



European
Research Area

EUROPEAN POLICY BRIEF



**Assessing the Multiple Impacts of the Common
Agricultural Policies (CAP) on Rural Economies**

October 2009

Objectives of the research

SUMMARY

European rural areas are undergoing major changes. The Common Agricultural Policy (CAP) is the main expenditure chapter of the EU and is directly affecting the economy of rural areas. The objective of the project is to develop concepts and tools to support future CAP design, based on an improved understanding of the socio-economic mechanisms of change in rural areas.

Scientific approach/ methodology

CAP-IRE has a strong empirical approach based on farm-household surveys and in-depth analyses building on a mix of survey and modelling instruments. The coverage includes 11 case study regions in 9 EU countries. The project has developed a strong dialogue with stakeholders by means of an Advisory Board (AB) (13 members) and a Local Participatory Network (LPN) (involving about 100 participants).

New knowledge and/or European added value

The CAP-IRE findings confirm that the trend of abandonment of agriculture will continue in the next decade. CAP support contributes to the stated intention to maintaining farm households in agriculture and to the expansion of the largest farms. Regional differences are very important both in terms of the present situation and reaction to policy change.

Key messages for policy-makers, businesses, trade unions and civil society actors

The intermediate outcomes of the project suggest new challenges for policy in terms of: a) re-specifying policy objectives and role; b) accounting for regional/farm differences; c) improving policy evaluation.

Objectives of the research

European rural areas are undergoing major changes. The Common Agricultural Policy (CAP) is the main expenditure chapter of the EU and is both directly and indirectly affecting the economy of rural areas.

The objective of CAP-IRE is to develop concepts and tools to support future CAP design, based on an improved understanding of the long-term socio-economic mechanisms of change in rural areas.

The reaction of farm households to CAP reforms is being analysed under the lens of six thematic, and one cross-thematic, viewpoints: 1) farm structural adjustment, investment and innovation; 2) chain interactions between agriculture and related economic sectors; 3) environmental sustainability; 4) social sustainability; 5) interactions between rural communities and the rest of the world; 6) farm and rural governance issues; 7) the interplay of the previous aspects.

Scientific approach/ methodology

CAP-IRE has a strong empirical approach based on farm-household surveys and in-depth analyses building on a mix of survey and modelling instruments. The geographical coverage includes 11 case study regions in 9 EU countries.

The surveys contained questions concerning farm/household characteristics, patterns of change in a baseline scenario (present CAP) and reaction to an extreme “NO-CAP scenario”.

Two main surveys have been carried out:

- Survey on a farm-household sample of about 55 units, with an in-depth face-to-face questionnaire.
- Survey on a farm-household sample of about 2100 units, with a shorter questionnaire submitted with a mix of phone, postal, and face-to-face interviews.

The descriptive analysis of the outcome of the survey will be accompanied by an econometric analysis in order to understand the determinants of farm-household reactions to the scenarios.

The project has developed a strong dialogue with stakeholders by means of an Advisory Board (AB) (13 members) and a Local Participatory Network (LPN) (involving about 100 participants). The AB and the LPN are regularly informed about project activities and play a key role in shaping research questions, interpreting the results and deriving policy implications.

New knowledge and European added value

Assessing the impact of the CAP will help in re-aligning the CAP in the wider framework of EU policy objectives. The preliminary background analysis and the interaction with stakeholders enabled CAP-IRE to review and update the research agenda.

While farm households maintain their central role as a building block of rural societies, their relationship to rural economies seems characterized by two major changes:

- The meaningfulness of the delineation of rural areas (with related definitional problems) seems to be weakening. This is due to increasing interaction of farm and, more broadly, rural households and economies with either urban areas, international markets, or global demographic changes.
- The shift from household-run farms to legal entities is becoming more pronounced, with the emergence of important grey areas between the two. This also means a shift in farm and rural governance.

The 2003 CAP reform, the increased volatility of market prices and the new, more entrepreneurship-oriented, farm structure have resulted in new attention to productive agriculture in many areas, leaving multi-functionality and sustainability concepts less noticeable than in the recent past. While the focus on competitiveness could become a distinguishing feature of some case study areas in the medium-term, it could be less or not relevant for other areas (for example in Less Favoured Areas).

The key issues are:

- changes in the nature of rural areas and associated changes in the types of linkages that exist between farm-households and their locality;
- the difficulty of identifying common policy scenarios, in a situation where policy is increasingly determined by a number of local choices;
- the major differences in the institutional forms of farms and in the nature of farm-households between different regions of the EU;
- the increased complexity of the connection between households and farms, related to the increasingly changing institutional forms of the farm, changing social and technological contexts and changes in the structure of relationships within farm-households;
- the related role of (new) forms of governance;
- the connection between such new institutional forms, and their effects on the household, and the increasing entrepreneurial character of the farm or firm management.

The outcome of the survey of over 2000 farm-households highlighted the following:

- the trend of abandonment is confirmed in the next decade with about 25% of the households abandoning farming in the foreseeable future;
- CAP support contributes to stated intention to maintaining farm-households in agriculture: abandonment of agricultural activity would double without the CAP; however, differences between the case study areas are significant.

Key messages for policy-makers, businesses, trade unions and civil society actors

The intermediate outcome of CAP-IRE suggests new challenges for policy in terms of:

- a) Re-specifying policy objectives and role:
 - requiring more attention to innovation-oriented and entrepreneurship-supporting measures, rather than keeping the focus on mere income support;
 - re-shaping the connection between productive agriculture and the environmental/social dimension of agriculture;
 - taking into account the non-agriculture related contributions that farm-household members make to local economies through, for example, off-farm employment and on-farm diversification activities;

 - b) Accounting for regional or farm differences:
 - taking into account the differences in social indicators among rural areas, including labour allocation in farming and off-farm activities; long-term unemployment and low education levels in some rural areas;
 - taking into account differences in farm governance structures and the institutional environment of regions when designing policies;
 - recognising the spatial concentration of agriculture-related businesses in some rural areas and associated vulnerability of some (but not all) areas should there be a decline in farm production;

 - c) Improving policy evaluation:
 - analyses of farm reactions foresee an important number of farmers that declare intention to abandon farming if CAP support is abolished; the dramatic structural changes that would arise from the abandonment require improved tools for *ex ante* policy analyses;
 - CAP effects will change radically depending on other forces, for example increases in productivity or changes in the world market, which require specific attention to context scenarios.
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PROJECT IDENTITY

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Further reading	Research papers and reports are available at http://www.cap-ire.eu
Related websites	http://cordis.europa.eu/fp7/ssh/home_en.html http://ec.europa.eu/agriculture/index_en.htm
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