

<b>Institution: University of Kent</b>
<b>Unit of Assessment: 18 - Economics and Econometrics</b>
<b>Title of case study: Improving the Design of the European Union's Common Agricultural Policy (CAP) Support Mechanisms for the Benefit of Semi-Subsistence Farmers</b>
<p><b>1. Summary of the impact</b> (indicative maximum 100 words)</p> <p>This case study describes how research undertaken by Sophia Davidova and Alistair Bailey contributed to raising the issue of the welfare of small farmers in Europe onto the EU policy agenda. The impact of their research is clearly reflected in papers and legislative proposals produced by the European Commission. As a result of the research, the European Commission was able to identify clearly the policy target group and to propose a simplified post-2013 Common Agricultural Policy (CAP) flat-rate payment scheme to small and semi-subsistence farmers, which was debated and approved by the EU Council and Parliament in June 2013. The impact has been international in reach and has led to significant policy change for EU subsistence farmers.</p> <p>The direct beneficiaries of the research have been agricultural policy makers in the European Commission. The indirect beneficiaries are the 11 million small farmers who, within the CAP for the period 2013-2020, will enjoy a simplified flat-rate payment scheme for support.</p>
<p><b>2. Underpinning research</b> (indicative maximum 500 words)</p> <p>The development of this research was motivated by the fact that, despite a succession of reforms, the CAP still accounts for about 43% of the EU budget. Yet taxpayers' money has not contributed effectively to the CAP's main objectives, which are to ensure a fair standard of living for the agricultural community and to contribute to the stability of farm incomes. Under the label of 'income support', CAP transfers have mainly benefitted large farms, a regressive policy, increasing the farm income gap between large and small farmers. Moreover, the landscape of European agriculture has changed as a consequence of the two enlargements since 2000, which have resulted in a massive expansion in the number of small and semi-subsistence farmers.</p> <p>Research by Davidova et al described the capacity of subsistence farming to alleviate rural poverty and improve welfare in the poorer EU New Member States (references 1, 5). The CAP Rural Development Regulation has a measure to facilitate the market integration of semi-subsistence farming, and the research provided insights into the factors that can stimulate this process, particularly technology, and the attitude and perceptions of farming households were revealed as important factors influencing the commercialisation process (reference 1). One of the practical difficulties faced by policy makers is in defining the policy target group, as 'small' and 'semi-subsistence' farms can be defined in a variety of ways by applying different indicators. For instance, if semi-subsistence is defined to be farms which consume more than 50% of their output, then it is a very substantial group of 5.8 million farmers (48% of all farms in the EU). The research investigated different indicators (market participation, economic size and various measures of physical size of the farm), emphasising their strengths and weaknesses, and the sensitivity of estimates of the total population of small farms in Europe to the selected criterion (references 1, 2, and 3).</p> <p>Another insight that relates to the impact is the provision of ecosystem services by small and semi-subsistence farmers. Research conducted for the Structural Change in Agriculture and Rural Livelihoods (SCARLED) project (reference 6), disseminated via conference papers and reports to the European Network for Rural Development and the European Parliament, found a negative and significant relationship between environmental efficiency and market integration, supporting the claim that semi-subsistence farming is environmentally friendlier than specialised commercial operations. The research also indicated that awareness of the positive externalities (social benefits exceed private benefits) supplied by small farmers in general is very limited among policymakers and the wider population, and so more information and engagement is necessary (references 3, 5).</p> <p>The underpinning research described above was undertaken by Sophia Davidova (lead researcher</p>

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and Director of the School's Centre for European Agri-Environmental Studies, CEAS) and Alastair Bailey, both at Kent. The project started in 2007 with an EU FP6 research grant, funded by the European Commission, titled SCARLED. This was a continuation of the long-term interests of Professor Davidova into the differences in farm structures in the EU and the factors affecting their efficiency. SCARLED (reference 7) had project partners from Universities and Research Institutes in seven other EU Member States.

**3. References to the research** (indicative maximum of six references)**Examples of publications, research projects and commissioned papers that underpin the impact:**

1. Davidova, S., Fredriksson, L., Bailey, A. "Subsistence and Semi-Subsistence Farming in Selected EU New Member States", *Agricultural Economics*, 40 (s1) (2009), 733-744.
2. Davidova, S. "Semi-subsistence farming in Europe: Concepts and key issues" Background paper prepared for the seminar "Semi-subsistence farming in the EU: Current situation and future prospects", Sibiu Romania 13-15 October 2010. This paper was commissioned by the European Network for Rural Development (ENRD). An electronic version is available on [http://enrd.ec.europa.eu/en-rd-events-and-meetings/seminars-and-conferences/semi-subsistence-seminar/en/semi-subsistence-farming-in-the-eu\\_en.cfm](http://enrd.ec.europa.eu/en-rd-events-and-meetings/seminars-and-conferences/semi-subsistence-seminar/en/semi-subsistence-farming-in-the-eu_en.cfm).
3. Davidova, S. "Semi-subsistence farming: an elusive concept posing thorny policy questions", Presidential Address, *Journal of Agricultural Economics* 62 (3) (2011), 503-524.
4. Davidova, S., Fredriksson, L., Gorton, M., Mishev, P, and Petrovici, D. "Subsistence farming, incomes and agricultural livelihoods in the New Member States of the European Union", *Environment and Planning C Government and Policy*, (2012) 30(2), 209-227.
5. Davidova, S. (lead researcher), Bailey, A., Dwyer, J., Erjavec, E., Gorton, M and Thomson, K. "Semi-subsistence farming – value and direction of development". In order to inform the MEPs before the final voting on the post-2013 CAP package, the European Parliament's Committee on Agriculture and Rural Development (COMAGRI) commissioned an extensive study to evaluate the effectiveness of the current and proposed CAP measures for the period after 2013, and to draw up a set of policy actions consistent with the objective of developing and supporting semi-subsistence farmers in Europe. The study was awarded to Kent and the report was submitted in April 2013. The dissemination of the research is undertaken by the Policy Department, Structural and Cohesion Policies, European Parliament,
6. European Parliament (2013) *Semi-Subsistence Farming: Value and Directions of Development*, study report to Directorate-General for Internal Policy, Policy Department B Structural and Cohesion Policies, Agriculture and Rural Development. Available from <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=93390>

**Grant that underpinned research:**

7. Davidova, S. (PI) "Structural Change in Agriculture and Rural Livelihoods" (SCARLED), EU Framework 6 Contract No SSPE-CT-2006-044201, 2007-2009, the value of the grant for the University of Kent was Euro 149,719 out of a total grant of Euro 797,630. This was a collaborative European Research Project. The main task of the participants was to investigate "Socio-economic functions of subsistence farming and co-operation among farmers".

**4. Details of the impact** (indicative maximum 750 words)

Problems in the effectiveness of the CAP income payments system have been exacerbated with the two EU enlargements since 2000. The 12 New Member States are characterised by a large population of small and semi-subsistence farmers. Reference 2 indicates that the highest estimate of the joint population of small and semi-subsistence farmers was 11 million in the enlarged EU (27 States). This finding was used and cited by the European Commission, for example in the report by the Director in the Directorate of Agriculture and Rural Development in 2010 (source 6).

The research described in this case study started in the period of the second enlargement in 2007. By that time the decisions about the CAP for the EU financial period 2007-2013 had already been made. The research findings have had an impact on the policy agenda and policy setting for the CAP post-2013 (sources 7 and 8).

References 2 and 3 raised the issue of the lack of a rigorous definition of small and semi-subsistence farming. Reference 2 was commissioned by the European Network for Rural Development (ENRD) and by the European Commission, Directorate General Agriculture and Rural Development. On two occasions Davidova was invited to brief officials from the Directorate. The seminar 'Semi-subsistence farming in the EU: Current situation and future prospects' in October 2010, at which the paper was presented, was attended by the European Commissioner for Agriculture, Directors and Head of Units in the Directorate Agriculture and Rural Development, and rural stakeholders from EU Member States. The results suggested a range of indicators and thresholds that could be applied in the definition of semi-subsistence farming, for example a share of output sold as a proxy for market participation; economic size; or physical measures, for example farm land smaller than 5 hectares, or a standard labour requirement as used in the UK.

These indicators were picked up and developed in the EU Agricultural Economic Brief of July 2011 (source 4) 'What is a small farm?' This brief referred explicitly to reference 4.

Reference 5 was commissioned by the European Parliament, Directorate General for Internal Policies, Policy Department B: Structural and Cohesion Policies, Agriculture and Rural Development. Professor Davidova was invited to present the main conclusions and recommendations to MEPs – members of COMAGRI. The final results of the research for SCARLED project (reference 7) were reported to the European Commission representatives at a meeting in Brussels in 2010.

In the legislative Proposal by the European Commission for a Regulation of the European Parliament and of the Council establishing Rules for Direct Payments to Farmers under Support Schemes within the Framework of the Common Agricultural Policy (source 2, October 2011), Article 49(1b), the highest threshold for small farms has been set at 3 hectares. **Reference 1 recommended a flat cash multiannual payment to small and semi-subsistence farms funded by the Rural Development fund.** It also suggested that although it is tempting to ask for business plans and set mid-term performance targets the costs of such control might rapidly exceed the benefits. In the Proposal for Regulation on establishing rules for direct payments to farmers under support schemes within the framework of CAP, **the text of Article 49(2) specifies that the support to small farmers will be a flat payment between EURO 500 and 1,000 without a request for a business plan. These policy proposals identified by the research were acted upon by the Commission and were taken up by the Council and Parliament (reference 6) and adopted in June 2013 (source 7).**

References 2 and 3 also argued that the importance of small farmers is in maintaining the traditional landscape and vitality of rural communities. References 1 and 2 underlined the social and welfare role of semi-subsistence farming by estimating the value of non-marketed output and its contribution to total household incomes. **These ideas have had impact on the economic justifications for support to small farmers. For example, in his speech in October 2010, the European Commissioner for Agriculture cited the research and emphasised that "the performance of small farms can be measured not only in terms of economic competitiveness but also by their role in the sustainable management of natural resources and land use"** (sources 5 and 3). In addition, The Special Euro Barometer on CAP (2011) asked in Section 1.3 for justifications of simplification of support to small farmers, including options as to their role in social activity and in their contribution to the beauty of the countryside (sources 1 and 3).

**The direct beneficiary of the research has been agricultural policy makers in the European Commission who (i) were able to identify the group of small and semi-subsistence farmers; (ii) had academic research supporting the positive roles of these farmers beyond the output of food and fibre; and (iii) were provided with ideas for improved support design to small farmers that could involve lower transaction costs.** The indirect, but important, beneficiaries are the 11 million small farmers who, within the CAP for the period 2013-2020, will enjoy a

simplified flat-rate payment scheme for support, **which was agreed by the European Parliament in June 2013 (source 7).**

**5. Sources to corroborate the impact** (indicative maximum of 10 references)

1. European Commission (2011) Special Euro Barometer 368: *The Common Agricultural Policy*, questions in Section 1.3. 'Simplifying Access to Direct Payments for Small Farmers' [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_368\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_368_en.pdf) (cited references 1,2,3,4).
2. European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the Common Agricultural Policy, Brussels 19.10.2011 COM (2011) 625 final/2 [http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com625/625\\_en.pdf](http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com625/625_en.pdf) (cited References 2,3).
3. European Commission, Proposal for a Regulation of the European Parliament and the Council on Support for Rural Development by the European Fund for Rural Development (EAFRD), Brussels 19.10.2011 COM (2011) 627 final/2 [http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com627/627\\_en.pdf](http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com627/627_en.pdf) (cited reference 3).
4. European Commission, Directorate General Agriculture and Rural Development, EU Agricultural Economic Briefs, Brief No 2, July 2011 'What is a small farm?' [http://ec.europa.eu/agriculture/agrista/economic-briefs/2011/02\\_en.pdf](http://ec.europa.eu/agriculture/agrista/economic-briefs/2011/02_en.pdf) (cited reference 2).
5. A Future for Europe's Small Farmers' Speech of the European Commissioner of Agriculture and Rural Development at the conference 'Semi-subsistence Farming in the EU: Current situation and future prospects', 2010 [http://ec.europa.eu/commission\\_2010-2014/ciolos/headlines/speeches/2010/10/20101014\\_en.htm](http://ec.europa.eu/commission_2010-2014/ciolos/headlines/speeches/2010/10/20101014_en.htm) (cited reference 2).
6. EU Rural Development Policy and Semi-Subsistence Farming: Rural development tools relevant for semi-subsistence farming and their use, 2010, [http://enrd.ec.europa.eu/app\\_templates/filedownload.cfm?id=C4BE7828-A94D-D9D4-E5D0-71BC1A639D89](http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=C4BE7828-A94D-D9D4-E5D0-71BC1A639D89) (cited reference 2).
7. <http://www.bbc.co.uk/news/world-europe-23062284> BBC news story corroborating the final agreement of the EU Council and Parliament and further corroboration from the European Commission, [http://europa.eu/rapid/press-release\\_IP-13-613\\_en.htm](http://europa.eu/rapid/press-release_IP-13-613_en.htm).

**Named Individual:** Michael Gregory from the European Network for Rural Development who participated in the two meetings with officials from the Directorate General Agriculture and Rural Development and in the seminar on "Semi-subsistence farming in the EU: Current situation and future prospects", Sibiu Romania 13-15 October 2010.