

Buckwell, Allan

**Book Part**

## Food safety, food quality and the CAP

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## Food Safety, Food Quality and the CAP

### *Contents*

- 1 Introduction: what is the connection to the CAP?
- 2 Definitions of Food Safety and Food Quality
- 3 Market failures and public actions for food safety and quality
- 4 Conclusions

### **1 Introduction: what is the connection to the CAP?**

As a reflection of the concerns of the time, the Treaty article defining the purpose of the CAP makes no reference to food safety or food quality. The CAP started its life as a set of cross-border economic and political arrangements for the signatories, concerned with raising productivity and, it was hoped, living standards of those engaged in farming. It arose from a period of food market instability and insecurity, and its prime purpose was quantitative – raising output of Europe’s food sector, with passing but contradictory reference to a desire for ‘reasonable’ (consumer) prices. At the time of creation of the CAP food safety was under member state, not EC, competence. If food quality was a concern at all it was considered a commercial issue. The strongest accusation is thus, perhaps, that the CAP has failed food quality and safety by ignoring it.

From this beginning, over the years, a mythology has grown up that food safety and quality have been big ‘missing factors’ in the CAP which must now be rectified. The idea is that the high, and relatively stable, price regime of the CAP has been responsible for a massive intensification and industrialisation of agriculture and this in turn has reduced safety, diminished food quality and also been responsible for large-scale environmental damage. Both links in this argument are more false than true.<sup>1</sup>

First, the so-called intensification of agriculture (actually a substitution of capital for labour and land) is a world-wide phenomenon seen under a wide range of agricultural policies; some which subsidised agriculture some which taxed the sector. It has been brought about by general economic and technological factors and has only very slightly been modified by agricultural policy. The very fact that the sectors where this process has gone furthest in European agriculture, (pigs, poultry, horticulture and field scale vegetable production) are the sectors least protected by the CAP illustrates the point.

Second, it is far from proven that food safety and quality have been poorer as a result of this so-called industrialisation, and they are poorer now than in former decades. Given the definition of quality (paragraph 9 below) it would seem a safer conjecture that there is a greater range of differentiated food products available daily to the bulk of the European population now than at any other time in our history. There is greater variety, consistency and purity within all the main product lines available, a greater proportion and volume of produce moving through these differentiated lines, and great many more lines than there ever has been. Likewise no systematic evidence has been offered to show that the incidence of food safety and hygiene breakdowns have been

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<sup>1</sup> There is a case to be made that the CAP has had a systematically negative environmental effect. This too is invariably overstated, but it is not the subject of the current paper.

more frequent or caused more damage in recent years than formerly.<sup>2</sup> The quite different issues of nutritional standards and health (obesity, the over consumption of salty, sugary and fatty foods) has nothing to do with agricultural policy. If anything, the high prices of EU agricultural produce (particular sugar and animal fats) will have, *ceteris paribus*, inhibited consumption of some of these foods rather than encouraged it.<sup>3</sup>

The changes observed in the technology and structure of primary production, the huge growth of the intermediary food processing, distribution and catering sectors, and the dramatic changes in household economic and social behaviour, are the major determinants of the large changes in food consumption patterns. In turn, the underlying causes of these changes go far wider than agricultural policy. It appears that, because of its other short-comings, a false debate has been created in which the CAP has been accused of neglecting an area in which it was never designed to operate and in which it has, even today, only a marginal role. After the current hyperbole has settled, in which it is argued that the CAP should be a policy for quality and not quantity, we will still find that the bulk of the expenditures and actions under the policy have little directly to do with food safety and quality. Indeed, this is as it should be. Food safety and quality are far too important to be left to the CAP.

## **2 Definitions of Food Safety and Food Quality.**

Food safety refers to human health.<sup>4</sup> Public policy on food safety is, or should be, an objective, science-based concern in which opinions carry zero influence. For public policy, what matters primarily is whether a food product or process is safe to eat, not whether the chattering classes in the media think it is or is not. Science itself is fallible, but the scientific process and criteria provide ideals to be constantly striven for. Food safety is most easily defined in term of negatives, the absence of natural or man-made toxins or allergens in food, or their appearance below thresholds of danger for the majority of the population in the context in which they are likely to consume.

As in most fields involving biological variation, it is not possible to arrive at a definition based on absolutes. Tolerance to harm from food ingredients varies according to age, gender, body mass, activity, physiology, genetic disposition, the processes employed in food preparation, consumption patterns and a host of other factors. In addition, food safety policy has to contend with the fact that there is no control possible over the hygiene, storage and preparation of food at the final stage in the home, nor is there control over consumption levels and mix.

In this field, in the presence of such variability and the absence of certainties, a great deal of policy will boil down to the assessment, communication and management of risk. Cautious safety levels with wide margins of error will characterise this area.

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<sup>2</sup> These are extremely complex issues to analyse given the large changes in public health protection measures, in life styles, food preparation and eating patterns and the changes in food consumption.

<sup>3</sup> The debate on the CAP and food quality is not helped by the confused way in which phrases like 'cheap food policy' are used. There can be no doubt that at both farm gate and retail levels, Europe is a high food price area compared to all of the rest of the world with the exceptions of Norway, Switzerland and Japan. Yet there are persistent accusations that food safety and quality have been sacrificed by cheap food policy. This usually refers to the effects of highly competitive behaviour in the food processing and distribution sectors who fight to provide cheap, mass produced (= low quality in the eyes of the critics) food for the poorer sectors of society.

<sup>4</sup> It is not sensible to intermix animal welfare and environment with food safety as is often done, these are separate concerns and must be treated separately.

Food quality, refers to the totality of characteristics of the food, that bear on its ability to satisfy stated or implied preferences. Quality implies variety and is a multi-dimensional concept, most of which are subjective. One way of characterising some of the dimensions of food quality is to distinguish:

- Measurable features – purity; consistency; moisture content; chemical composition; physical characteristics, microbiological character; and keeping quality.
- Consumption preferences – choice, smell, taste, colour, size, shape, texture, eating characteristics, after taste.
- Environmental characteristics – association with desired environmental impacts or their lack.
- Animal welfare characteristics – association with desired animal welfare impacts or their lack.
- Social characteristics – association with desired social outcomes or their lack.

Some would add ethical characteristics (considerations of what is good) to the above list, but it is suggested this would be double counting, that the above five exhaust the possibilities.

These categorisations are defined in terms of the food product itself. However, they also apply to the process in which it has been produced. This introduces further dimensions of quality. As more and more food is sold in a processed form, as convenience ready-prepared meals and food eaten in catering establishments, a large set of further quality traits enters the picture. These include a range of food additives (e.g. colourants, preservatives, stabilisers) and process agents. They also, importantly for the consumer, include packaging, presentation and promotion. In a different dimension, the nature of certain stages of the production process can take on great significance for quality in the eyes of the consumer. For example, there is no reliable way of detecting in an egg, or a pork product, whether the chicken was caged, or the pig tethered. Yet some consumers have strong preferences for these products.

As this paper is offered in the context of public policy, the above definitions partition safety and quality. It is asserted that food safety and food quality should not be conflated. The former is not considered an aspect of the latter. For policy purposes, food safety must be considered an ‘on’ or ‘off’ phenomenon, not a matter of degree. The food is safe to eat or not. Within the tolerances mentioned, and subject to storage and preparation instructions, all consumers must be safe to assume that *all* food legally on sale is safe to eat. The fact that we are all free to ignore instructions or to over-consume, for example alcohol, raises quite separate issues of consumer, nutritional, and public health education and policy.

### **3 Market failures and public actions for food safety and quality**

In a pluralist, liberal market democracy, public interventions may be justified when there are identifiable or predictable occurrences of market failure, market imperfection or missing markets. That is, in the absence of such failures we would start with the presumption that private interactions are sufficient to deal with the issue at hand and there is no need for public regulation or intervention. It will now be argued that food safety is an area where there *are* conditions of pervasive market failure and regulation will be expected to be the norm. For food quality it is suggested that market failure is not normally the case and private market or commercial behaviour should be expected

to be the norm, although there is still an important public role for ensuring the necessary infrastructure and regulatory apparatus are in place so that product differentiation and quality can flourish.

Lapses in food safety will normally have lagged, geographically diffuse and difficult to predict, effects. That is the problem often shows up removed in time and space from its source. If a meat 'processor' has a lapse in microbiological hygiene the food poisoning symptoms occur hours, days or possibly even weeks later over an area which depends on the structure of the food chain. A failure in one country can appear in another. This can make it extraordinarily difficult to trace the source of the problem. In these circumstances, even for the reputable firms in the food chain, self interest would not be considered a sufficient safeguard to rely on self-imposed health and hygiene standards. Because these very circumstances also provide possibilities for the unscrupulous to take short cuts it is inevitable that a system of public regulatory control is put in place.

At a less practical and more conceptual level, food safety can be said to have the characteristics of market failure. If food ingredients are free from infectivity or poison all consumers benefit from the absence of contamination. The enjoyment of freedom from 'disease' of each consumer does not diminish the enjoyment of others. Also it is difficult if not impossible to exclude the non-payers (non-consumers) of this freedom. Thus, safe food processes leading to safe food can be argued to involve a degree of non-rivalness in consumption and non-excludability, the hallmarks of market failure. We can therefore expect the market to supply too little food safety. That said, and in contrast to some other classical areas of market failure there is no tendency to understate the demand for food safety. Indeed because we all consume food every day of our lives, and because any costs of over-provision of food safety are so dispersed and thus shared, there is probably a tendency to overstate the demand for safety.<sup>5</sup> Indeed if we add the modern feature of the full glare of publicity, and the blame culture, given to each and every failure of food safety, there is a strong incentive for government to be super-precautious. Again the apparently slight, and dispersed, costs of higher standards are thought by government to be easily assimilated.

The conclusion is that food safety will be an area of strong regulatory control. This is achieved through the definition of standards of cleanliness, purity and hygiene at all points in the food chain, backed up by: monitoring; sanctions for abuse; a liability regime with a presumed duty of care. Many aspects of these regulations are expressed through the licensing of processes, premises and operatives. The appropriate administrative level to operate these controls should be a matter of technical effectiveness. Because of the dispersed nature of food preparation, catering and retailing most of the regulation and monitoring is carried out by local authorities, under national legislation paid by the Member States (MS) or in systems of decentralised governance, at a regional level. There are no doubt differences between EU member states whether these functions are under the ministry of health, agriculture, environment or consumer affairs. The series of well publicised food safety failures in the last decade has resulted in many countries in the creation of Food Standards or Food Safety Authorities.

The creation of the single market brings these issues to the EU arena. Given the free movement of goods in the market, there is a process of gradual harmonisation of food safety standards and regulations, plus mutual recognition of Member States' procedures,

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<sup>5</sup> Which means there is over-cautious regulation. This inevitably imposes additional costs in the food chain, and makes it more difficult for local production to be internationally competitive. This in turn usually leads to trade disputes. There are several current examples of this in the EU.

plus harmonised consumer information and labelling. At times of breakdowns in food safety, the maximum good is deemed to be served by the isolation of the country or region with the problem. Free trade within the single market is thus usually partially and temporarily suspended. The locus of power on the trade aspect of food safety is still being tested. In principle, as with all trade matters, it is at the EU level, although the reality as illustrated by the prolonged French ban on UK beef which had been cleared by EU veterinary authorities, shows that this principle is not universally accepted. In addition the EU has now set up a European Food Safety Authority with powers to provide scientific and technical advice, to collect and analyse data, identify and communicate risk, and communicate with the public on all food safety matters.

Food safety is pre-eminently a food chain issue not an agricultural issue. The bulk of the significant threats to food safety are likely to arise either in farm inputs manufactured up-stream of farms or in the transformations after products leave the farm gate. This means that traceability of product through the entire chain is vital. This in turn calls for agreed procedures and labelling techniques. These will have to be agreed nationally and co-ordinated supranationally and internationally. It is in this area of traceability and the means of bringing it about that food safety and quality can come together.

Once systems are set up for tracing food ingredients for reasons of food safety, it is cost effective to use the same systems and mechanisms for food quality too. Quality assurance systems therefore take on some of the functions for ensuring food safety. This can give rise to confusion in the minds of consumers.<sup>6</sup> The classic case of this is exemplified by organic food. The licensing and assurance systems for organic production is now well established, and the organic marque or label is extremely well recognised. It is however a food quality and not a food safety indicator. There is no scientific basis at all for asserting that organic food is safer than inorganic (or conventional) food. If this statement were not true, it would imply that there is some risk (however slight) to good health from consuming non-organic food.<sup>7</sup> This in turn could only mean that the conventional food production systems including inorganic fertilisers, crop protection chemicals and animal health products encouraged and indeed licensed by the member states has embraced some public health misjudgements. No Minister or Commissioner responsible for food safety could sleep easily if this were the case.

The regulation of food safety therefore involves a complex series of licensing and control procedures. It starts with the licensing and registration of crop protection and veterinary and animal health products. It licenses processes, premises and people in the chain from farmers and downstream: first stage and subsequent stage food processing and manufacturing; transportation; storage; distribution; retailing and catering, and at points of import and export. It involves health and safety at workplaces, offices and advice on these matters in homes. It also has associated large-scale public information systems to help explain the measures in place, to provide information on products and the principles of home hygiene and family nutrition and health.

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<sup>6</sup> It would be highly dangerous to allow purveyors of high quality food to use food safety as any part of their marketing strategy. If premium food products, sold at higher prices to niche markets, can be marketed as 'safer' it undermines confidence in the lower priced general products. If a process used in the production of the latter can be demonstrated to pose a threat, then it should not be licensed.

<sup>7</sup> The author can hear the howls of disapproval of these statements from, for example, those who feed organic food to their children. Food safety authorities are right to ignore such emotion, their concern must be to protect the safety of the non-organic food fed to babies and children of all, and perhaps especially those of the less articulate in society.

In short there is considerable area of market failure concerned with food safety and thus a highly developed set of EU, MS, regional and local regulatory procedures. But emphatically, this is not, and should not be conflated with, agricultural policy. The CAP should be consistent with food safety policy, and some of its funding streams might contribute to the achievement of the aims of food safety regulations. But whether there is an EU agricultural policy or not, food must be safe.

Generally speaking food quality is not a matter of market failure. What is felt to be of high quality is subjective.<sup>8</sup> Bringing about the process of product differentiation which is an intrinsic aspect of producing higher quality is done through commercialisation and marketing to define premium products. It is done by careful packaging and presentation. The purpose is to segment the market. By realising that some consumers have the income and preferences to purchase (usually lower quantities) at higher prices than the average, this offers producers the chance to sell a higher value product, and also, depending on the costs of delivering the higher quality, to achieve higher returns.

Many aspects of quality are a matter of plant or animal variety or production process and they are intrinsically not capable of being tested or measured at the point of consumption. This applies for example to organic food, free-range eggs, charollais beef, and specified vintage quality wines. There is no test possible on the final product to demonstrate that these products are what their label says they are. Consumer trust is placed in the traceability system which delivers the quality. This in turn has mostly been established by commercial practice and by firms' reputations for high quality which would evaporate if they were found out to have been cheating. To this extent self-interest is the best guarantor of honesty. The very process of defining quality is one for private sector initiative, imagination and flair. The creation of sustained quality products requires immense attention to detail, the creation of brands and promotion. These processes require considerable investment and involve a great deal of risk. Many new food products, e.g. recipes or particular types of pre-prepared convenience foods fail. Precisely for these reasons the development and promotion of quality is therefore principally a private sector activity.

Despite this presumption that the production and creation of quality food products must be a private sector affair, there are a number of rather pragmatic grounds for some degree of public involvement in stimulating and maintaining quality. As the number and variety of quality marks proliferates government has taken on, broadly, two roles: stimulating producers to produce variety, and consumer protection. The first role is justified by the fact that with small-scale and geographically dispersed producers, there is insufficient information, incentive, expertise and resource to develop new products and processes. These structural failures justify public assistance to stimulate the creation of producer controlled businesses to perform these quality-raising roles. Second, for consumer protection it is necessary to have in place the mechanisms for overseeing the institutions that set up and run assurance schemes, and performing periodic checks to ensure that the traceability systems are operated with good consumer information and without fraud. The roles for public policy for food safety are therefore as follows.

To offset the disincentive effect of the CAP. For four decades, under the CAP, farmers of certain major products have been encouraged to produce, not for the market but for publicly determined intervention 'quality' standards. This especially applied to cereals, oilseeds, beef and dairy produce. It encouraged uniformity, a commodity

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<sup>8</sup> English speakers are brought up on a nursery rhyme illustrating this. "Jack Sprat could eat no fat; his wife could eat no lean". This beautifully illustrate the power of individual tastes and preferences and thus the difficulty of defining 'quality' in meat products.

mentality and all too often lead to an indifference towards product differentiation and finding out what the consumer wanted.<sup>9</sup> Marketeers would argue that having been responsible for creating such problems in the first place, then the last instrument which perhaps should be used to encourage the opposite attitudes is the CAP! However the processing and marketing article of the Rural Development Regulation (1257/99) provides funds to encourage and assist the setting-up of schemes or farmers' organisations devoted to raising quality and improving marketing. To some extent this support can help provide capital investment, but rightly, the bulk of such investment is regarded as a matter for private credit not public subsidy.

To provide consumer information. There are undoubtedly failures in the availability of information. One is the asymmetry of information. The seller knows much more about the conditions of production and the real quality than the buyer. This has spawned a great deal of public activity in the form of nutritional labelling, use-by dates on perishable products, and harmonisation of information in the single market – developing symbols to help overcome the existence of multiple languages.

To assist the creation of the infrastructure for quality. Almost by definition quality means multiple lines each with smaller throughput than undifferentiated commodity product. At least in the first instance, this can involve higher costs. It is currently fashionable to argue that locally and regionally denominated foods, speciality products e.g. from rare breeds or produced using traditional processes, have intrinsic value and can also provide welcome support for the communities which have traditionally produced them. Unless the processing, transportation and marketing of these products is co-ordinated and supported e.g. by co-operatives or other forms of producer or community organisations, these initiatives may not get off the ground. Public support may therefore be justified to provide the stimulus and co-ordinating role. The support may take the form of institution building (producers groups or co-operatives), information, advice, training, initial start-up credit or loans. Note, this list does not include on-going annual subsidies.

Some of the collective actions may be to act as a counterweight to the power of the highly concentrated food processors or retailers. Thus national (or EU) supermarket chains may be required to maintain a certain proportion of shelf space for local or regional produce. Public support may be given for the establishment of farmers' markets, or in support of the organisations who have been set up to assist farm retailing and farmers' markets.

To ensure suitable location and scale of livestock processing capacity. This particularly applies to abattoirs. There are large private economies of scale in these operations. A prime example of this is in regard to the need to have qualified veterinary inspectors to oversee such difficult operations as the removal of BSE-related specified risk material from cattle. If small abattoirs are required to pay for the time of these meat inspection services, the costs can put them out of business. The smaller the number of abattoirs, the longer the distance to be travelled by live animals and the greater the total transportation of product, and the greater the commensurate externalities of pollution and road congestion. Many MS see in these arguments sufficient justification for schemes of sharing the costs of expensive veterinary meat inspectors in small abattoirs and meat processing plants to ensure that some of this value-added is maintained near

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<sup>9</sup> This is the conventional wisdom repeated by politician after politician at conferences for years. It is no doubt partially true, but it can be overstated, for is also the case that the recent decades have seen a huge increase in the variety of grain, oilseed, meat and dairy products on sale throughout the community.



the points of production rather than concentrated in cities nearer the centres of population.

Training, education and market information. These roles are usually supported by public funds. It is generally accepted that the private sector will under supply such training as they are unable to capture the benefits of their trained staff who can walk away at the end of the training. In addition, these market failure arguments seem to carry more weight given the small and micro business structure which characterises at the very least the rurally-based part of the quality food chain.

#### **4 Conclusions**

Governmental institutions have an essential role to play in food safety, they have a less central, but nonetheless important, role in assisting the development of food quality.

It is vital that consumers have confidence that their food is safe. For this reason it is equally vital to separate food safety from considerations of food quality both in policy and in public discourse. There is a crucial role for the state to guarantee food safety. This is done by having the capacity for research, monitoring and testing, licensing and inspection, and sanctions for non-compliance, to earn this consumer confidence. These matters are mostly dealt with at the member state level and below, but there is an important role for EU co-ordination. Also, increasingly, with globalisation, the co-ordination involves a stronger international element – requiring actions from, inter alia Codex Alimentarius, WTO and the OIE. Continual development in the work of these organisations is necessary to match the proliferation of traded products, including regimes for inspections abroad and in transit.

This vital work is a matter for public policy, but is not directly a matter for the CAP. There should be nothing in the CAP which in any way restricts the above tasks for ensuring food safety and all CAP support regimes should be food safety-proofed. This means there should be a periodic and quite explicit consideration given to test that there is nothing intrinsically in each CAP support systems which could compromise food safety. The main food safety related role for the CAP occurs when there is a food safety failure. It is the corresponding commodity regime which provides the framework and mechanisms for co-ordinating the response. This usually involves some emergency trade arrangements, and invariably some market stabilisation arrangements. It is important that such arrangements operate smoothly. Rebuilding consumer confidence requires that they are sure no contaminated food is reaching the food chain. The smooth working of these arrangements and the minimum disturbance to consumer confidence are also vitally important for producers. Outside the remit of this paper is the issue of who should pay for the market stabilisation when there is a breakdown as for example caused by the BSE crisis.

Achievement of higher food quality is a matter of differentiation, imagination and innovation. This can only be brought about by private sector activity. The government can play an important role in creating the framework for this to take place. This involves facilitation – by encouraging producer groups and co-operatives, and by overseeing quality assurance schemes. There is an education and training function, both for consumers and producers in the food chain. Government can help the creation of the infrastructure for quality and by ensuring necessary regulation is implemented in a proportionate way. It also has an important role in holding the ring to ensure fair terms of competition given the big imbalances in market power in the food chain.

Many of the public sector actions to encourage diversity and quality will lie with the member states. For example the planning and tax systems have a big influence on the freedom of initially land-based firms diversifying into food processing and retailing. The most important set of instruments influencing food quality at EU level are those in the Rural Development Regulation. This is where funds can be available for the functions listed above. The actions and funding will generally take the form of specific once-off investments, rather than a continuous stream of annual payments. Farms, and increasingly other rural businesses who have access to the RDR schemes can seek support under this regulation. The scope for this has been increased by the additions to the RDR in the June 2003 CAP reform, although there has only been a small (5%) shift in funding from the agricultural market policy to enable this. In time these actions should be a much more important part of the agricultural and rural policy.

A more problematic area is the extent to which quality associated with environmental, social and animal welfare is handled in the ways described to this point. It may be argued that higher standards under these three headings constitute improvements in food quality – or at least improvements in the quality of production conditions. The market is likely to be ineffective in paying for many if not most of such quality attributes. In such circumstances, if the market does not pay for the additional costs of delivering these ‘services’ then they should be paid through annual payments to the producers concerned. For environmental services of biodiversity, landscape, resource protection and cultural heritage it is argued that there is enough separability between these aspects and the quality of the food itself that the most efficient delivery of the non-market services is indeed achieved by custom-built agro-environment schemes. Such schemes do not prevent specific environmental attributes being captured in high quality foods. The point is that society would be unwise to depend on this connection for the delivery of the desired rural environment.

The social dimension is even more difficult to deal with. There are examples where it is possible to attach support for specific communities to products and thus achieve economic return through the market. An example is honey or other products sold by monasteries. The public buys the product to support the monastery. Arranging annual public payments for such elements in society is also possible. The hill farming payments, less favoured allowances and payments to producers north of parallel 62 are all examples of a mix of environmental and social payments. The problem with such schemes is to explain why the farmer in such areas receives annual financial support and the, equally poor, garage mechanic does not. This is an area where rhetoric has a habit of overwhelming cool analysis in separating justified payments associated with environmental or social quality and elements of pure political subsidy.

Finally, the issues of standards of food quality and the method chosen by society to support it can often lead to problems of international trade. This is the subject of the so-called non-trade concerns in the WTO, but is a subject in its own right and is not opened here.