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CAP AND THE CHALLENGES OF FAMILY FARMERS IN EUROPE

Sophia Davidova, School of Economics,
University of Kent

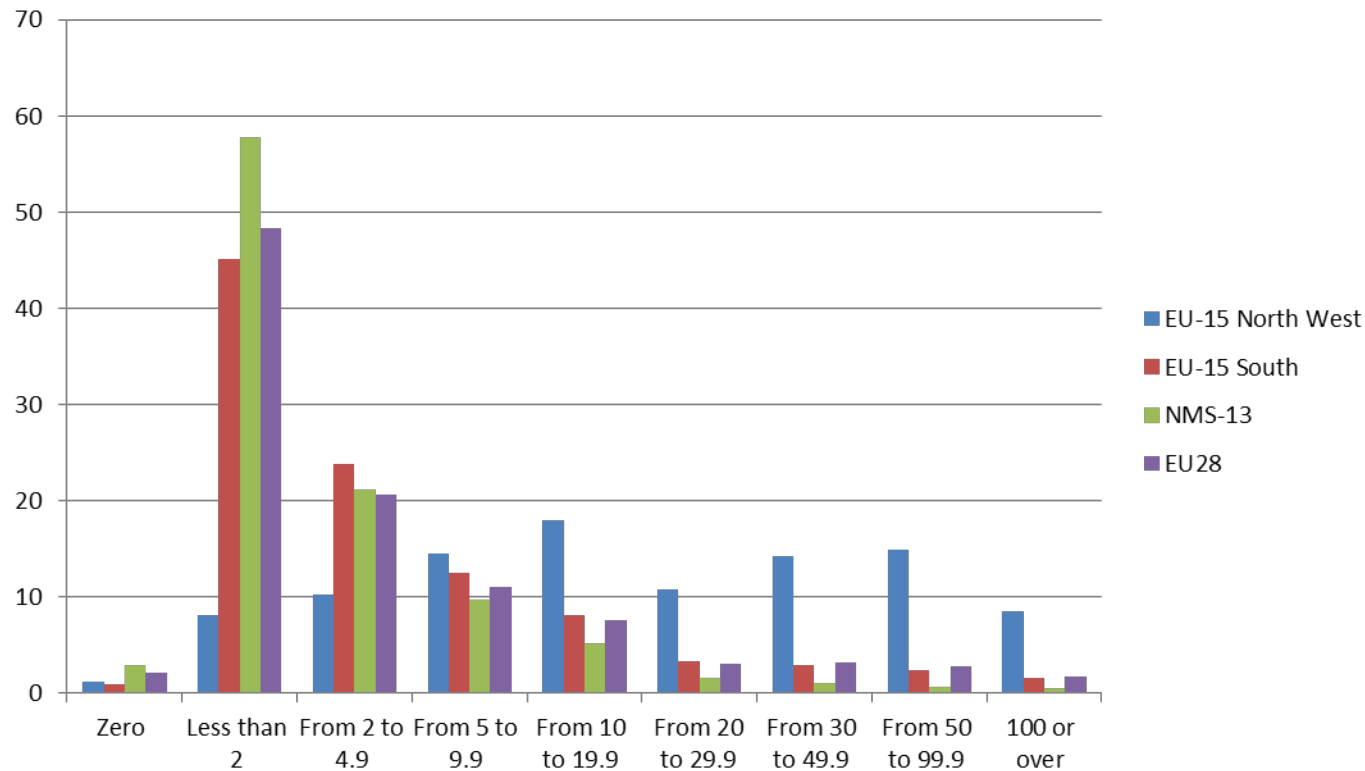
Diversity of farming in Europe

- Family farming has been (at least implicitly) at the heart of the CAP
- EU farm structure is highly diverse:
 - **Family farms (often part-time or pluriactive)**
 - Semi-subsistence (small, part-time, maybe Other Gainful Activity)
 - Lifestyle/hobby (small, part-time, Other Gainful Activity)
 - Commercial (small, medium or large; part-time or full-time; with or without Other Gainful Activity)
 - **Non-family farms**
 - Partnerships
 - Family-run companies
 - Non-family companies
 - Production cooperatives (New Member States)
 - Trusts and charities

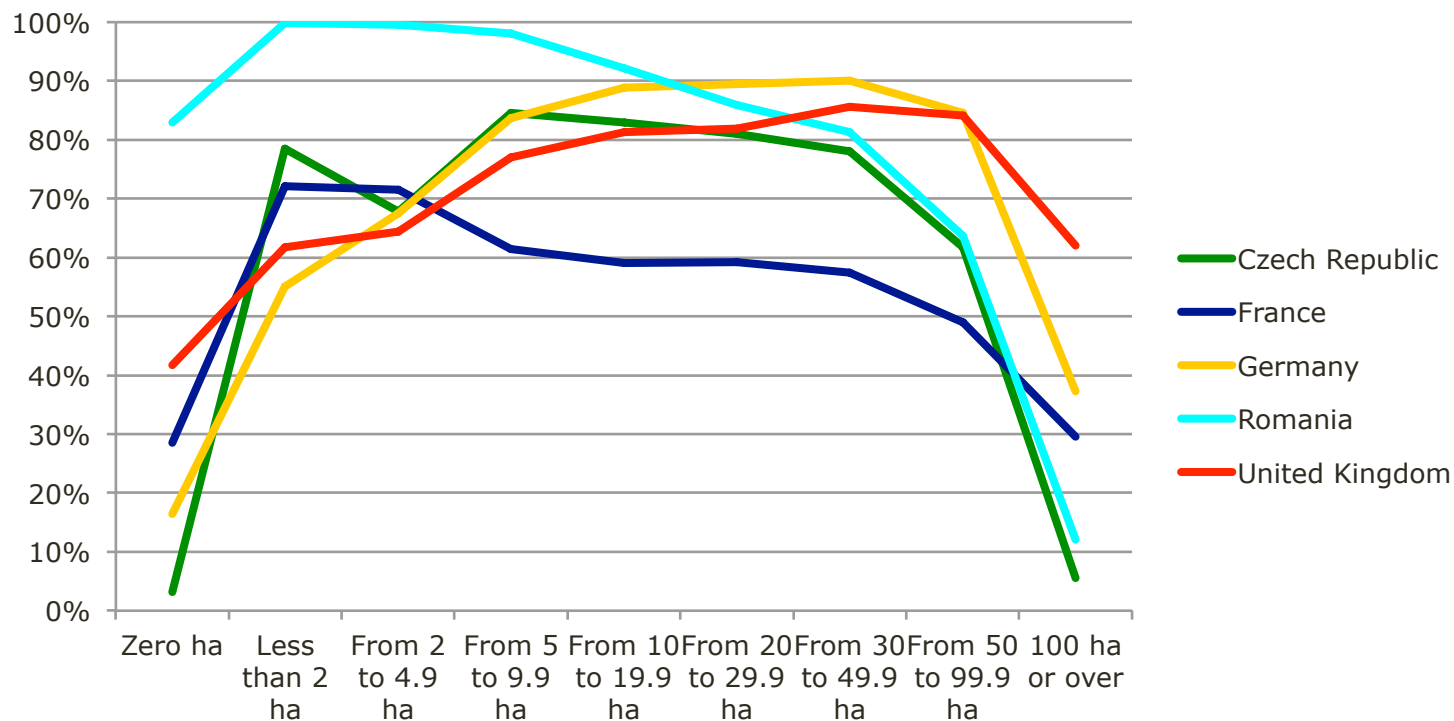
Family farmers – definitions for policy and statistical purposes

- Can be based on:
 1. legal status (sole holder)
 2. family labour input
 3. bearer of business risk
 4. ownership and control (and thus succession between generations)
- For the purpose of illustration let's use 1&2

Sole holders according to farm size (ha)



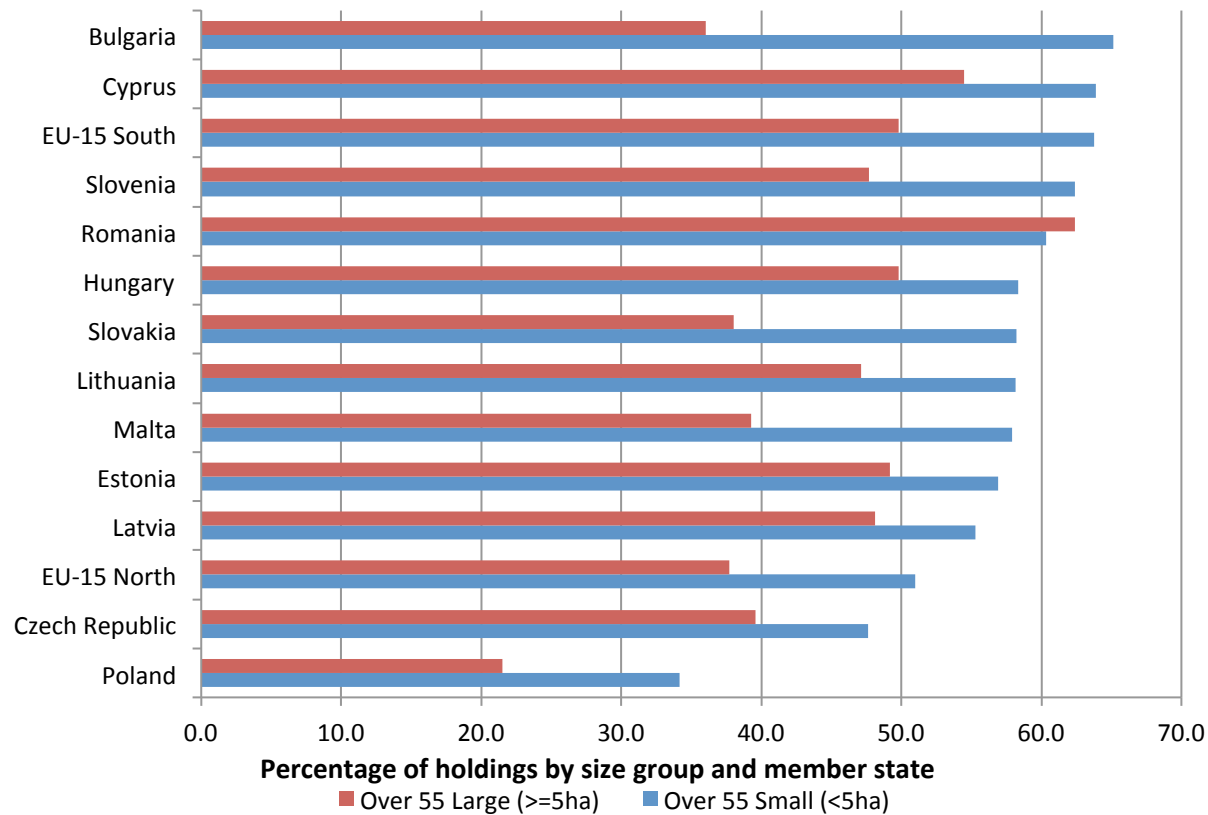
More family labour input is associated with smaller farms



Challenges faced by family farming

- **Economic**
- Smallness
- Difficulty to compete in terms of innovation and entrepreneurship
- Powerlessness in the food chain (even the larger FF)
- **Environmental** (not specific to FF - they apply to all farm structures)
- **Social and demographic**
- Inter-generational succession
- Aging

Aging family farmers population



CAP and FF challenges - Pillar 1

- CAP treats equally all farm structures
- However since its inception it has been biased in favour of larger farms (and the larger ones are usually non-family)
 - Therefore the policy discussion should not be so much 'family vs non-family' but 'small vs large'
- Pillar 1: land based – clearly favours larger farms
- CAP 2014-2020 more flexibility to MS to adjust P1 details to their own circumstances, e.g. min size of claim
 - Small farmers scheme –expected to be a more effective way for support of small FF (Hennessy, 2014)
 - There is also a redistributive payment
- But both schemes are **optional**

CAP and FF challenges – Pillar 2

- Pillar 2 expected to be more useful – by definition **no scale effect as in P1; multiannual basis of payments**
- But again it seems to favour larger farms due to:
 - complex application procedures
 - co-financing requirements
 - narrowly defined functions of the Farm Advisory System
- P2 2014-2020 (EU 1305/2013) thematic sub-programmes to address specific needs in areas of particular importance to MS e.g. young farmers, small farms
 - so MS can **positively discriminate** towards FF
- However, they will need the same programming efforts – works as a disincentive

Insights from one of our studies (Fredriksson, L *at al.*)

- Survey of 1200 agricultural households in 5 EU New Member States (820 were useable)
- Data about land, buildings, machinery, farming activities, income sources in 2003 and 2006
- On this basis a selection of a small sample of rural households for in-depth interviews
- Selection criteria:
 - a/ to have increased the share of output sold between 2003 and 2006
 - b/ to have given consent to be revisited

Interviews

- 10 Bulgarian households were chosen – revisited in autumn 2010 and autumn 2014
- Face by face interviews trying to elicit:
 - Attitude to farming and non-farm activities
 - Impact on non-agricultural sources of income of:
 - Risk aversion
 - Rural depopulation
 - Rural unemployment
 - Attitude towards farmers cooperation
 - Attitude towards and the use of CAP support

Cooperation and the use of CAP support

- Farm households in principle positive towards the CAP – can relax their liquidity constraints
- However not all apply – they find the procedure very complex and bureaucratic: according to some respondents *“the requirements are ridiculous”*
- Can the small farmers scheme in CAP 2014-2020 help? **It is timely and necessary to assess its effectiveness**
- The crucial role of cooperation
 - In one case the farmer cooperated with other farmers to collect information and apply for support
 - Education is important – a former teacher applied for the CAP support and helped the other farmers with their applications
- Divergence of interests: registered farmers mainly interested in Pillar 1; households with non-farm businesses – a broader interest in social and economic policy and combating unemployment

Households messages to policy makers

- CAP Pillar 1 versus Pillar 2
 - Preferences for rural development and rural job creation outside agriculture to stop depopulation of rural areas
- Investments in training of young people
- In general, the issues of small agricultural households seem **more social than agricultural**

Conclusions

- FF in Europe face specific challenges mainly due to their relative smallness in comparison to the non-family farms
- CAP by design is implicitly 'large farm biased'
- The 'new' CAP 2014-2020 more flexible – more freedom for MS to adjust implementation details
- Therefore whether there will be a decreased 'large farm bias' depends on the choices and implementation by MS
- One pending question – many problems in EU agriculture are social and environmental – is the social and environmental burden on CAP too heavy?