The main purpose of the following paper is to introduce the analytical model of my Ph.D. dissertation: ‘Governance without Government? State Intervention and Governance - Networks in Infant Industries – the Case of the Swedish and the Danish Organic Food Sector’

Revising Meta–Governance: An Analytical Model for Comparing the Impact of State Intervention on Network Structures in the Swedish and the Danish Organic Food Industry

Yonatan Schvartzman, Ph.D. – fellow, Department of Political Science, University of Aarhus, ys@ps.au.dk

Abstract

At the last two decades scholars within the European political science literature have paid an increasing attention to ‘networks’ as a mode of governance, as an alternative to state – hierarchy and markets. The point of departure is that modern society is characterized by the dispersion of effective problem-solving capacity between different private and public actors with specialized tasks and limited competence. The result is interdependence between different actors, which exchange resources and negotiate collective problem solving through networks.

Emphasizing governance networks led to a discussion on the capacity of the state to steer the economy and society. Although a broad literature has discussed the role of the state in managing governance networks- especially through meta-governance –a more general analytical frame for studying the effect of state intervention on governance networks in comparative perspective is still missing. In this paper I discuss the governance literature and its problem explaining the connection between the type of state intervention and variations in the formation of governance networks. I introduce an analytical model for studying that relationship by focusing on the link between different modes of state intervention and variations in the structure of governance networks. Finally I will apply preliminary results from my research on networks in the Danish and Swedish organic food sector, and show that the state mode of intervention may have a significant effect on networks, even in a private sector as the organic food industry.

Introduction

In the past three decades, a literature has emerged that makes a distinction between three different modes of governance (networks, state-hierarchy and market). Networks has acquired a special status (Kenis 1991: 297).

In the area of public service a broad literature has shown that social and health sectors are regulated to a greater extent by networks made up of public and private – or only private actors (Milward and Provan 2000, Kelly 2006, Saich 2000, Kenis 1991, 1992). Within the area of environmental policy, academics identified a new form of non-state market – driven arrangements, in which NGOs and private firms interact, predominantly to address labour or environmental practice (: 181, Cashore 2002). Furthermore, urban–development scholars identified that the regulation of this policy area is being carried out by local governance – local networks of private and public actors. Finally, scholars within governance and economic – sociology have been focusing on networks between different actors in specific industries as a governance mechanism for generating industrial development and restructuring (White 2002, Kenis 1991, 1992, Alter & Hage 1995,
In other words, governance – networks are found everywhere, and are playing a meaningful role in the production and regeneration of social and economic order (Kenis 1991: 297, Hanf & O’toole 1992: 165, 169). Whether the point of departure has been social and functional differentiation or globalisation and privatisation, the underlining assumption is that modern societies are characterised by distribution of power and effective problem-solving capacity between specialised groups of private and public actors that possess limited competence and resources (Hanf and O’toole 1992: 166). This results in interdependence between actors and leads to the creation of networks because individual groups cannot attain their goals by themselves (Kickert et al. 1999: 6). From this perspective, networks can be understood as webs of relatively stable and ongoing relationships between organisations connected by resource dependency, and where information, goals and resources can be exchanged in interactions, so that collective action can be orchestrated towards the solution of common policy (see Kenis and Schneider 1991: 36, Kickert et al. 1999: 6).


However, although a broad literature has discussed the role of the state in managing governance-networks, a comparative empirical study of the subject is yet to be done. (Bell & Hindmoor 2009: 69, Jordan et al. 2005: 477). As a result, the literature has only a weak theoretical argument linking state and network–governance within policy sectors. In the following paper I attempt to construct a comparative model for studying the relation between the state and governance networks. I am doing so by focusing on how different modes of government intervention affect the structure of governance-networks in the organic food sector in Sweden and Denmark. By doing so I wish to strength the idea that states are still central in the era of modern governance. The comparison will also contribute for the general understanding on how state, networks and markets interact in the
production of social and economic order. Furthermore, I wish to demonstrate that theoretical concepts appeared the governance – literature can be used in a comparative model. At last, by focusing on the organic food industry I wish to provide new knowledge, relevant also in other innovative infant industries in which networks may be decisive for successful development.

In the first section I discuss further the governance debate, indentify the existing literature’s limitations in explaining the linkage between the type of state intervention and variations in the formation of governance networks. In the second and third section I account for the components of the theoretical model and develop a hypothesis about the connection between state intervention and the structures of governance–networks in the organic sector. In the forth section I use preliminary research results and shortly account for variations in the depended and independent variable.

1. The Governance Debate

As I mentioned above, there are two differing points of view regarding the state’s ability to affect governance–networks. On the one hand, several studies have provided some evidence that states have become increasingly less central to governance. In the other words governments have lost power and authority and can no longer effectively coordinate or steer the activities of the multitude of actors now involved in governance processes (Bell & Hindmoor 2009: 32). That argument has three strands. Firstly, some researches claims that governments might not be able to steer governance–networks, because they have difficulties in imposing collaboration at a lower level. Resistance from lower-level actors may occur because collaboration is a high-cost activity, requiring significant time and resources (Moseley & James, 2008: 121). Collaboration involves building trust, establishing contacts, developing common aims and overcoming difference (Ibid.), elements that cannot be imposed or mandated from above. Collaboration can also be a risky affair if it threatens organisational autonomy and forces organisations to modify existing systems and to make compromise. Private actors may also oppose the state because intervention may limit their autonomy.

Secondly, other approaches are based on the assumption of linear transformation by which governments lose meaning and power in favour of networks. Networks are characterized by a significant autonomy from the state (Rhodes 1996: 660). After their construction networks are becoming self-organizing and self-governing entities, operating by their own logic and ruled by negotiations and exchange of resources. Because networks are built on trust and cooperation among independent actors they are not controlled by the state; they are self–organizing. Networks are ‘not controlled by any single superordinate actor, not even the government’ (Kickert 1993: 275). Thus, networks might resist government steering, mould their own policies and develop their own environments, and this may lead to a situation of “governing without governance” (Rhodes 1996: 652, 658). Public actors may participate in governance–networks, but due to the logic of resource-dependency and the logic of horizontal coordination the dwindling down to apposition as one among equals in a system of self-organizing networks (Sørensen og Torfing 2005: 53, Lundqvist 2001: 319). In other words, after they are established, networks might “suck” power and undermine the legitimacy of central
governments.

Thirdly, Elinor Ostrom (Ostrom 1990) states that non-govermental actors are capable of developing informal rules and norms governing the allocation of natural resources (see also Cashore 2002). Furthermore, there are number of instances in which NGOs have collaborated with private firms to collectively develop rules of conduct in the apparent absence of any state involvement (Bell & Hindmoor 2009: 5). Finally, both scholars of governance and economic have demonstrated that actors concerned with a specific industry are capable of managing development and overcoming failures by creating networks that promote the collective interest of all or part of the industry’s members (Kenis 1991 1992, White 2002, Owen-Smith & Powell 2004,). Thus, governance-networks can form an alternative form of power to state intervention – giving private actors the opportunity for self-governance.

However, other scholars postulate that the state has still remained the central actor in governance arrangements. Private groups might have power and some capacity for effective problem-solving, but governments are still centre stage via their monopoly on the executive to arrange processes, relations, and distribution of costs and benefits in ways that citizens and interests find legitimate and binding (Lundqvist 2001: 321). In addition, governments usually process more economic resources that other private actors (Marinetto 2006). Thus, while private groups are able to pursue some of their policy goals through private means, they will usually be attentive to the state with the purpose of ensure additional funding and attach different type of legitimacy to their action (Peters 2005: 82).

Furthermore, the creation of governance-networks is not an easy task. Private actors might focus on their own interest and therefore will suffer from lack of orientation towards common goals (Kooiman 1993: 261), which makes networks highly unstable (Sørensen & Torfing 2007: 172). Another destabilized factor is the 'negotiators dilemma' – a situation where actors risk loosing invested resources if the other part does not fulfil their part of negotiated agreement (Ibid., Scharpf 1994: 45). As the result actors might invest minimal resources in collective activities. They might also choose not to take any risks and fall back on individual strategies. The state can then use power to impose collaboration, to create institutions which facilitate interaction or invest resources that lower the cost of engaging in networks. Thus, the emerging of governance-networks often should also be seen as a top-down process affected by the state.

In that connection, a broad literature has documented that governments use instruments directed towards Network Management that is the stimulation of collaboration by using methods such as facilitation, framing and negotiations (Kickert & Koopenjan 1999, Brujin & Heuvelhof 1999, Sørensen and Torfing 2007, Kelly 2006, Howlett 2000, 2005). Network Management can be considered as a set of tools aimed towards of ‘enhancing coordinated governance’ (Sørensen & Torfing 2007: 169). Instead of using state authority and institutions to apply instruments intended to directly affected actors of the target group, or the production of goods and services, government uses instruments intended to influence the structure of governance in order to stimulate and facilitate collaboration (Mosley & James 2008, Brujin & Heuvelhof 1999, Sørensen and Torfing: 2005: 202, Howlett 2005, Jayasuriya: 2005). Network Management constitute in other words the “tool box” governments can use in order to affect the characteristics of networks in the
purpose of achieving policy goals. Network Management can be referred to as mandatory collaboration through rules and contracts, network constitution or the creation of multi agencies bodies and the promoting of specific organization by setting new organizational arrangements (Moseley and James 2008: 120, Bruijn & Heuvelhof 1999: 126 – 128, Kickert & Koppenjan 1999: 52). Network Management can also be based on economics. Governments can manage collaboration by using funds to defray the costs of collaboration or to reward collaboration. The state can also make collaboration a condition for groups being able to access public resources. Economic resources can also be directed to organisations that can carry out special tasks or that can facilitate collaboration (Milward & Kenis 2007, Bruijn & Heuvelhof 1999: 129- 130, Moseley & James 2008: 120, Kickert & Koppenjan 1999: 47). Finally, states can influence networks by advising, disseminating or communicating. Thus, the steering can be based on interpersonal information (e.g. events, conferences, workshops, etc.), providing information about the different actors in the sector, setting guidelines, targets and norms for cooperation, participating in networks activities or negotiating with existing and potential network members (Moseley & James 2008: 120, Bruijn & Heuvelhof 1999: 130-132, Sørensen & Torfing 2005: 203-205).

Governments still has capacities for implementing policies by solely relying on state institutions (Peter & Pierre 1998, Bell and Hindmoor Chap. 1). But by combining network management with other methods of steering states are able to engage in combining hierarchy, networks and markets in order to achieve policy goals, they cannot achieve by own means (Jessop 1998, Kelly 2006, Meulemann 2008). An implication thus will be that the characteristics of governance-networks would likely to be depended on the way governments decide to combine hierarchy, network and markets. Other approaches claim that any mode of state intervention can affect the motivation of actors to interact (or to not interact) (Meulemann 2008: 71).

In summary, not only does governments have the capacity to affect governance-networks, it is also an important ingredient in the creation of such networks in the first place. The fundamental point is that states are not in the mercy of non-govermental actors, and can govern (Peters & Pierre 2005: 215). Some literature might have found number of instances in which NGOs have collaborated with private firms to collectively develop rules of conduct in the apparent absence of any state involvement (Bell & Hindmoor 2009: 5). But arrangements of this sort are limited in scope, are often poorly enforced, are pursued by NGOs as a second – best alternative to state action, and are often indirectly manage by the state (Bell & Hindmoor 2009: 5, chap. 7) Theoretically it can then be argued that, despite of that scholars have identified changes to many governance-networks, a great deal of the governance process is dictated by the state. Thus, the action of networks in most circumstances will be carried out within the context of state power – even if the present of the state is only implicit (Ibid. 217, Scharpf 1994, Lundqvist 2001: 321, Milward and Provan 2000, Meuleman 2008: 71). This implies that the context fixed by different mode of state intervention surely shapes the structure and outcome of governance-networks at a lower level. Put simply, the characteristics and outcome of governance-networks is a context-specific matter and will vary across countries and time.
However, ‘the governance “turn” has generated much theorizing, but there is surprisingly little comparative empirical works’ (Jordan et al. 2005: 477, see also Bell & Hindmoor 2009, 69). The existing literature is made up of many theories and mostly single-case studies, which specify meta-governance and which mainly, demonstrate the use and the importance of the concept of network management. A comparative explanatory study could establish a causal link between different modes of intervention and networks types and will therefore strength the overall argument that the state is a central actor in governance arrangements. A comparative study will improve our insight on the interplay between the state and governance – networks. Furthermore, a lack of comparative studies has led to a one-dimensional debate on the centrality of the state in governance. However, networks are not equal and vary in structure. While some networks might require some regulation “from above”, others might emerge without regulatory influences (Kenis & Provan 2007, see also Olsen 1965, Ostrom 1990). Thus, a comparative analysis can improve our insight on which types of network need the states support and which networks can exist more or less independently from the state.

In the next section I will distinguish between different modes of networks’ characteristics. Afterwards I will structure an analytical model for a comparative analysis of the formation of network structures in a single industry sector but across countries with differing modes of states intervention in the sector.

2. The Structure of Governance-networks

Network analysts have developed various classifications of networks. One may easily become confused by the great variety of variations used to define networks. Creating a simple analytical model will require selecting the most important variables. By defining a network structure model, one should also keep the properties of agencies and outcome separated (Daugbjerg 1998: 40). Properties related to the agencies, such as the distribution of resources within the participating organisations (Marsh & Rhodes 1992: 252) or actor strategies (van Waarden 1992: 32) are excluded from the analysis. Furthermore, a major concern in the existing literature, is how the state may steer the outcome of networks by affecting their structure. Therefore, I have emphasised characteristics that can be linking factors
between the state and the outcome of networks. Who does and who does not participate in the network might have an important impact on the outcome of the network. The range of interest can also be connected to different mode of interventions. Some modes of interventions will require a broad network, while others will require narrow networks. Finally, the number of actors may also affect whether the emergance and stability of the network is dependent on the state’s support. For those reasons, the range of interest participating in the network - the width of the network – is a significant feature of the network structure.

On the one hand, networks may be characterised by the law of number of participants, sharing one or more goals. At the other hand, other networks may be characterised by a broad range of interests.

The second crucial feature is the patterns of relationship between the members of a network. It defines the form, quality and frequency of interaction within the network. Frequent interaction is characterised by stability and high frequency, though interactions may well be unstable. Interactions can also vary in form and quality. The broad literature distinguishes between three central forms of interactions – exchange of information/collaboration, bargaining and negotiation/exchange of goals and exchange of resources. Information/collaboration symbolises a minor integration in the network (see Daugbjerg 1998: 41). Though, this kind of interaction will usually impose a minor cost for participants as such interactions are non-binding. Actors that are linked via bargaining and negotiations do not only exchange information, they also engage in negotiation about common norms, goals and strategies – increasing the chances for common goal orientation. Negotiations will indicate higher integration and complexity at the network, as actors engage and meet more frequently. However, bargaining will also impose higher costs for the members of the network as they may change some of their initial preferences and invest more time in network activities. When integrating via resource exchange, actors might exchange economic resources, human resources and other facilities. When integrating through resource exchange actors exchange economic resources, human resources or other materiel resources may indicate that actors are more actively engaged in the process of governance, on not only in the process of multilevel facilities. Though, exchange of resources can be costly. Actors may be placed in the “negotiators dilemma” and refuse to invest resources because they risk loosing resources if other in the network choose not to so.

The last characteristic involves the dominant issues in the network. Thus, the main issues which are in the root of the collaboration of the network. The dominant issues in a network are highly related to the policy problems the network addresses. Therefore, it is impossible to develop a universal continuum of the principals, as they vary for one policy sector to another.

3. The Analytical Model: Modes of Intervention and Network Structures in the Organic food Industry

It is difficult to make a universal model on the link between the different contexts fixed by state intervention and variations in the characteristic of governance networks. Perhaps that is associated with the lack of comparative research on the subject. In addition, sectors vary in the range of interests, the nature of policy problems, and the capacity of the state to solve policy problems on its own. The creation of an analytical model will therefore require focusing on a specific policy context.

In the research project I limit the issue of developing in networks’ structure by comparing the evolution of network structures in the organic food sector of Sweden and
Denmark. The organic food sector can be defined as an innovative infant industry and it has been state-regulated in a large part of the western world. The Swedish and Danish sectors are also characterized by a large range of interests that posses different capacities for developing the industry – such as production, sales, marketing, research, consultation, product development, etc. My central argument is that the differences in types of networks are strongly shaped by variations in the way the organic sector is regulated. When refereeing to governance – network in the case of the organic sector, and infant industry development in general, I mean webs of relatively stable and ongoing relationships between organisations connected by resource dependency, and where information, goals and resources can be exchanged in interactions, so that collective action for can be orchestrated towards promoting the collective interests of part or all of the industry’s members.

The first step of creating an analytical model is to distinguish between different contexts fixed by the state. I am doing so by separating between intervention strategies governments can apply to the sector. The basic choice governments face with respect to policy issues is, whether or not to intervene in a sector. In the non-interventionist strategy the state leaves the development of an infant industry to market forces. At most, the state may intervene to ensure market forces operate effectively. When governments choose to intervene in infant industries their goal may be to influence the supply and demand of new innovative products:

Table 1. Policy instrument typology for infant industry development

<table>
<thead>
<tr>
<th>Supply-side policy instruments (push)</th>
<th>Demand-side policy instruments (pull)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>Examples:</td>
<td>Examples:</td>
</tr>
<tr>
<td>• Producer subsidies</td>
<td>• Funding of research and development activities</td>
</tr>
<tr>
<td>Indirect</td>
<td>Direct</td>
</tr>
<tr>
<td>Examples:</td>
<td>Examples:</td>
</tr>
<tr>
<td>• Compulsory purchase</td>
<td>• Compulsory purchase</td>
</tr>
<tr>
<td>• Consumer subsidies</td>
<td>• Consumer subsidies</td>
</tr>
<tr>
<td>Indirect</td>
<td>Examples:</td>
</tr>
<tr>
<td>Examples:</td>
<td>• Compulsory purchase</td>
</tr>
<tr>
<td>• Support for marketing</td>
<td>• Support for marketing</td>
</tr>
</tbody>
</table>

Source: Halpin et al. (forthcoming)

In that connection, we can combine between four different intervention strategies:

Table 2. Interventionist policy strategies:

<table>
<thead>
<tr>
<th>Emphasis on supply-side instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Passive market development policy strategy</td>
</tr>
<tr>
<td>Supply-driven policy strategy</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Demand creation policy strategy</td>
</tr>
<tr>
<td>Active market development policy strategy</td>
</tr>
</tbody>
</table>

Source: Halpin et al. (Forthcoming)

Passive market development strategy does not deviate much from non-interventionist strategy. Here too, states do not actively attempt to stimulate markets. The main purpose of the intervention is to provide the institutional setting for the market to function. The government may also become involved in creating production standards or by offering modest producer subsidies. In the supply-driven strategy, states tend to view infant industries as a public good and therefore increased supply is intrinsically valuable. Government intervention will be heavily skewed towards supporting supply and little concern is given to influencing demand.
Producer subsidies and research funds are the major policy instruments that are applied. The demand-creating strategy sees increased demand as the most effective way of bringing about growth in an infant industry. It is assumed that when demand is there, entrepreneurs and capital will enter the industry and increase supply. The policy instruments applied in this strategy are strongly focused on creating incentives for increased consumption and may even bring about mandatory consumption (for instance the Danish electricity utilities’ obligation to buy wind power). In the active market-development strategy government commits itself to promote an infant industry through a balanced use of supply-side and demand-side policy instruments, in order to accelerate the development of the market.

The Impact of Modes of Intervention on Network Structures

The next step in creating the analytical model is to link the different strategies for intervening in the organic industry and to network structure development and to draw some hypothesis.

Demand-creating strategy has been excluded from the analysis because the strategy is not applied to the organic sector.

A non-interventionist and passive market-development strategy can be connected to market form of intervention, as the states mainly intervene to secure the market. The states intervention will be very modest and it may use its own institutions to impose rules that secure markets, and I will not expect to see any support for networks. What kind of network do I expect to find in the sector? In the absence of state support networks, possibly narrow organic interests, such as individuals (groups) with common interests who voluntarily collaborate to further those interests without any external support. In the absence of support for the industry, the main issues of concern will be basic support of the new industry with the creation of production schemes, securing sales and providing consultation to the producer. The lack of institutions that generate trust, and lack of subsidies will cause actors to engage in minimal cost activities. Therefore, I expect the most frequent interactions to be based on information exchange and bargaining.

Since traditional agricultural policies are supply driven, states already posses the capacity to use supply-side instruments and thus to apply a supply driven strategy. Regulating supply will be based mainly on state institutions implementing tools intended for directly influencing the production of organic products, by applying producer subsidies or various services, such as research and consulting. However, the state can still structure a network that can assist the government in structuring policy programs, or that even can support research and consulting. Lastly, the creation of demand will be mainly left to market forces. Which kind of networks will develop under those conditions? Networks will probably be composed by actors that can advise the state in creating policy programs for controlling supply—such as producer organisations. Thus networks will have a narrow range of interests. The main issue of concern would be lobbying and assisting the state in structuring policy programs and implementation of supply side instruments such as consulting and research. As the state only need networks mainly for assisting it will likely to encourage exchange of information and negotiations, which also will be the most frequent form of interaction.

Active market-development strategies will have a different effect on networks. On the one hand, supply instruments can be directly imposed through state institutions. On the other hand, since traditional agricultural policies are supply-side orientated and have downplayed the demand-side of the market, states have limited expertise in creating demand. Thus, states possess very limited administrative resources relating to demand in creating markets for organic produce. Such efforts require organisation, skills and experience in marketing campaigns, capacity in coordinating marketing activities, developing products, etc. Those capacities are
spread between a broad range of interest inside and outside the organic food sector, including retailers, manufactures, interest organisations and the media. When states pursue a demand-creating policy strategy, without having in-house capacities to implement such policies, actors might be encourage to collaborate in order to get access to state resources. Furthermore, the government may have to use tools of network management to a higher extent in, in order to gather all the actors that have the capacity to create demand and leave the implementation of demand strategies to the network. They can structure agencies that bring together a broad range of interests, reward collaboration, use third party organisations that can organise the sector, etc.

But what about the network? When states pursue an active market-development strategy, networks are likely to be wide, as the state will use tools for gathering the broad range of interests that can support demand, and simultaneously use agricultural organisations to assist in controlling supply. The main issues will be both the creation of supply and targets and strategies for creating demand. Interactions are still likely to be based on information exchange and negotiating. But also resource exchange, as the state will have an interest in use different tools in order to encourage actors to play an active role in the implementation process of demand side strategies.


The main purpose of this paper is to introduce the analytical model of my Ph.D. dissertation. However, in this section I use some preliminary research results and shortly account for variations in the depended and independent variables of the model.

**Intervention Strategy Danmark**

Already in 1984 the Danish government intervened in the organic sector by supporting advisory service to organic farmers. But the Danish state’s engagement with the organic sector is marked by the Act on Organic Farming which was adopted in 1987. It had two main components. Firstly, subsidies were provided to ease farm conversion and to initiatives related to the processing, marketing and distribution of organic food. Prior to 2004 organic farm subsidies were differentiated between arable and various types of livestock production in order to motivate particular groups of farmers to convert. On the demand creating side, state funding for product innovation and marketing increased by more than 350 percent between 1994 and 1996. Secondly, state engagement in the Danish organic sector in the late 1980s entailed a shift from certification by non-state bodies to a fully state-operated certifi- cation and labelling system (the Ø-label). Until 1989 the NAOF was the main organic certifier, setting its own standards and carrying out their own farm inspections. The strong emphasis on state-sponsored marketing of organic produce leaves no doubt that the Danish government is pursuing a active market development policy strategy. The resignation of the Social Democratic led government in late 2001, and the election of a Liberal-Conservative government, led to the lowering of organic subsidies; but the policy strategy was left untouched. In the early 2000s, after several years of considerable overproduction of organic milk and cereals, it was decided to abolish support schemes directed at selective commodity groups. The market, rather than selective support schemes, was perceived as a better means to determine the level and type of organic production. However, conversion and permanent subsidies would still be provided. In 2004 a flat-rate conversion and permanent organic payments replaced the complicated and commodity differentiated subsidy system. Spending on demand-side policy measures was scaled down five-fold between 2002 to and 2005 as a result of the change of Government, but this did not
halt efforts devoted to increasing demand for organic produce. After 2002 demand creating initiatives were still implemented but the source of funding was to an increasing extent the Land Tax Foundation (*promilleagiftfonden*) and the Foundation for Organic Agriculture (Schwartzman 2008, 53- 55). Increased demand for organic food domestically and internationally in 2006 and 2007 persuaded the government to increase funding in 2007 to levels just short of the highs of 2005.

**Intervention Strategy Sweden**

From the outset, Swedish organic policy was framed as an environmental policy measure (Swedish Government 1997, 72-73, Swedish Government 2006, 1, Rydén 2003, 11-12). The Swedish Board of Agriculture states that ‘Organic production is one of the means for achieving some of the national environmental goals and to promote a sustainable farming sector’ (Jordbruksverket 2001, 5). As a result, Swedish organic policy has had a strong focus on increasing the area farmed organically: *supply-side policy* instruments have been dominant and no significant support has been granted to demand oriented market development (Källender 2000, 280).

Specific targets for the conversion of farm land to organic production were established: 10 percent was to be converted by 2000 and 20 percent by the end of 2010 (Swedish Government 2006, 11). A conversion subsidy for organic farming was introduced in 1989 (for a 3 year period) as part of a broader agricultural policy program aimed at reducing surplus cereal and at limiting farm pollution. In 1994 a small permanent subsidy was introduced, but as a consequence of Sweden’s entry into the EU, relatively generous permanent subsidies for organic farming were introduced in 1995. Payments were differentiated according to region, crops grown and livestock system. This model was further differentiated in 1999 and payments were increased and reached comparatively high levels; in particular for oil crops, potatoes, sugar beets, fruit and vegetables (Rydén 2003, 10-12, 22, 39). In 2008 they were further differentiated again between certified and non-certified organic farmers, with the payment levels for the latter scaled down to 50 per cent in 2009 (Jordbruksverket 2009). The state has provided increased funding for research in organic production. In addition, the Board of Agriculture, a state agency, has launched information campaigns directed towards farmers to motivate them to convert and has set-up an extension service for organic farmers as part of the state agricultural advisory service (www.sjv.se).

The government has delegated certification and labeling to the private association KRAV. Formed in 1985, KRAV was granted state authorization in 1993 and is now highly professionalized. Between 1994 and 1997 its staff size rose from two to 50 persons, and by 2006 it had risen further to 70 employees (Böstrom 2006, 348-49). Organic farmers are not required to be certified to receive government subsidies for organic farming as long as they comply with EU rules on organic farming and are subject to inspection by the Board of Agriculture. However, certification (in practice KRAV certification) is needed to market produce as organic through commercial sales channels. The Swedish government has admitted that its skewed focus on supply-driven policy has led both to a significant growth in organic production and to minimal growth in organic consumption. In fact, as little as a third to a half of total organic output is marketed as organic (Jordbruksverket 2001, 43, Swedish Government 2006, 7). But this state of affairs has not led to a shift in Swedish policy strategy. Somewhat surprisingly, rather than supporting marketing activities, the government decided to decrease subsidies to non-certificated farmers (Jordbruksverket 2009).
Network structure in the Danish and Swedish Organic Food Industry

Comparing the Swedish and the Danish organic food industry present a good context for investigating the link between intervention strategy and network structure. Firstly, the challenges and the problems that need to be solved in the both the Swedish and the Danish organic sector are similar. Secondly, both the Swedish and the Danish food sector is organised in similar way. Most of the interests are concentrated around few interest organisations, and the industry is being dominated by few large and many small retailers, processors and distributors. Furthermore, in both countries the organic farming has been organised since the beginning of the 1980’es.

By comparing Sweden and Denmark I can also study a transformation between two intervention strategies. Until the end of the 1980’es the Danish and the Swedish governments applied non-intervention and passive market development strategies. However, since the end of the 1980’es the Danish government has applied active market development strategy while the Swedish government has applied a supply driven strategy.

On the basis of the theoretical expectations, introduced above, I would accept the Danish network to be large, support both demand and supply activities and interactions to be based on information exchange, bargaining and resource exchange. In Sweden I would expect to find a narrow network, based on information exchange and bargaining in order to advice government and support supply driven policies.

Denmark

In 1980 a group of organic farmers took the initiative to organise the organic sector and in 1981 the National Association of Organic Farming (NAOF) was formed. During the 1980’s the network in the Danish organic sector was compound by the NAOF Association of Biodynamic Farming (ABF), Danish Small Holders’ Union (DSHU) and the consumer organisation FDB that owns four of the major retail chains. All the members were supporters of organic production (Jakobsen 2005: 103). The root for collaboration was to give a basic support for the new industry. The collaboration between the NOAF and FDB was based on informal agreement that secured sales and prices of organic vegetables (LØJ (GF) 1989). Interactions were based on negotiations few times a year on prices, amount and quality of products. The collaboration between the NOAF, ABF and the DSHU was established in 1983 in order to set up an advisory service for organic farmers. Interactions were based on frequent meetings (once a month) I order to exchange information and to negotiate strategies for organic advisory service. Furthermore, the DSHU should supply consultants while the NAOF and the ABF were obligated to be members of the DSHU and to buy advisory service (Økologisk Jordbrug 12/1983: 3).

Today the network supports both supply and demand activities. Issues concerning supply involve usually Organic Danmark, the Farmers Union (FU), the ABF, the Family Farmers Association (FFA) and the Danish Agricultural Advisory Service (DAAS). Negotiations on rules of production are taking place usually within the Control Commission, but also through informal contacts. Collaboration on advisory service include exchange of human resources between the Organic Danmark, that employs 16 advisors, and the local advisory service of the conventional organisations Danish Farmers Union and the Family Farmers Association (previously DSHU). The advisors employed in organic Danmark usually assists in matters concern organic production while the conventional organisations assist with economic consulting The DAA usually yield superior consulting of the FFA and the FU, and conduct different research projects related to production methods. order to secure an optimal
service for organic farmers.

Demand activities are supported by a network compound of the most central companies within the Danish food sector such as Arla Foods (the largest processor and distributor of organic and conventional milk products), Agrova Food (distributor and processor of organic and conventional vegetables) and Danish Crown (the largest distributor of meat in Denmark). All and all, more than 110 processors and distributors are involved to some extent in network activities. Some of the companies specialise solely with organic food production, while other companies also engage in the conventional food sector. Most of the companies are members of the organisation Organic Danmark.

Other members of the network are the seven large retailers in Denmark: SuperBrugsen, Kvickly, Irma (all own by COOP Danmark), Fotex, Netto, Bilka (own by Danish Supermarket), and SuperBest. The network also includes state executives, the organisation Organic Danmark and Food & Agriculture and representatives of the committees of the Land Tax Foundations.

A minor part of the interactions are taking place within the Organic Food Council where representative of COOP Denmark, Danish Supermarket, Danish Agriculture & Food Council (DAFC) – the central organisation representing the farming and food industry- , Danish Industry (DI) and state executives negotiate, usually six times a year, formal policy programs, and allocation of public support for demand activities such as product development and marketing projects. Beside the formal meetings there is frequent information exchange between all members of the council.

However, interactions are mostly concentrated around Organic Danmark. One of the central tasks of the organisation is to distribute communication between processors, distributors and retailers. Communication usually concerns market situation, consumer preference, preference of retailers and processors, etc. Another important task includes coordinating retailers, distributors and processors in collective activities. Few times a year Organic Danmark engage the different groups (usually also together with representative of the Land Tax Foundation which partly financed those projects) in generic sales campaigns focused on specific organic products (Økologisk Landsforening 2003: 12). The projects usually require investment of economic and human resources from all participants. Processors are sometimes even required to change the concept of their products in order to engage in activities with retailers. Since 2002 Organic Danmark also offers advice and in – store assistance to food – processors and retailers in the field of organic sales (Økologisk Landsforening 2002: 2).

Distributors, processors and producers are also engaged in frequent negotiations every year, usually during the spring and summer, in order to reach a consensus on demand development strategies and activities in the sector. Negotiations are usually taking place within different committees in Organic Danmark. After end of negotiations the Marketing Department and the Processors Committee decide which demand development activities should be carried out, through Organic Danmark, in the following year.

Organic Denamrk, DAFC and large numbers of processors also invests resource in collective export foundation activities. Such activities usually concern participating in different events outside Denmark. The most famous of them is Bio –Fach in Germany, where processors and distributors from all the European countries meet once a year. The activities do not only concern promoting of individual companies, but also the promotion of Denmark as an ‘Organic Nation’.

Since 2008 six companies- Arla Food and Agrova food among them, have gathered to promote export foundations activities from within the DAFC. The activities involve investment
in collective projects which are aimed towards promoting Danish organic food products in public kitchens outside of Denmark. They do so by marketing different products as “total package”. Other activities are aimed towards marketing of organic products in French retailers. However, there is still daily contact between the DAFC and Organic Denmark’s export section, in order to coordinate export activities.

**Sweden**

The Swedish Ecological Farmers Association (SEFA) was established in 1985. Between 1985 and 1987 the organisation established a network with the Federation of Swedish Farmers (LRF) the Swedish Co-operative union (KF9 (FDB sister organisation), and organic commodity organisations in order to secure production scheme and distributions of organic products. Furthermore, the SEFA was a member of the Collaboration Group of Alternative Farming (SAO) which was compound of the SEFA, the biodynamic farming association and four other organisations. The group worked mainly towards negotiating policy programs and lobbying the government (Ryden 2003: 36). The SAO was abolished in 1989 due to some disagreements between the members and the SEFA began to work individually (Ibid 1987). Since 1997 the SEFA has been collaborating with the LRF, the main association of conventional farmers, to generate legitimacy for organic production among conventional farmers and thereby avoiding opposition from within the farm community (Ryden 2003: 30-33). Collaboration between the two organisations still exist and it mainly concerns negotiating different strategies for motivating to convert to organic farming, and assisting the state in defining policy programs.

Some attempts of bringing different stakeholders together in order to support demand – as in Danmark- has been failed. A minor network for supporting demand, compounded of SEFA, Organic Center and the KP has been established. Interactions are mainly aimed towards exchange of information, negotiating demand development strategies and lobbying the state.

**Further research**

Preliminary results show variations in both the depended and independent variables. While the Danish government focused on active market development strategies, the Swedish government focused on supply – driven intervention strategy. Dissimilarities also appear in regard to the depended variable. During the 1980’es the Swedish and the Danish “organic network” were similar. However, the Danish network today is large, supports both demand and supply activities, and frequent interactions are based on resource exchange, negotiations and exchange of information. In Sweden the network is still narrow. The root of collaboration is mainly negotiations on supply side activities and assisting the state in defining policy programs. As the Danish and the Swedish organic sector are similar it can be possible that variations in network structure are due to variations in intervention strategies. However, connecting variations in intervention strategies to variation in networks requires further research. I will therefore base the second part of my dissertation on process analysis in order to connect the depended and independent variables. I am doing so by focusing on the following questions:

1. Did the Danish government use different tools of Network Management in order to organise a network that would support both demand and supply, while the Swedish government did not?
2. Did the Danish government supported capacity development in Organic Denmark and the DAFC in the purpose of organising the network? Was lack of such capacities in the Swedish organisations due to lack of support from the Swedish government?
3. Are network activities in Denmark mainly financed by public and semi-public funds? Was failure in establishing a similar network in Sweden due to lack in public funds?
4. Are variations in network structure the result of different responses by network members in order to support different policy strategies?

6. Summary
In this paper I introduced a comparative model for analyzing the link between different modes of state intervention and variations in network structures. It is difficult to make a universal model on the link between the different contexts fixed by state intervention and variations in the characteristic of governance networks. Perhaps that is associated with the lack of comparative research on the subject. In addition, sectors vary in the range of interests, the nature of policy problems, and the capacity of the state to solve policy problems on its own. The creation of an analytical model will therefore require focusing on a specific policy context. I focused on the organic food industry, but the model can also be used in other sectors of infant industries. Preliminary results show variations in both the depended and independent variables. While the Danish government focused on active market development strategies, the Swedish government focused on supply-driven intervention strategy. Dissimilarities also appear in regard to the depended variable. During the 1980’s the Swedish and the Danish “organic network” were similar. However, the Danish network today is large, supports both demand and supply activities, and frequent interactions are based on resource exchange, negotiations and exchange of information. In Sweden the network is still narrow. The root of collaboration is mainly negotiations on supply side activities and assisting the state in defining policy programs. As the Danish and the Swedish organic sector are similar it can be possible that variations in network structure are due to variations in intervention strategies. However, in order to make solid conclusions on that relation more study still need to be done.

Literature


Kelly , Josie (2006), *Central Regulation of English Local Authoritities: An Eexample of Meta –Governance?*, *Public Administration* 84 (3), pp. 603-621


Marinetto, Mike (2003), ‘Governing beyond the Center: A Critique of the Anglo – Governance School’, *Political Studies* 51, pp. 592-608


Owen- Smith, Jason and Walter W. Powell, ‘Knowledge Networks as Channels and Conduits: The Effect of Spillovers in the Boston Biotechnology Community’, *Organization Science* 15 (1), pp. 5-21


Sørensen, Eva og Jacob Torfing (2005), ‘Netværksstyring-fra government til governance’, Roskilde universitets forlag, Roskilde


