COST Action 866 “Green Care in Agriculture”

The economics of green care farming in the context of multifunctional agriculture

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from the Memorandum of Understanding

• “a multidisciplinary effort is essential to develop green services as part of a multifunctional agriculture”

• “the potential of future economic importance to the society and to the multifunctional agriculture should be considered”

Green Care (GC) ↔ Multifunctionality (MF)
On Multifunctional Agriculture (MF)

• “refers to the fact that an economic activity may have multiple outputs and, by virtue of this, may contribute to several society objectives at once” (OECD)

• Multifunctionality, or multifunctional agriculture are terms used to indicate generally that agriculture can produce various non-commodity outputs in addition to food (OECD)

• “benefits other than food or fiber that can come from agriculture” (B. De Vries, 2000)
Possible “multiple functions” of agriculture

- food and fiber (‘primary’ function)
- food security
- quality production
- short supply chain (on-farm shops)
- nature preservation, landscape, biodiversity
- land management (erosion control)
- ricreative (agri-tourism)
- social (maintaining population in remote areas)
- cultural (farm museums on peasant life)
- educational (children farms)
- care (social farming or Green care)
- … …
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Why MF is getting a growing attention

- In developed countries consumers demand move from goods to services (either ‘embedded’ in the goods or autonomous);

- “crisis” of traditional agricultural policies and growing interest for rural development policies;

- the issue of non-marketable outputs

- MF as a matter of negotiation within the World Trade Organization.
Some theoretical aspects related with MF

• marketable and non-marketable outputs
• importance of externalities and public goods
• joint production (Y)
• by-products, side-effects and multiple outputs (terms similar to a certain extent but not all equally appropriate in a given context)
• economies of scope
Diversification

• Activities run in the farm that produce MF marketable outputs (taking advantage intentionally of MF of agriculture)

• Motivation to diversify:
  “Don’t put all your eggs in one basket”

• Reduce income fluctuation and may increase it

• Farming diversification vs farm diversification
From farm homogeneisation to farm diversification
Pluriactivity (on-farm)

- On-farm activities non related with farming: “new businesses that are merely located on the farm that do not specifically use farm-based resources” (Oostindie, Renting).

For some authors GC activities are of this kind
Coming to Green Care (GC)

Wide diversities in Green Care across Europe, concerning:

✓ the countries (health sectors, agricultural sectors, institutional agreement)

✓ the contexts where the GC is provided (public, private for profit, private no profit)

✓ the target groups

✓ the goals and objectives (‘therapy’, healing, rehabilitation, work integration, social inclusion)
Different contexts where GC is actually developed

1. Non-farm situation (hospitals, prisons, botanic gardens, therapeutic communities, retirement homes, …)
2. In a farm but separated from the major farm business
3. fully integrated in farm production activities ("embedded")
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Costs of Green Care services

• Investment / adaptation costs
• Management costs
• Transaction costs
Investment costs

“material”

They include all the adaptations to the “farm” structure in order to provide GC services. The may concern: land, buildings, fences, internal paths, equipments, working tools … …

“immaterial”

May concern training and education of human resources involed (providers and clients)
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Management costs

• Relatively low incidence among costs for material inputs

• High incidence of all the costs for human resources: the professional who are in charged of caring, supervising, assisting, … …

• Clients can be payed (the case of italian Social cooperatives)
# Average economic data from a sample of Dutch care farms (Hassink, 2001)

<table>
<thead>
<tr>
<th></th>
<th>Care farms “care oriented”</th>
<th>Care farms “agriculture-oriented”</th>
</tr>
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<tbody>
<tr>
<td><strong>Investments costs</strong></td>
<td>60.000</td>
<td>5.000</td>
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<tr>
<td><strong>Annual costs</strong></td>
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<td></td>
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<tr>
<td>- farmer labour</td>
<td>40.000</td>
<td>10.000</td>
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<td>- external experts</td>
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<td>-</td>
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<tr>
<td>- other costs</td>
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<td>3.000</td>
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<tr>
<td><strong>Annual income</strong></td>
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<tr>
<td>- from compensation</td>
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</tr>
<tr>
<td>- from production</td>
<td>7</td>
<td>3</td>
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</tbody>
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Transaction costs (1)

Economic theory defined transaction costs as all the costs incurred in making an economic exchange.

They have also been defined as “the costs for running the system”.
Transaction costs (2)

Transaction costs usually refer to the costs concerning:

- research and information that is needed to have the “interaction” among the economic agents

- negociation: includes all activities to reach the formal agreement on the exchange

- enforcement of the agreements signed

- may weddings reduce TC?
Valuing the output: the income side

- Care and health are considered in European countries services of public interest

- Public funds are the main economic source to direct or indirect payments for GC services

- “The payments which are made are often related to inputs rather than outputs” (Hodge, 1991)

- From the farm perspective the major economic return from GC may be indirect: social responsibility as a way to acquire competitiveness.
What about the products?

• The “joint-production” nature of GC activities in a farm context
• Can the produce obtained in GC be competitive with “non-GC” food in terms of overall quality?
• Does social farming produce products with a ‘social’ quality? If so, can this contribute to the economic sustainability of GC initiatives?
• In general consumers seem to care increasingly about the production process.
• A growing number of consumers show concern to the “ethical” and “social” content of goods and services
Some final remarks

- GC is actually provided in a wide range of situations with different economic constraints and perspectives.

- Rather than a reason to start GC activities, economic aspects appear as a prejudicial factor for its sustainability.

- More deep analysis is required to include the non-monetary dimension of GC services (opportunity costs, TC costs, output value, farmers’ remuneration, impact on local development).

- The “local connections” as a resource rather than a constraint.

- “Multifunctional farming activities have been mostly studied in isolation, which makes it difficult to assess their role and meaning within wider farm household strategies as well as possible synergy effects between different activities” (Oostindie and Renting, 2005).
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Thank you for your attention