

Farm diversification in the EU

SUMMARY

Many European farmers are struggling to make a living in a difficult economic context of falling prices in key agricultural commodities and high agricultural market volatility. For many, a way to stabilise or increase their income is to branch out into other non-agricultural activities, using farm facilities. From tourist accommodation to the production of renewable energies or the sale of handicrafts, a wide range of diversified activities can be implemented on the farm itself. The situation is fairly contrasted across the EU as regards diversification, which is quite common in some Member States and almost inexistent in others.

EU rural development policy supports farmers setting up other activities on their farms as part of a more general objective of maintaining a strong farming sector in Europe, which is a necessary condition for the development of rural economies. Farmers wishing to set up diversification activities can benefit from start-up aid of maximum €70 000 from the rural development fund (EAFRD), with co-financing from their Member State, or from another type of aid in the form of support for investments.

At this stage of the current programming period (2014-2020), Member States' rural development programmes, indicating how they intend to spend their rural development envelopes, have all been adopted. According to the European Commission, countries and regions have allocated 7.4% on average of total public expenditure to the measure dedicated to farm and business development, which includes, inter alia, support for farm diversification.



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Background

A difficult context for today's European farmers

Many European farmers are striving to survive in a difficult economic context. The farming sector is currently hit by several crises: the Russian import ban, which deprives farmers of an important export market, a general slump in milk and pork prices, the high volatility of global agricultural commodity markets, the general economic slowdown and the resulting restriction on farmers' access to capital, etc. Moreover, farmers derive their incomes from agricultural production, which is generally prone to risks such as animal and plant diseases, natural disasters, and adverse weather conditions. For these farmers, one way of stabilising or increasing their income is to use their own assets (land, buildings, equipment) to diversify into non-agricultural activities, thus creating sources of income that are independent from an agricultural income which is inherently unstable.¹

Definition of farm diversification versus farmers' pluriactivity

These two related concepts need to be clearly defined, insofar as only farm diversification is entitled to support from the Common Agricultural Policy. The statistical office of the EU, Eurostat, uses precise definitions to compile statistics on the subject. In its [Farm structure survey](#), farm diversification is understood as the creation of any [gainful activities](#) on the farm. These include 'all activities other than farm work, directly related to the holding or having an economic impact on the holding'. 'Directly related' means that either the resources of the holding (area, buildings, machinery, etc.) or its products are used in the activity. Examples include tourist accommodation, handicraft, processing of farm products, and wood processing.

Diversification is always assessed at the level of the **farm** and all types of farms are covered. Diversification activities can be carried out by persons other than the farm manager (his/her spouse, other family members or people external to the household).

In contrast, pluriactivity is assessed at the level of the farmer (the family farm manager and sole holder of the farm). A farmer is considered [pluriactive](#) if they carry out an activity other than farm work (in most cases) for remuneration. This can be outside the farm, in a non-agricultural enterprise, or on another farm; or on their own holding if diversification activities do not include any farm work. In the latter case, the definitions of pluriactivity and diversification overlap.

Diversification is therefore not a subset of pluriactivity. If the farmer's spouse develops another gainful activity on the farm, the farm will be diversified without the farmer (manager) being pluriactive. A farmer performing contractual work is pluriactive, but the farm is only considered diversified if they use their own farm resources.

Overall, according to Eurostat's farm structure survey of 2010, approximately one in three farmers in Europe undertake gainful activities other than farm work. Of those, [77%](#) spend more time on the other gainful activity than on their agricultural work.

Maintaining a declining and yet vital sector

Recent data show that the EU agricultural sector has been declining over recent decades, mainly as a result of a long-term restructuring process. [One in four farms](#) disappeared in the EU between 2003 and 2013, while the total area used for agriculture remained almost unchanged. [Figures](#) from December 2014 show that farming only represents 4.5% of total employment in the EU. The farming population ([around 20 million farmers](#))² is ageing rapidly: for every young farmer (less than 35 years old) there are nine older farmers (over 55 years). Moreover, many young people are deterred from starting or taking over a farming business as they cannot be sure of its long-term economic viability.

The EU supports farm diversification in view of its many benefits not only for the farmers themselves but also, more generally, for the **sustainability** of the sector and the added value it brings to **rural economies**. Agriculture is considered a vital activity, along with forestry, as a [driver](#) of rural economy and a platform for economic diversification in rural areas. It is closely related to the food industry and to tourism, two major activities employing nearly 15 million people in the EU, and to trade. An entire machinery sector also depends on farmers, with 135 000 people directly employed in this industry in 2011.

Moreover, on top of its basic role as provider of food for the EU population (thus ensuring food security), modern European agriculture fulfils other important functions, such as managing natural resources; preserving biodiversity; shaping the landscape; supplying renewable energies; and providing a wide range of public goods and services. In many regions, it is the basis of local traditions and of social identity.

It is therefore deemed essential to maintain agricultural jobs and help farmers earn a decent living while fulfilling their various missions. European policy makers, over time, have developed rural development policies providing tools to help the farming sector address economic, social and environmental challenges. The current policy reinforces this trend³ and, among many other forms of support, includes direct and indirect measures which help farmers achieve their diversification projects.

Overview of farm diversification in the EU

A wide range of diversification activities

Farmers across Europe have developed many kinds of diversification activities. The decision to opt for a particular type of non-agricultural activity is influenced by various factors: the size of the farm; its specialisation and location; the farmer's (or other household member's) individual characteristics, such as age or education level; local conditions; potential markets; legal provisions.

Agri-tourism

Also called farm tourism, agri-tourism includes various tourist activities, such as accommodation (bed and breakfast, rural lodgings, farm campsite); catering (evening meals); leisure activities (pedagogical farms, sports, horse-riding, farm visits). Agri-tourism allows farmers to promote their estates and geographical locations and, when associated with the sale of home-made products, adds value to their agricultural production. Some types of farms are particularly adapted to agri-tourism. In France, for example, farm tourism is often associated with sheep and goat farming in mountainous areas.

'Glamping', a new form of agri-tourism

'Glamping' is a form of 'luxury' camping involving comfortable accommodation and facilities. In rural Limousin, in the centre of France, a farming couple diversified their [farm](#) by offering tourists 'glamping'⁴ accommodation on their property. Since 2003, they practice sustainable agriculture on their 40 hectares, breeding sheep and working the farm with draft horses. They also keep pigs, riding horses, rabbits and hens, and sell their organically produced cheese and yogurt on the local market. In 2009 they launched family holidays for those wishing to spend time in natural surroundings, away from all technology, while learning about farm life. Their guests can explore the Millevaches Regional Nature Park on foot, horse or bicycle. They are also welcome to discover and share life on the farm with the farmers and their children. Accommodation is provided in comfortable tents enjoying scenic views. The farm is part of a [network](#) (Feather Down) which was created in 2004 and now counts many farms offering 'glamping' accommodation across Europe, especially in the United Kingdom, the Netherlands, Belgium, France and Germany.

Handicraft

Handicraft is manufactured on the farm by the farm manager, family members or the labour force employed to do farm work. It is a way to valorise local resources such as clay, hemp, willow, wool and wood; in the case of traditional crafts, it contributes to the maintenance and transmission of traditional know-how.

Processing of farm products

This category covers the processing of a primary agricultural product (produced on the farm or bought from outside) to a secondary product processed on the holding. Examples are meat processing, cheese, yoghurt or jam making, olive oil, cider, and fruit juices. In many cases, these processed products are sold directly to consumers.

Renewable energy production

Farmers can produce renewable energy for their own consumption but also to sell on the market. Farms have numerous assets which can produce that kind of energy: farm building roofs for the installation of photovoltaic panels, ground surfaces for windmills, organic waste (from livestock manure) and crop residue for biogas production.

Wood processing

This activity includes any type of raw wood processed on the farm for the market (sawing timber, cutting firewood), using farm equipment. The farmer either uses raw wood coming from their property or buys it somewhere else.

Contractual work

Contractual work covers services rendered outside the farm using the production means of the farm; they can be related to agriculture (ploughing, harvesting) or of any other type (haulage work, maintenance of the landscape, clearing snow). The work can be carried out for another farmer, a local community or a company. For many farm holders, contractual work is a way to improve their return on investments made in farm machinery.

Finally, other gainful activities worth mentioning are silviculture and breeding of animals for their fur.

Farm diversification across the European Union

In 2013, [5.2%](#) of all EU farms were diversified. The situation is deeply contrasted across Member States: while this share is less than 5% in Italy, Poland, Malta, Spain, Greece, Bulgaria, Romania, Cyprus and Lithuania, it reaches 52% in Denmark, 37.3% in Austria,

33.8% in Sweden, 31% in Germany and 26% in Finland. When taking into account the economic weight (standard output)⁵ of European farms, the relative importance of those undertaking other gainful activities appear to be higher, as they generate 18.9% of all agricultural standard input in the EU. For example, Lithuania has the smallest share of farms with other gainful activities (0.8%) but these generate 7.4% of standard output. The most common of these activities are contractual work, forestry, processing of farm products and renewable energy production.

The [agricultural census 2010](#) conducted by Eurostat shows the importance of agri-tourism in countries such as France, Ireland, Italy, the Netherlands, Poland, Spain and the United Kingdom.

In France, for example, of the 48 320 farms which have opted for diversification, approximately one quarter have developed tourism activities. In Italy, although only 5% of all farms have other gainful activities, tourism is well represented among these, with 19 300 farms offering tourism services, especially in Tuscany and in the province of Bolzano. Farm tourism is also well developed in the United Kingdom, with a total of 10 760 farms welcoming tourists.

Main features of diversified farms

According to a European Commission [report](#) on pluriactivity and farm diversification, a number of factors can influence the development of diversification activities. One of them is the size of the farm: unlike pluriactivity, which is mainly a specificity of small farm holders, diversification tends to concern larger holdings; in 2008, more than 20% of farms with more than 100 hectarea had developed a diversification activity, against 10% of farms comprising less than 10 hectarea.

Secondly, the type of farm production plays a role in diversification. According to the above-mentioned report, farmers involved in animal husbandry are more likely to opt for diversification than those specialised in field crops. The two types of farms with the highest share of diversification are those with mixed crops, livestock and grazing livestock. This could be explained by the fact that these holdings require a farmer to be constantly present all year round. If a farmer considers another activity in order to increase income, developing an on-farm activity may be a better option than taking another job outside the farm.

As regards geographical location, diversified farms tend to be located in reasonable proximity to big cities, representing large markets, or in regions with comparative advantages, such as mountain, coastal or wine-growing areas. Remoteness does not necessarily constitute a handicap, but lack of infrastructure may.

Benefits of farm diversification

The benefit of taking on new activities on the farm is, for its holder, a higher level of income. Diversification also means more security and stability for the farm household, and can create employment for other members of the family; several sources of income make a farm more resilient in the event of an agricultural crisis (poor harvest, outbreak of animal disease). Also, a farmer setting up new activities makes better use of the farm's physical resources and characteristics and of the farmer or his family's skills, while increasing the value of the property. In certain cases, the income from 'other' activities can be invested to reinforce the primary farming activity.

Farm diversification also benefits rural areas as a whole, as farmers provide a wider range of services to the local rural economy, which can create [spill-over effects](#) on employment in rural areas.

EU support for farm diversification

A farmer who decides to set up a non-agricultural activity needs to make new investments on the farm. The EU rural development policy, which makes up the second pillar of the Common Agricultural Policy (see box below) helps by providing financial support.

EU rural development policy

The policy helps fulfil the three main objectives of rural development in the EU: balanced territorial development, sustainable management of natural resources and climate action, and agricultural competitiveness.⁶ Fully aligned with the Europe 2020 strategy for growth and employment, the policy is endowed with a Union budget of more than €99 billion for the 2014-2020 programming period, available through the European Agricultural Fund for Rural Development (EAFRD). One of its main principles is that the EU countries and regions implement the policy by drawing up their own rural development programmes on the basis of a catalogue of measures proposed in the EAFRD regulation. A total of 118 programmes have been approved by the European Commission for the 2014-2020 period. Another core principle is co-financing: rural development is supported by the European budget (the EAFRD) with compulsory co-financing by national/regional budgets.

Farm diversification measures

The EU rural development policy focuses on six main priorities.⁷ Priority 6 'Promoting social inclusion, poverty reduction and economic development in rural areas' includes a sub-priority entitled 'Facilitating diversification, creation of new small enterprises and job creation'.

The current Rural Development [Regulation](#) does not provide for a measure specifically dedicated to farm diversification. However, Article 19 includes a new measure entitled 'Farm and business development' (Measure 6) which targets, among other beneficiaries, farmers or members of a farm household who diversify into non-agricultural activities. The new measure combines separate rural development measures that were available in the programming period 2007-2013 and is supplemented by new support options.

Support under Measure 6

Two types of support are available for farmers diversifying into non-agricultural activities. Firstly, they can benefit from a **start-up aid for non-agricultural activities in rural areas** (Article 19(1)a)ii) of the EAFRD Regulation).

Farms of all sizes located in rural areas are eligible for this support. The start-up aid of maximum €70 000 is paid in at least two instalments over a maximum period of five years and is conditional to the submission and approval of a business plan. According to the 'European Union Guidelines for State aid in the agricultural and forestry sectors and

Structure of the CAP

The CAP rests on two main [pillars](#). Pillar I provides market support (public intervention on markets and private storage aid) and income support to farmers in the form of direct payments. It is entirely funded by the European Agricultural Guarantee Fund (EAGF). Pillar II is the rural development dimension of the CAP and is co-funded by the European Agricultural Fund for Rural Development (EAFRD) and by national/regional authorities. It aims at promoting balanced and sustainable rural development.

in rural areas 2014 to 2020', the business plan must describe at least: the initial economic situation of the beneficiary applying for aid; milestones and targets for the development of the new activities of the beneficiary; and details of the actions required for the development of the activities of the beneficiary, such as details of investments, training, advice or other activity.

Secondly, farmers branching out into new activities on their farm have access to **support for investments in the creation and development of non-agricultural activities** provided for in Article 19(1)(b) of the EAFRD Regulation.

The eligible expenditure under this support option is defined by Article 45 'Investments' of the Regulation. The applicable aid intensity rates (aid amounts expressed as a percentage of the eligible costs) are defined by the general [state-aid](#) rules. Two cases can be envisaged:

- support granted under the '*de minimis*' rule (maximum €200 000 per micro or medium-sized enterprise for a three-year period);
- support granted in accordance with an approved state-aid scheme (which sets the aid intensity rate for the relevant operations).

The 'Farm and business development' measure can be used in combination with other measures such as knowledge transfer, advisory services, cooperation,⁸ or investments in physical assets, to capitalise on the synergies that exist between rural development tools.

On top of these two specific measures, support for farm diversification can also be provided under Measure 19 of the EAFRD, the [LEADER](#) initiative, which is a local development approach whereby local actors work in partnership to implement local strategies in order to meet specific development needs. LEADER is a compulsory part of Member States' rural development programmes and at least 5% of EAFRD funding must be devoted to the measure.

Finally, Member States and regions are also encouraged to use [financial instruments](#) for operations implemented under Article 19(1)(a) and Article 19(1)(b) but only when farmers or other entrepreneurs are unable to get funds from banks and other private investors.

European Parliament position on farm diversification

The European Parliament has always supported farm diversification, stating that it was 'an increasingly important aspect of the rural economy' in its [resolution](#) of 5 April 2011 on the role of women in agriculture and rural areas. Furthermore, as co-legislator for the Common Agricultural Policy reform of 2013, it has supported farm diversification as an essential element for the development of rural areas and agreed that it should be promoted by way of a farm and business development measure within the EAFRD Regulation.

Implementation of rural development measures – state of play

The last of the 118 regional and national development programmes for 2014-2020 was approved in December 2015 by the European Commission, which now has the necessary data to draw a complete picture of the way Member States and regions intend to implement the various measures within their rural development programmes.

Member States and regions have allocated 7.4% of total public expenditure (i.e. approximately €10.8 billion out of the total €161 billion of EU and national funds to support the EU rural development policy until 2020) on Measure 6 'Farm and business development'. Across the EU, support for 'investments in non-agricultural activities'

(which includes farm diversification) should be granted to [54 856](#) beneficiaries. Poland is the country with the highest number of beneficiaries (16 550 beneficiaries). France, Finland and Italy follow, with respectively 5 535, 5 500 and 3 391 beneficiaries.

Main references

European Parliament, Directorate-General for internal policies, Policy Department B, [Family farming in Europe: challenges and prospects](#), 2014.

European Parliament, Directorate-General for internal policies, Policy Department B, [Rural development and territorial cohesion in the new CAP](#), 2012.

European Commission, Directorate-General for agriculture and rural development, [Other gainful activities: pluriactivity and farm diversification in EU-27](#), 2008.

European Commission, [Commission staff working document: A view on employment, growth and innovation in rural areas](#), 2012.

Endnote

¹ The characteristics of agricultural income are analysed in a 2014 [study](#) entitled 'Comparison of farmers' incomes in the EU Member States' (European Parliament, Directorate-General for internal policies, Policy Department B).

² According to Eurostat [data](#) from 2013, 22.5 million people are employed regularly in agriculture, of which 20.2 million are either holders or members of the holder's family. After conversion into full-time work equivalents (or AWUs, Annual Work Units), the total number of people working full-time on farms reaches 9.5 million.

³ In its [resolution](#) of 8 July 2010 on the future of the Common Agricultural Policy after 2013, the European Parliament 'Welcomes the recognition of the multi-functional role of farmers in delivering public goods such as preserving our environment, high-quality food production, good animal husbandry, shaping and improving the diversity and quality of valued landscapes in the EU, and the move to more sustainable farming practices by not only meeting the basic requirements for maintenance of the land in a Good Agricultural and Environmental Condition (GAEC) but also achieving even higher standards through agri-environmental schemes, precision farming, organic production and all other forms of sustainable agricultural practice'.

⁴ Glamping is a portmanteau word combining 'glamour' and 'camping'.

⁵ The standard output of an agricultural product (crop or livestock), is the average monetary value of the agricultural output at farm-gate price, in euro per hectare or per head of livestock ([Eurostat](#) glossary).

⁶ See EPRS [briefing](#) on EU rural development policy, Marie-Laure Augère-Granier, 2015.

⁷ Six common EU priorities: 1) fostering knowledge transfer and innovation in agriculture, forestry and rural areas; 2) enhancing the viability/competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management; 3) promoting food chain organisation, animal welfare and risk management in agriculture; 4) restoring, preserving and enhancing ecosystems related to agriculture and forestry; 5) promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors; 6) promoting social inclusion, poverty reduction and economic development in rural areas.

⁸ During the inter-institutional negotiations on the reform of the Common Agricultural Policy, the Parliament proposed that the 'Co-operation measure' (Article 35 of the EAFRD regulation) also applies, among other activities, to 'diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food.'

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