coexistence, and partly even a conflict in terms of the discrepancy between the picture that society has of agriculture and its reality in size and specialisation (Kutsch et al.; 2009; p.135). Rural areas are no longer automatically farming strongholds. They increasingly in-

clude multiple interest groups, meaning that farming has to coexist alongside other land uses and interests.

Independent entrepreneurs usually have a positive attitude towards their occupation. This is not the case for Austrian farmers however, as 40% feel 'rather uncomfortable' or even 'not comfortable with the exercise of their occupation'. This leads to the conclusion that many farmers do not see farming as a viable profession and are not motivated by their activities (Hardegg, 2005, p.2). Maintaining existing farms depends on a variety of economic, social and demographic factors including farm size, direct payments, farm growth, type of farm acquisition, economic system, difficulties, property, age, marital status, gender, family size, education, working intensity, unemployment, wage level and population.

While food production is likely to rise in the future, prospects for the next generation of farmers are uncertain. At present, the profile of farmers is ageing. More than 50% of EU holdings are run by farmers over the age of 55, and 25% by farmers over the age of 65. In contrast, only 7.6% of EU farms are run by people younger than 35. Farms run by young people are on average more profitable and young farmers are more willing to adopt innovative solutions and use environment-friendly farming methods. Young farmers will be responsible for the future of the European farming sector. However, the structural and political changes in European agriculture are imposing new burdens on young farmers, including high costs of setting up, resulting in heavy debt, a lack of available holdings and insufficient training (European Parliament, 2008, p.13). Making technological and logistical improvements involves more than purchasing equipment and machines; adequate research and access to findings are also essential.

Although the agricultural market situation has definitely become more complex, there are nevertheless possibilities for European farmers as sellers of goods and services. Furthermore, the recent financial crisis underlines the need to invest in a real economy which is not part of a fragile bubble but is instead directly linked to territory. There is a healthy relationship between investment and equivalent value in agriculture. The value of businesses is increasing and it is therefore necessary to provide access to capital, which offers young agri-entrepreneurs the chance to develop concepts for sustainable farming. New investment strategies for the next generation of farmers need to be developed. Support is needed to ensure that a generation change is possible in the European landscape (Knickel and Kröger, 2008, p.2).

4 Trends and tendencies of European agriculture

During the last decade, production processes which are supervised, documented, carefully guided and precisely integrated in the whole agri-business have been developed. This phenomenon is expressed in technical terms such as 'precision farming' and 'precision livestock farming'. Industrial monoculture farming is one side of modern European agriculture, but there are also other ways of preserving farms and generating income. Agriculture has "back to the roots" tendencies, and there is an ongoing redefinition of agriculture, of its goal and of who needs it and why.

Seasonal regional goods are produced in an environmentally sustainable way. Regional products and services have a specific image which links them to the food, landscape, society and economic structure of the region concerned. Thus, identification of modern European society with authentic agriculture and agricultural goods should be facilitated by a close connection between the production and supply of these goods.

The specific advantages of regions are very important to the future success of agriculture. By caring for their environment, farmers can counteract the estrangement of society from agriculture. Awareness of high-quality, environmentally-friendly agrarian production which takes animal welfare seriously needs to be created. Farmers should stress their non-profit achievements. These services can be reimbursed so as to cover costs and allow for competitive agriculture.

With the necessary foresight, fundamentals of production, as well as long-term maintenance of the farmers and sensible material flows can be ensured. To a considerable extent, economic success, added value and independence are related to the perception of agriculture in society. This perception is primarily shaped by the everyday life and work of farmers and their families. Farmers provide value in many ways. A sustainable economy in accordance with natural conditions produces not only food and raw materials of high quality, but also provides other services. Farmers are part of a regional and energy-efficient circular flow economy. Peasant work produces cultural added value. It is at the same time a sample for our modern industry and service society (Gottwald, 2003, p.1). The direct, amicable contact of farmers with customers, occupational colleagues and business partners is crucial. Image care takes place every day and it is up to the farmers to maintain the already improved image of farming.

Community-based efforts, such as involving citizens, the public sector, economic development interests, non-agricultural businesses and civil organisations in issues related to the role, safety, quality, and sustainability of agriculture and its products in our communities are essential to the future of European agriculture. Agriculture is an integral component of the economy, society and environment. Individual producers and producer groups can not operate if they are isolated. They need to interact and communicate with other members of society and economic actors. Thus, agriculture both influences and is influenced by community and economic developments.

5 Multifunctional Agriculture – an analytical framework

5.1 Definition of the term

While there are no internationally agreed definitions of the multifunctional character of agriculture, there are several internationally agreed references to the term.

All human activities, including agriculture, are multifunctional in that they contribute to a varied set of needs and values in addition to fulfilling their primary function. The provision of food and raw materials is the basis of farmers' livelihoods. Recent trends toward more intensive and specialised forms of agriculture have increased our ability to safeguard worldwide food provision but, in some cases, at the expense of social and environmental goals. The attention given to non-food functions of agriculture has augmented the relevance of policies addressing MFA within the framework of Sustainable Rural Development (IISD, 1999, p.7). MFA offers a new way of experiencing and perceiving agriculture through interrelations and interactions between multiple economic sectors and diverse stakeholders. It replaces complexity and contextuality within the centre of analysis. Interrelations between functions, the place of agriculture within society and its relation with sustainable development could be the components for a future analytical framework, as they underline this complexity (Multagri project, 2005, p.7).

The different research works identified for the state of the art in the Multagri project allowed the identification of eight different concept-oriented research clusters:

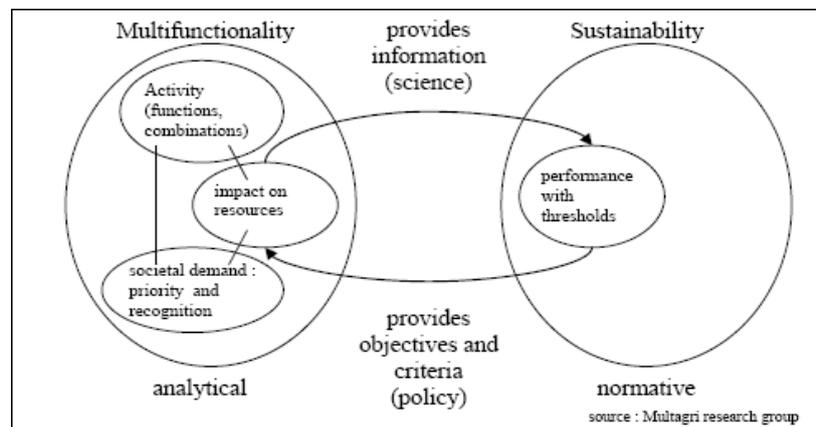
- A joint production of commodities and public goods
- Multiple impacts and contributions of agriculture to rural areas
- A complementary and conflicting connection between commodities and 'identity goods'
- Farmers' strategies and practices

- Multiple uses of rural space and regional planning
- Adjustment between activity systems and societal demands as a way towards sustainable agriculture and rural development
- A societal demand towards agriculture
- Governance, policy and multifunctionality

These clusters display the variety of ways in which we understand MFA. However, they are not static categories, but open to further evolution.

The relation between multifunctionality and sustainability is generally considered to be implicit, which often leads to the two terms being confused. This was clarified by the Multagri project (see figure 1, p.10).

Figure 1: Multifunctionality and Sustainability



Source: MultAgri project (2005), p.6

- *Sustainability* is a normative approach relating to society's wish and ability to preserve current consumption levels. It is a resource-oriented notion, requiring the maintenance of some aggregate measure of capital (stocks of physical or economic, natural, and social capital, and the possibility of trade-offs between them) in order to fulfil the needs of future generations. Thus, it has a clear temporal dimension.
- *Multifunctionality* is an activity-/outcome-oriented notion describing characteristics of farm production or outcomes of land use, focusing on the relationship between farmers and society. It lacks a direct or immediate temporal dimension. In many research works, it also has a normative aspect (Multagri project, 2005, p.6).

Having been debated for almost two decades now, the meaning of the term "Multifunctional Agriculture" still changes depending on who uses the term and where it is

used. MFA is not a well-defined, simple, clear and operational concept, but an open, discursive bridge or platform concept. That different actors, including scientists, fill these concepts with different meanings, interests and expectations is evident in the political processes (Bruckmeier and Engwall, 2005, p.15).

The MFA concept has strengths and weaknesses which need to be emphasised. The normative conception of MFA (the role of agriculture to be promoted) can help the formalisation of actual social concerns towards agriculture at national and local levels. It can provide a basis for thinking about issues and problems which the various types of agriculture and rural areas face, and can serve as an input for the definition of development strategies. The positive conception refers to an analytical framework and to the empirical studies used and recognised in the international political debate, and thus can help to improve the literature on the economic justifications of public policies towards agriculture and rural development.

However, the MFA concept also allows for the recognition of a broad range of current and potential contributions of agriculture to sustainable rural development, which include positive as well as normative dimensions. Furthermore, MFA can be understood as a unifying concept expressing the diversity in national societal demands and concerns, with regards to agricultural and rural development (Cairol et al., 2006, p.24ff.).

5.2 *Driving forces*

MFA can be seen as a response to the challenge of rural limitations, be they economic, environmental, social or cultural.

Economic limits

European agriculture is struggling with a continuously deepening economic crisis as a result of stagnating returns and increasing costs in primary production. There is a downward spiral caused by production costs, producer prices and consumer prices. The vicious circle is completed by increasing external and societal costs of agriculture such as pollution or degradation of soil.

Environmental limits

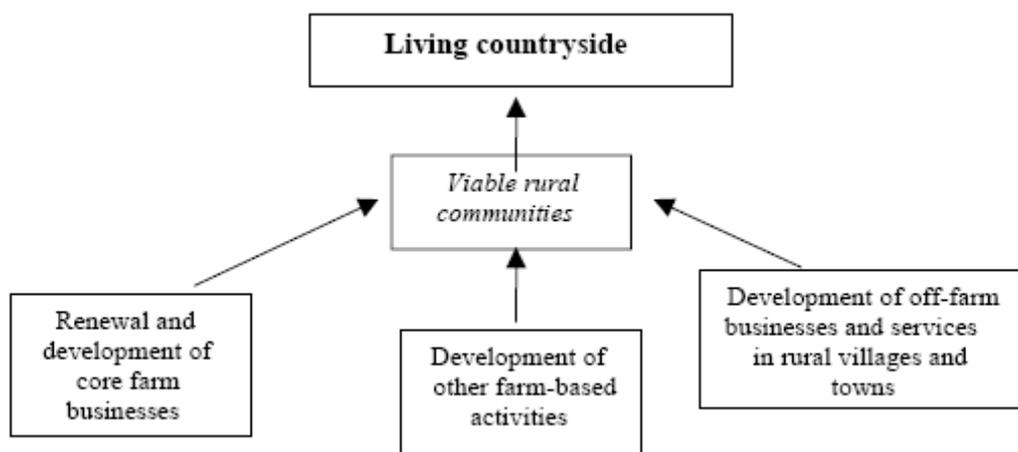
Substantial greenhouse gas (GHG) emissions and pollution are among the problems related to agricultural production. Industrial agriculture has led to a loss of biodiver-

sity, and there are unwanted landscape changes caused by mono-cropping. The solution should be the sustainable use of natural resources.

Social/cultural limits

The decreasing population in rural areas has led to a breakdown of social services and rural infrastructures. But the loss in diversity of culture, food and landscape can still be reversed. Modern society expects more from farming and rural areas, i.e. in densely populated regions people want to use and enjoy additional facilities related to regeneration and leisure (Knickel, 2003, p.3ff.). Thus, functioning and lucrative MFA can contribute to a viable rural community through the renewal of core farm businesses, other farm-based activities, and the development of rural off-farm businesses (see figure 2, p.12).

Figure 2: The contribution of MFA to viable rural communities



Source: Gorman, M., Mannion, J., Kinsella, J. and P. Bogue (2001)

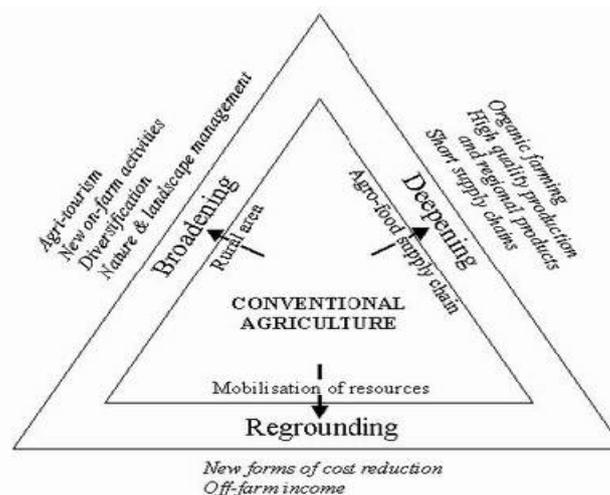
MFA can also be seen as a consequence of new views concerning supply and demand.

MFA is thought to be a result of the changing needs and demands of consumers and society regarding agriculture and rural areas. There is an increasing demand for quality food production, for environmental, ecological and landscape values, and for social and cultural aspects. And there are clear correlations between these three dimensions of demand. Therefore, some researchers theorised that this demand is likely to be of multidimensional nature, rather than being exclusively directed to one dimension of agriculture and rural areas. Some studies try to address demand through a multifunctional framework. One example is the 'basket of goods' analysis: a group of complementary goods and services which strengthen each other on the lo-

cal markets (traditional regional food production, local craftwork, tourism, typical landscapes) are studied jointly.

Parallel to the evolution of demand, many farmers have strategically engaged in existing as well as new activities. It is possible to distinguish between three activities (see figure 3, p.13). *Deepening* activities are attempts to add more value to products through organic farming, on-farm processing and short supply chains. *Broadening* refers to when farmers develop new activities, such as the management of nature and landscape, or agri-tourism. *Regrounding* activities are possible by cost-reduction through alternative use and valorisation of internal farm resources.

Figure 3: Structure of rural development at farm enterprise level



Source: van der Ploeg et al. (2002), p. 12

Economic driving forces are of importance to these changes, but a purely economic perspective has revealed itself to be inadequate for explaining the perseverance and rationale of pluri-activity and diversification. More recent research material emphasises that agricultural activities are at least partly to be understood as the outcome of non-economic driving forces and motivations (Multagri project, 2005, p.4).

There are various other driving forces behind farmers adopting multifunctional activities:

- Suitable area for the activity
- Personal concern, interest or skills
- Necessary capacity available (land, labour, time, buildings)
- Relevant market for the product, service
- Intergenerational thinking

- Training and encouragement from governmental and private agencies
- Inspiration from other farmers
- Available grant or subsidies (Knickel, 2003, p.23)

5.3 Benefits of MFA

The benefits potentially provided by MFA cover a very broad spectrum, but in the common usage of the concept they generally include the following:

Viable rural communities

Many smaller-scale farms are closely integrated into their local economies, both as producers of economic value within a given area, and as consumers of goods and services from local suppliers. On the other hand, there are larger-scale, absentee-owned farms which primarily interact with urban economies. Agriculture is important to the preservation of rural economies and cultural heritage, and is a guarantor of rural employment. Several European countries support the development of local marketing or of approaches which add value to agricultural products to benefit farms or the local community.

Environmental benefits

Different farming practices can have radically different impacts on the environment. Farmers are rewarded in different ways for direct positive contributions to biodiversity, prevention of negative impacts on water quality and increased soil health. Many countries also support bio-energy programmes. A goal of modern agriculture has to be ecosystem and soil conservation together with the supply of renewable resources to industry and the energy sector.

Food safety and quality

In the context of increasing globalisation of agricultural markets, many countries are anxious to retain a sufficient agricultural base of farms and farmers, to avoid excessive dependence on the fluctuations of international agricultural trade. A number of countries recognise the importance of specific production methods in maximising the quality and safety of food products. Several countries have taken steps to promote organic agriculture, through labelling programmes, direct sales, and/or programmes which subsidise farm conversion to organic production.

Landscape Values

Many countries recognise the importance of a viable agriculture sector, particularly small farms, for the beauty of rural landscapes. The non-farming rural population appreciates such values and thus is identifying itself with agriculture. Modern agriculture should conserve and recreate rural landscapes. This value is recognised in a variety of approaches to zoning, and to preserving farmland from development (De Vries, 2000, p.2f.).

6 MFA experiences in European countries

Concluding these general remarks about MFA and its evaluation in a European and national context, this section is dedicated to some experiences in MFA in European countries. The concept of MFA is not the same everywhere. While the environmental aspects of farming are central in the Czech Republic, employment aspects are playing a crucial role in Poland. Often MFA is seen above all as a social buffer during the transition years in Eastern European countries (Knickel and Kröger, 2008, p.403f.). Every region generates its own image in consumers' minds. For example, Bavaria is thought to be 'hospitable' and 'touristic' and is associated with simple cuisine and good beers, while Provence is famed for its fine light cuisine and good wines and is thought to be "sun-matured." Thus, the existing differences between European countries, regions and cultures lead to different possibilities for MFA regarding re-grounding, broadening and deepening. The farmers have to check existing specific needs in their region and respect existing cultural and societal conditions in order to be able to develop lasting strategies for the future of their farming enterprise. The question is: which specific circumstances characterise the different countries? Across Europe, the perception of MFA varies. There are different farming systems across the regions of the European Union (Francès i Tudel, 2006, p.14):

- Traditional extensive systems in dry land devoted to cereals, sunflower and fallow land
- Mediterranean crop systems in dry land, devoted to vineyards, olive groves and almond trees
- 'Dehesas' systems: extensive agricultural systems with a mixture of crops, cattle and woodlands
- Extensive livestock systems, predominantly in mountain or hilly areas, with sheep, goats and cattle husbandry

- Intensive systems on irrigated land dedicated to horticulture and other productions such as sugar beet, alfalfa, cereals, tobacco and cotton
- Intensive livestock systems of pigs, poultry, rabbits and calves

Italy and Sweden, for instance, have a long tradition of research and promotion of the interactions between single farms and territory. This tradition currently encourages the concept of MFA. In the Netherlands, for example, the single farm seems to have been central in policy and research over a long period. During recent years the different economic, social and environmental functions and the importance of agriculture in the process of rural development have increasingly been recognised in all European countries studied so far. Over a long period of time, the German agricultural debate and policy had been characterised by a focus on the growth of the single farm and its expansion. The so-called 'Agrarwende' ('agricultural turnaround') of 2001 represents a stronger emphasis on the environmental aspects of agriculture and the sustainable development of rural space (Knickel and Kröger, 2008, p.402f.).

Whether and how MFA is developing in a specific region depends on the degree of the aforementioned driving forces in the region concerned. For example, Eastern European agriculture is characterised by diversity and regional disparities. Economically speaking, there are huge differences between subsistence-oriented farms, market-oriented family farms, and former agricultural cooperatives (LPGs). In Slovakia, these former LPGs still dominate the production structures. Elsewhere, such as Hungary and Poland, they were split into several units, which resulted in small farm sizes (Müller, 2007, p.1).

7 Conclusions

A market is any place where the sellers of goods and services can meet with buyers. In order to create an exchange of goods or services, market actors must have something to offer for a potential transaction. The genuine tradition of European agriculture is in continuous progress and development. The image of the farmer consists of his future conviction, independence, adaptability, thrift and sense of family. Thus, European farmers need to represent progress within society in a positive and open way. This is a central communication and image task (Hardegg, 2005, p.4).

MFA has to develop with respect to regional cultures since not all concepts work in all regions. They must instead be adapted to specific contexts and needs. In the long term, it is not the highest yield, but the optimum benefit which counts. Through ad-

justed training and learning, together with visionary thinking, young European farmers should be able to supply saleable goods and services all around the core of their occupation, namely farming.

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