

Small farms' role in the EU food system

SUMMARY

Most of the world's farmers are engaged in small-scale agriculture. The majority of them are in developing countries but there are many in developed countries as well. Small farms make up the vast majority of the EU's 10 million farms. What constitutes a small farm depends on the context. However, improving the conditions of small-scale food producers is a global objective.

Recent studies have lowered past estimates of how much of the global food supply is produced by small farms. Notwithstanding the complex nature of such estimates and the possible underestimation of small operators' production because of self-consumption, it is clear that small farms allocate larger shares of their production to food and have a more diversified produce portfolio than larger farms. Moreover, small farms' role in food production and availability also depends on their involvement in local food systems: when they are well connected in the supply chain, small-scale producers tend to leave less space for self-provisioning and their businesses are more viable.

In addition to producing food, small farms play a key role in the EU's rural world. They are typically associated with protecting landscape features and biodiversity and the notion of providing public goods. They help to maintain lively rural and remote areas, help preserve the identity of regional production, and offer employment in regions with fewer job opportunities. Yet, the pace of disappearance of small farms has been quite rapid in recent decades. Unfavourable demographic change in rural areas is part of the explanation. In addition, it is small farms that suffer most from the challenges facing the agricultural sector, such as market pressures and weather extremes, and they have to invest greater effort to engage in innovation and new technology.

The EU's farm policy includes specific measures to address small farms' needs, although most of the EU's agricultural funds go to farms with larger farmland areas. However, the new policy framework that will start operating as of 2023 provides a valuable opportunity for EU Member States to use the flexibility offered in the development of their strategic plans to tailor measures to small farms and local conditions and help preserve the economic, social, and environmental assets that small farms bring to the EU food system.



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Introduction

There are more than [608 million farms](#) in the world according to recent estimates. No matter what criteria are used to define farm size, the vast majority of the world's farms rank as small. The greater part of smallholdings are in developing countries and they are considerably smaller than small farms in developed countries. This [smallholder agriculture](#) is crucial for many countries' economies, providing food, employment and income for 3 billion rural people living in nearly half a billion small farm households. Many [challenges](#) need to be addressed, however, to emancipate developing countries' smallholders from food insecurity and malnutrition.

Small farms have a high profile in developed countries as well. In the EU, the average farm size is [significantly smaller](#) than in the rest of the developed world and small farms easily constitute the majority of farms. EU small-scale agriculture is often seen as a more sustainable alternative to large-scale farming. However, it faces many challenges and an uncertain future.

The UN Sustainable Development Goals ([SDGs](#)) aim to double the agricultural productivity and incomes of small-scale food producers by 2030. EU decision makers have recently recognised the important role small farms play in European agriculture and rural areas by boosting support potential under the post-2022 common agricultural policy ([CAP](#)).

How many farms are small?

The notion of a small farm

The very first question to address when discussing the role of small farms in today's food systems is what constitutes a small farm. This question is twofold as it refers both to the characteristic selected to define the farm size – such as the agricultural land operated by the farm – and to the threshold that identifies a small farm size – such as a certain number of hectares (ha) of agricultural land.

Among the various measurements of farm size, such as farm workforce, herd of livestock, or economic output, the most commonly used is the extent of the farmland. The advantage of such a measurement is that it is as simple as saying that a farm with fewer than 5 ha of agricultural area is small. The drawback is that it is too simple to capture the complexity of farming systems: less than 5 ha of agricultural area could be combined with a large-scale pig-shed, making up a very large farm. However, information on agricultural area is easier to obtain than other data, especially in developing countries with fewer means to organise detailed farm surveys. So, the notion of small farm often refers to farmland, with all the caveats that come with using such a definition.

The statistical coverage of small farms is a key issue for better-informed decision making. When more data on farm characteristics are available, the [choice of the best option](#) can be made based on the reasons why a farm classification is needed. For instance, physical measures of the acreage provide appropriate data for analysing and comparing farm structures, but they do not provide sufficient information on the farm's economic situation for policy-making. In the US, the classification of [farm sizes based on sales](#) provides a measure of the farm's economic activity that is unbiased by differing produce and production intensity.

It has also been noted that definitions of farm size based on a combination of criteria would be better suited to an assessment of small-scale farming. Considering the different structural and economic dimensions of farm size, and the relative importance of agriculture in each region, some researchers have developed a [typology of small farms](#) in Europe that provides a picture of small farms at regional level to support targeted policy interventions. Similarly, the Food and Agriculture Organization (FAO) [smallholders' data portrait](#) combines a number of indicators to describe small farms in some developing countries, such as income, demographics, technology and crop market, although the [definition](#) of smallholder is based on the dimensions of farmland operated (i.e. ordering farms at national level from the smallest to the largest land area operated, farms that manage less land than the farm at the median are small).

Small farms and family farms

The United Nations (UN) 2019-2028 [decade of family farming](#) has centred on the concept of family-based production models.¹ These are deemed to provide food security, better livelihoods, enhanced management of natural resources, protection of the environment, and sustainable development, particularly in rural areas. However, there is no commonly agreed definition of family farms, and sometimes the terms small and family farms are used interchangeably, and can be misleading.

The FAO's [notion](#) of family farms refers to all types of family-based production units managed and operated by a family, and predominantly reliant on family labour, in agriculture, fisheries, forestry, pastoral farming and aquaculture, and includes peasants, indigenous peoples, traditional communities, fisher folk, mountain farmers, forest users and pastoralists. Other [definitions](#) of family farm put the accent on family labour and management, on the share of household income from farming activities, and on the land area of the farm.

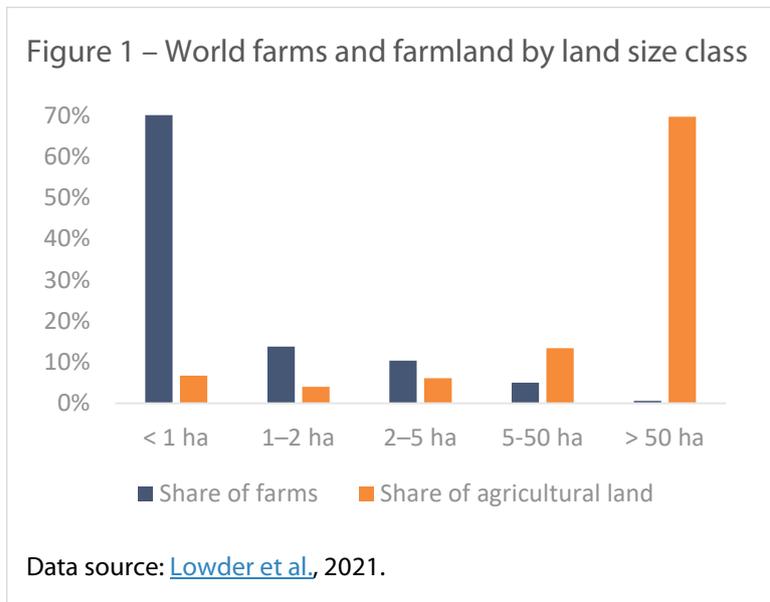
Indeed, family farms are very diverse in terms of the [context](#) in which they operate. In the developing world, family farms are generally small, relying on family labour with no need to hire and supervise paid labourers. According to the International Fund for Agricultural Development (IFAD), small family farms make up [85 % of all farms](#) worldwide and smallholder farmers make up the majority of the world's rural poor. In developed countries, better conditions such as capital availability, technology, and dedicated policies, mean that some family farms can be rather large, but they are still considerably smaller than corporate farms. A 2015 [report](#) on the state of family farms in the world builds on previous analyses to divide family farming into three groups: wealthy farms well-integrated into markets; farms with significant assets and favourable conditions but lacking critical elements (such as credit); and land-poor subsistence/non-market farms.

Therefore, while small farms are normally family farms (a rough approximation estimates more than [550 million family farms](#) of all sizes worldwide), not all family farms are small, and the difference between small and family farms should not be overlooked, especially for policy purposes.

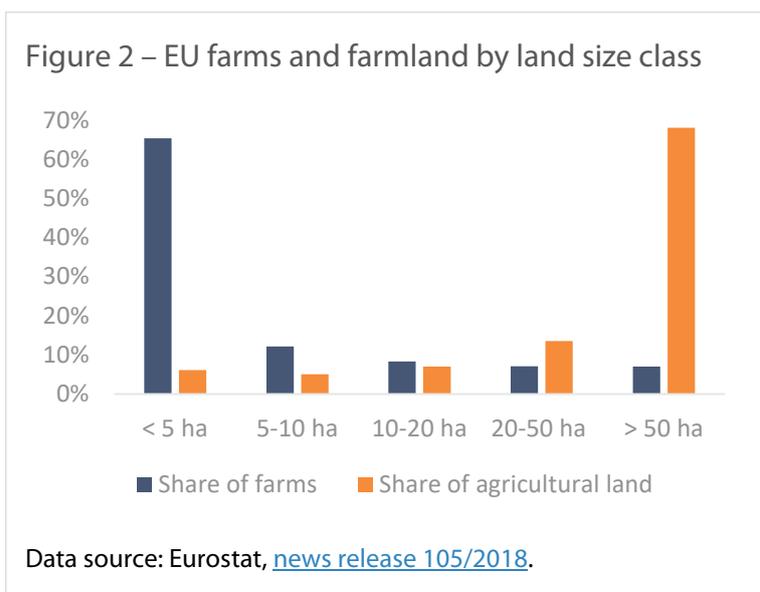
Large and small farms in (farmland area) figures

The vast majority of the world's 600 million farms are small. Recent estimates show that 70 % of all farms operate only 7 % of all agricultural land, while 70 % of all agricultural land is found in the largest 1 % of farms (see Figure 1). This difference between the smallest and the largest farms becomes even more striking in the light of two facts. First, a common approach defines small farms as those below 2 ha of farmland, bringing the share of the smallest farms to more than 80 % of all farms, with a total farmed area slightly above 10 % of all farmland. Second, the

majority of land operated by farms with more than 50 ha (i.e. almost 40 % of all farmland) is found in farms with over 1 000 ha of land. In other words, 80 % of the world's farms each operate an agricultural area smaller than three football fields (with one football field measuring 0.7 ha), whereas nearly 40 % of world farmland is found in a very small share of farms, each of them with a farmed area larger than the area of the park of the Palace of Versailles (which measures more than 800 ha).



In the EU too the majority of farms are small, meaning that a similar graph can be made, as shown in Figure 2. However, the seemingly matching graphs show somewhat different pictures. In fact, the approximately 70 % of the smallest farms in the EU include farms with farmed areas up to 5 ha as compared to the 1 ha in the world data. Also, 70 % of all agricultural land is found in the largest 7 % of all farms in EU data as compared to the 1 % of world data. Although this might seem to suggest that the distribution of EU farms and farmland among size classes is more evenly



balanced than the distribution worldwide, other facts need to be noted. First, two out of three EU farms with fewer than 5 ha actually operate [fewer than 2 ha](#) of farmland, while most of the farmland operated by farms with more than 50 ha is actually found on farms [with at least 100 ha](#).² Second, country differences matter, both worldwide and in the EU. The clustering of world figures around the extreme ends of the spectrum is the result of the presence of a large number of very small farms especially in developing countries and of very large farms in certain regions, such as in [Australia](#), where the average farm size is above 4 000 ha. Likewise, in the EU, small-sized farms are generally predominant in southern and eastern [EU regions](#), while in other areas only a smaller share of farms fall into this category.

How much food is produced on small farms?

A single farm's production capacity can be the result of the extent of farmed land as well as of a number of other elements, such as the type of farming and the use of innovative methods. On the other hand, overall farm production capacity reflects inequality in land distribution, with larger farms being responsible of much of global production.

Past estimates suggested that small farms accounted for [about 70 %](#) of global food production, in terms of both the share of population fed and the calories and weight of food available. These estimates, which have been recurrently quoted in official documents and statements, have been questioned by more recent studies, which suggest that this figure is too high and that small farms actually account for [roughly 30 %](#) of global food production.

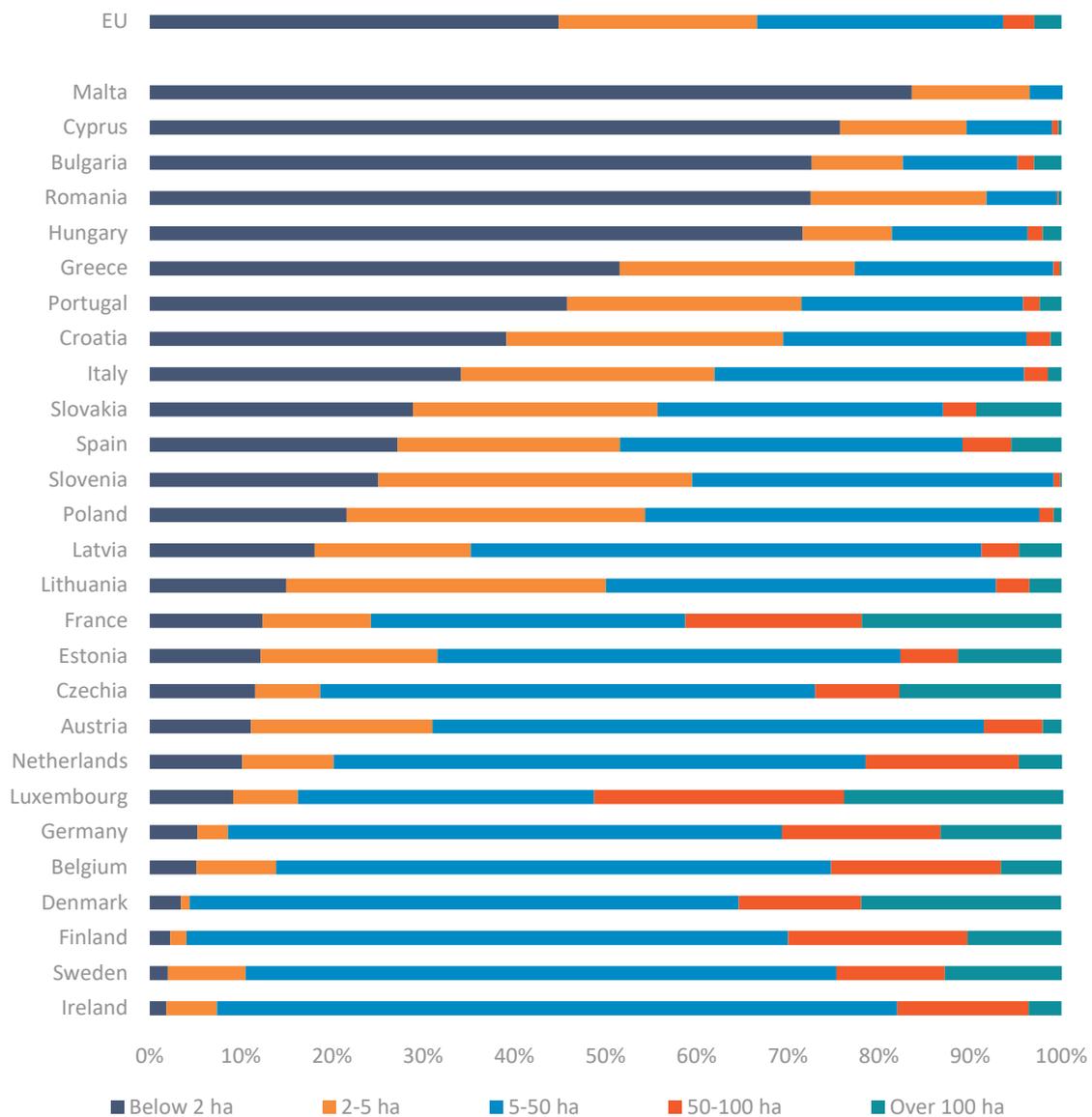
The large discrepancy between these figures is the result of several factors. A wrong interchangeability in the use of the concepts of 'family farm' and 'small farm' is part of the explanation: family farms do produce [about 80 %](#) of the world's food in value terms, but not all of them are small, as explained in the previous paragraph, and so not all of their production can be credited to small farms. Another simple explanation for the differences in the estimates is the complex nature of such estimates, not to forget unclear farm definitions and data availability issues. Moreover, a recent research project warned of the possible [under-estimation](#) of small farms' production when this is used to feed family, friends or animals.

On the other hand, [research shows](#) that small farms (in this case, those with up to 2 ha of farmland) are the greatest contributors to global food production in relative terms, suggesting that they have greater cropping intensity or higher yields than larger farms. Moreover, small farms allocate larger shares of their crop production to food (nearly 60 %) compared to larger farms, which have larger

portions of non-food products in their overall production. Finally, the analysis notes a greater wealth of species and a greater turnover in unique species in smaller farms.

Small-scale farming in the EU

Figure 3 – Percentage distribution of farms by farmland area in hectares (ha)



Data source: [Eurostat's farm indicators](#), 2016 data, 2021 update.

A mixed picture of farmland distribution and structural change

The EU's farming sector is described by [Eurostat data](#) as being composed of subsistence farms (where the production is consumed by the farmers and their families), small and medium-sized, family-run, farm businesses, and large agricultural enterprises. Most of the [over 10 million EU farms](#) are small-sized in terms of farmland, but a variety of situations exist. The absolute highest number of small farms is to be found in [Romania](#), where nine in every ten farms are smaller than 5 ha (and most of them consume [more than half](#) of the final production within the household). A larger presence of middle-sized farms is found in northern and central EU countries, and there is a

significant presence of larger farms in France, where four in every ten farms have at least 50 ha of farmland (see Figure 3).

Over the years, [structural change](#) has led to a sharp decline in the number of farms, a consolidation of farmland, and an increase in average farm size. The EU's smallest farms have experienced the strongest decline compared to other farm sizes (see Figure 4). This [consolidation process](#), which sees the growth of the largest farms and their farmland, is occurring nearly all over the EU, although differences do exist among countries with different starting points and agricultural settings.

A key element of farm structural change is farm demographics. [Statistics](#) suggest that while younger farmers tend to manage the largest farms, many small farms are

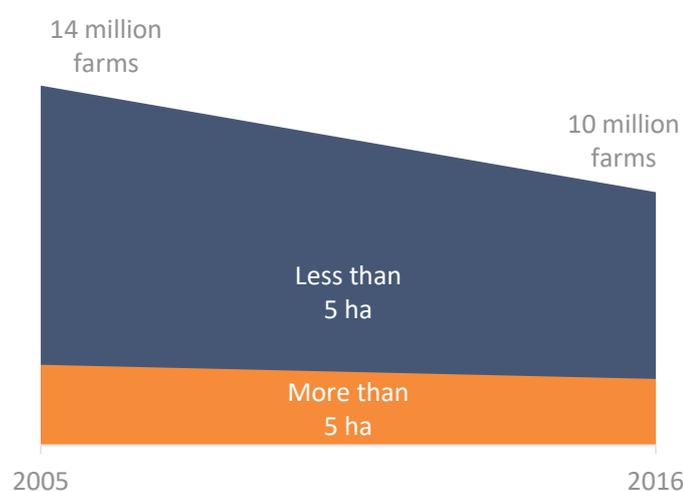
managed by older farmers, sometimes until beyond the standard retirement age, and they are not likely to be maintained as such when these farmers stop farming. In these cases, the land can be either abandoned or merged into another farm, contributing to the increase in average farm size. In [some cases](#), this offers additional opportunities to expand activity on the remaining farms more than encouraging potential new farmers to enter the business. Potential new entrants may be indeed discouraged either by the costs and risks of setting up a farm (with access to land and capital being the main entry barriers to farming) or by what they consider the poorer lifestyle of farm work compared with other sectors. In addition, the likelihood of generational renewal is very much connected with the broader social and economic context in which the farm operates, as highlighted in a [case study](#) in south-west Romania, where the interplay of factors such as the existence of many small subsistence farms, the age structure in agriculture dominated by elderly people, and the poor agricultural education level, demotivate potential young entrants and even middle-aged farmers looking to modernise and intensify their production.

A traditional way to preserve biodiversity

In the [public discourse](#), small farms are typically considered as intrinsically good and as playing a crucial role in the [provision of public goods](#). This perception stems from the idea that small farms appear to protect landscape features and biodiversity by keeping sustainable traditional farming practices alive. [Research](#) shows that small farms' disappearance – either in favour of large intensive farms or because of land abandonment – has a negative impact on ecosystems owing to the loss of biodiversity-rich traditional agricultural landscapes and consequent damage to pollinators' habitats.

An [evidence review](#) does suggest that there is more biodiversity on smaller farms than on larger farms. Small farms have higher crop diversity (e.g. diversity of traditional crops to meet nutritional needs and of varieties for niche markets), higher non-crop biodiversity (e.g. edges that provide habitat and a heterogeneous landscape), and higher yields. Most of the evidence collected across a broad geographic range of agricultural systems supports these conclusions, although small farms may not always be more biodiverse, and regional differences as well as different types of farming do impact on their biodiversity performance. On the other hand, the same analysis offers little or no conclusive evidence on the relationship between small size and other indicators such as resource-use efficiency, greenhouse gas emissions, and profitability. Such relationship may be

Figure 4 – The decreasing share of the EU's small farms



Data source: [Eurostat's farm indicators](#), 2016 data, 2021 update.

better explained by the farm's political, socioeconomic, and geographic context, which define farmers' access to training, markets, credit, subsidies, etc. Moreover, it has been [noted that](#) while supporters of small and family farming models tend to assimilate small farms to agro-ecological production methods, these farms actually include a wide variety of technical systems, from agroforestry, no-till techniques or other sustainable farming practices, to specialised monocultures making great use of agrochemical inputs.

Contributing to food production and availability

In addition to representing a more balanced and sustainable territorial development option compared with intensive farming, small farms make important contributions to both production and local food availability, although large-scale agriculture is the dominant food provider in the EU food system.

Some [comparative evidence](#) on EU regional food systems suggests that in regions where small farms dominate, their contribution to regional food production in comparison to other scales of farming is the highest. This is also closely related to the types of products and production systems, with clearly visible patterns in terms of the roles of small farms within the regions. For example, in the export-oriented systems of southern Europe, producing olives, wine grapes, and citrus, small farms seem to follow marketing paths and strategies like farms of other sizes, aiming for volume rather than differentiation or alternative markets. On the other hand, in the less export-oriented eastern European food systems, small farms do not access the same market channels as larger farms, so they play more important roles in terms of regional food production.

As for food availability, the importance of small farms depends on the structure of supply chains and market linkages available to small farms, as well as on how much of the production is self-consumed or sold directly to consumers. The [findings](#) of one EU-funded project indicate three distinguishing characteristics of small farms: market orientation, certification, and reliance on cooperatives. The degree of the small farm's involvement in such aspects can differentiate between poorer and wealthier small farms, and also determine small farms' contribution to regional food provision, availability, and access. In fact, in certain regions small farms contribute mostly through self-consumption and direct sales, while when they are connected to cooperatives or processors, then the food system tends to be specialised and export oriented with less space left for self-provisioning and consumption.

Involvement and cooperation in local food systems

Small farms play a key role in rural economies. They help to keep remote rural areas alive by keeping up services and social infrastructure, they help to preserve the identity of regional products, and they offer employment in regions with fewer job opportunities. Although employment in small farms is often limited to the farmer and the farmer's unpaid family members, an analysis of agricultural [employment in small farms](#) in France reveals that labour-intensive small farms do exist and that their labour-intensive diversification activities (such as processing, agritourism, and leisure) have a high enough value added per hectare to afford the hiring of additional paid labour. Moreover, these small farms can benefit from participating in employer job-sharing associations, in farming label standards such as organic labelling, and in short distribution channels.

Small farms' presence in [local food systems](#) is growing fast, with short supply chains and direct sales to consumers offering an alternative to conventional longer food chains where small farms struggle in terms of bargaining power. In short food supply chains, small farms can indeed build a stronger position, placing smaller quantities of products and connecting directly to the final consumer. In recent years, the number of [Dutch farms](#) selling their products along short supply chains increased substantially, especially within the 'very small businesses' category. Greater participation in short supply chains is found in organic farming and in agricultural businesses led by younger farmers. Moreover, the analysis shows a stronger development of short supply chains in sectors with very marginal processing, such as eggs and fruit, but also some vegetables, plants, and flowers. This is an

important point when talking about small farms' participation in local food systems, since short supply chains and direct sales [require additional skills](#) of being a farmer, leading to an increase in working time, costs and risk-taking. Indeed, depending on the type of product and the need for processing before products reach the consumer, participating in short supply chains may require certain arrangements, such as access to slaughterhouses for meat farms or to milling machines for cereal farms. The availability of local facilities, such as small local or mobile abattoirs or small-scale regional mills, can open the short circuit to more products and to [more responsible](#) consumption.

These services and facilities that favour small farms' involvement in local food systems can also be managed directly by the farmers. Cooperation among farmers is indeed an effective way to join forces in the processing and marketing of produce, reducing costs and enhancing small farms' presence on the market. Moreover, cooperation increases small farms' bargaining power vis-à-vis other actors in food supply chains thanks to the stronger negotiating power provided by collective negotiation compared with small farms facing the highly concentrated power of processors and retailers alone. Therefore, it is not surprising that the EU's farming sector shows a [strong market presence](#) of cooperatives and that the [fruit and vegetable](#) sector, with a large presence of small operators, is the one with the highest number of recognised producers' organisations. However, the presence of farm cooperation agreements is not distributed equally across the EU, with a lower level of willingness to cooperate among smallholders in certain [eastern](#) EU countries, although figures show a [changing attitudes](#) in recent years.

Small farms in the EU's agricultural policy

Are small farms' needs addressed?

Agricultural policies can pursue various objectives in relation to small farms, such as helping them to modernise and grow bigger, or to increase their resilience while continuing small-scale farming.

UN SDG 2 on food security and sustainable agriculture seeks to double the agricultural productivity and incomes of small-scale food producers by 2030, in particular among women, indigenous peoples, family farmers, pastoralists and fisher folk (whose rights are also recognised in the UN's 2018 [Declaration](#) on the Rights of Peasants and other people working in rural areas). Actions in this direction include secure and equal access to land, other resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment. SDG [Target 2.3](#) measures achievements through two indicators, on production and income.

At EU level, decision makers have often emphasised small farms' [importance](#) for agriculture and rural areas and have designed specific CAP tools to address small farms' needs (see Table 1). However, the distribution of CAP funds does not primarily target small farms. The farm income payment (the instrument that absorbs most of the CAP budget) is largely area-based. The result is that the distribution of this payment shows the same [concentration](#) pattern as agricultural land: 20 % of beneficiaries receive 80 % of total farm income payments. Nonetheless, a Commission assessment of [2014-2020 CAP performance](#) indicates that about half of all beneficiaries were small farms with under 5 ha, and points at an 18 % increase in payments per hectare to smaller farmers compared to the 2011-2013 period.

A recent European Parliament [study](#) on the future of the European farming model noted that the CAP has no specifically-defined objectives when it comes to farm structures, although some reference is made to maintaining agricultural diversity and pursuing the competitiveness of all types of agriculture and farm viability. The study analyses the direct and indirect impacts of CAP instruments on farm structures and concludes that the farm income payment may contribute to a long-term structural change resulting in the abandonment of production by smaller farms and the taking over of resources by larger ones.

On the other hand, it has also been noted that the income objectives of the CAP subsidies have had a positive effect by filling the gap between agricultural and non-agricultural income and so reducing

workers' incentives to abandon farming. In this respect, the [literature](#) indicates that small farms are more dependent on CAP income support than larger and specialised farms. This is also evident from the Commission's 2018 analysis of [farm economics](#). A 2014 [analysis](#) of farms' adaptation strategies in response to disturbances found that, in a scenario where the CAP is abolished, 'small and less specialised farms that are relatively dependent on CAP support and have older and less educated farm heads' would have to adopt a lot of strategies to deal with disturbances.

Table 1 – Examples of EU agriculture policy support for small farms

Policy area	Intervention	Description	Uptake	Post 2022 perspectives
Farm income support	Redistributive payment	A scheme granting an extra payment for the first hectares of farmland	2 to 15 % of farm payments allocated in 2015-2022	At least 10 % of farm payments must go to this tool, unless redistribution is achieved otherwise.
	Small farmers scheme	A simplified scheme granting a maximum €1 250 one-off sum	Applied in 15 Member States in 2015-2022	It can contribute to the 10 % redistributive goal.
	Capping and degressivity	Cutting and reducing farm payments above a certain amount	Endorsed by the new CAP's impact assessment	It can contribute to the 10 % redistributive goal.
Financial instruments	Microcredits, loans, etc., co-funded by funds for rural development	Financial aid on better terms than commercial offers (e.g. lower interest rates and longer repayment periods)	They have been effective in addressing micro/small operators' financing gaps	The new CAP law allows more actions for financial instruments than in the past, including technical support and the combination of support instruments.
Rural development	Farm and business development	Business start-up aid and support for farm investments	Aid for small farms in 13 Member States from 2015 to 2022	Initiatives such as rural business start-up and preferential treatment for small farms' investments can be supported.
	Cooperation	Joint work, sharing facilities/resources, short supply chains, and local markets	Hundreds of thousands of farms involved from 2015 to 2022	Initiatives such as producer groups or smart-village strategies can be supported.
Agricultural markets	Farmers' collective bargaining	Support for producer and inter-branch organisations	Recognition and funds for a host of organisations	These instruments now need to be set out in the strategic planning of agricultural interventions.
	Outlawing of unfair trading practices	EU law bans 16 unfair trading practices	National laws to be adopted by 1 May 2021	An evaluation of the law at EU level is due by end of 2025.

Source: Compiled by the author.

A brighter future ahead?

In June 2021, when the Council and the Parliament reached a deal on the legal texts put forward by the Commission in June 2018, as amended during long and complex interinstitutional [negotiations](#), the post-2022 CAP legislative framework was greeted as a [greener and fairer CAP](#). While the boost to the CAP's green ambitions concerns all farms, the fairer distribution of CAP payments primarily targets small and medium-sized farms. The new CAP's strategic approach requires Member States to examine their local needs carefully and – starting from their specific conditions – explain in their [CAP strategic plans](#) how they want to use the CAP's instruments and funds to reach set targets on common policy objectives. Therefore, a fairer distribution of farm payments will be the result of a combination of EU rules and national decisions.

Although the objective of a fairer distribution of EU support in favour of smaller farms primarily involves farm income support, all CAP areas can contribute to supporting small farms, as shown by the examples in Table 1. As regards **farm income support**, the redistributive payment becomes mandatory for all Member States for at least 10 % of their farm payments in the post-2022 CAP. However, in line with the flexibility and subsidiarity approaches, Member States may use other instruments to meet the redistributive need (if duly justified in the CAP strategic plan). These include the voluntary payment for small farmers (which continues in the post-2022 CAP), the internal convergence mechanism (which aims to close the gap in the per-hectare value of farm payments within a Member State, with all values reaching 85 % of the national average by 2026), and the voluntary degressive reduction (which applies an up to 85 % reduction to the farm income support exceeding €60 000) and capping (which limits to €100 000 the maximum income support per farm) of farm payments. Rural development funds can support small farms either by co-financing **financial instruments**, including micro-finance, or through **rural development measures**, such as those supporting the start-up of rural businesses (with a lump-sum of maximum €100 000) or investments for the purchase of land, animals, etc. Financial instruments can be combined with investments and support viable projects when no bank finance is available or conditions for commercial finance are too burdensome for small operators. Finally, EU rules and funds for the efficient functioning of **agricultural markets** can support small producers by favouring their collective actions in recognised organisations and by preventing unfair practices, which are especially detrimental for smaller operators in business relations in the food supply chain.

The Commission's 2020 [recommendations](#) to Member States as regards their CAP strategic plans called on Member States to advance towards fairer and more targeted farm income support, and to address the needs of small and medium-sized farms more effectively using the redistribution mechanisms. A recent [analysis](#) of the draft CAP strategic plans estimates that 10.4 % of total income support has been planned globally for redistributive payments, with 24 Member States planning the measure. This would represent an increase by 6.1 % in the redistributive payment compared with 2019 CAP expenditure. In the current phase of analysis of the CAP strategic plans by Commission services in a structured dialogue with the Member States, the [information disseminated](#) by the Commission also indicates that the simplified scheme for small farms is planned by five Member States (Bulgaria, Latvia, Malta, and Portugal, with a per-farm payment, and the Czech Republic, with a per-hectare payment), while a few more Member States have chosen capping and degressivity. Several Member States have planned small-farm-specific financial instruments, and/or preferential treatment for small farms' investments under the rural development measures. While further changes can be expected ahead of the final approval of the CAP strategic plans for their implementation as of 1 January 2023, the Commission's observations sent to Member States are largely positive on the economic aspects of the plans (unlike the rather negative remarks about the environmental aspects), including on the redistributive payment, although some Member States need to do more to explain how they are making income support distribution fairer. Moreover, there is a general call for further efforts to consolidate competitive and market-oriented farms. This includes the uptake of tools that encourage farmers' participation in risk management schemes, in producer cooperation and organisations, in quality schemes, and in short supply chains.

Main challenges and perspectives

Already in past years, economic research has [questioned](#) whether there is a future for small farms in the face of the serious challenges posed by changing market environments for those farmers who cannot compete and risk being left behind. More recently, the above-mentioned European Parliament [study](#) on the future of the European farming model projected developments in farm structural change into the year 2040. The [result](#) of this projection was a sharp decrease in the number of EU farms from 10 to 4 million, with increase in farm size and/or farming intensity as prevalent adaptation strategies for farms remaining in business. The study classified the factors affecting farm structural change as either external to agriculture (such as socio-economic factors, climate change and extreme weather, competition for resources, and changing consumer preferences and societal demands), sector-specific (such as technological advances, markets and prices, frictions along the food chain, and land market regulation), or relating to public intervention (such as CAP instruments and rules on environment, climate and other management commitments). Farm structural change occurs as a result of the interplay between all these drivers, with farms developing their strategies and agricultural policy having only a partial impact on this process. Yet, the analysis shows that some elements play a major role in farm concentration. These include territorial impacts (as in mountainous or environmentally degraded regions at a high risk of abandonment), a market structure that favours intensive production and large-scale farming, an aging population and rural exodus, and the farming profession becoming more complex and requiring high investment in infrastructure, education and skill-building (e.g. in new technologies and risk-management).

Therefore, if the political objective is to slow down the pace of disappearance of small farms by helping them to stay in business, there are some needs to be addressed first, such as better access to land, production means, financial resources, and the market. Efficient pre- and post-harvest services are also crucial, especially in marginal areas, considering how much [food is lost](#) before leaving the farm. Enhanced farm practices, including the introduction of mechanisation and new technology with the help of training and advisory services, are key for small farms, to adapt to climate change and to address [criticism](#) for being inefficient and polluting. Small-scale and local farming receive [special attention](#) as a result of consumers' changing values and habits and this can help to keep small and medium-sized farms viable and preserve a diverse range of farming profiles.

Diversity seems to be key at various levels. At [farm level](#), those small farms that employ strategies such as diversification of on-farm activities or adoption of quality production systems, can have better outcomes in terms of survival and growth. At [sector level](#), since each farm size produces a greater quantity of certain types of crops (e.g. smaller farms produce more fruits, medium-sized farms produce more vegetables, and larger farms produce more oil crops), a diversity of farm sizes can provide a richer variety of produce and help mitigate climate risk. At [policy level](#), a one-size-fits-all approach looks unlikely to be effective for all EU small farms and recognition of their diversity of roles and strategies in different contexts is essential for effective policy design.

Research gives many examples in this regard. An [analysis](#) of the financial attractiveness of past CAP measures to Romanian small farms concluded that the process of consolidation and market integration of small farms would be quite slow, owing to the large number of small farms and to their safety net role for poor rural populations depending on small plots of land. A [case study](#) analysis on small farms in central and eastern Europe explored priority areas that should be addressed in the different contexts: in Poland, improved market integration, including the application of EU food hygiene standards; in Romania, increased education and knowledge, including access to technical and technological advice services; and in Latvia, enhanced rural infrastructure and services, including digital innovation. Moreover, the analysis stressed the crucial role of indirect measures supporting small farmers, such as schools, post offices, and shops in rural areas, and updated agricultural high school programmes for small farms. Another [analysis](#) looked at changes in the viability of small farms in Latvia and Lithuania, and concluded that despite growing

rates of EU investment subsidies and improving income levels, the viability of small farms remained heterogeneous and insufficient to support a more resilient and sustainable agriculture subsector.

In this respect, the post 2022 CAP provides an opportunity for Member States to use the flexibility offered in the development of their CAP strategic plans to tailor their small farm interventions to local conditions and help preserve the economic, social and environmental assets that small farms bring to the EU food system. Moreover, small farms would also benefit from a comprehensive food policy, evoked by the EU '[farm to fork](#)' strategy and extending beyond the CAP, to tackle the weaknesses of current food production, processing, and distribution systems and move towards crucially important food system transformation. The importance of small farms in the [EU food system](#) has been voiced repeatedly, including in the Parliament October 2021 [resolution](#) on the 'farm to fork' strategy, which highlights 'the key role played by micro, small and medium-sized enterprises at all stages of the supply chain' and recalls the disadvantages experienced by small and medium-sized primary producers in the food supply chain. Interactions with other actors in the food chain is of utmost importance, in both upstream (machinery, seeds, etc.) and downstream (wholesalers and retailers) markets, because this helps to make smaller businesses viable, not least in the face of unexpected events or crises.

MAIN REFERENCES

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ENDNOTES

- ¹ This follows the UN's earlier [2014 International Year of Family Farming](#) initiative.
- ² A January 2021 [blog by Prof. Alan Matthews](#) notes that there is a lack of information on the largest EU farms in Eurostat data, owing to the lack of a detailed breakdown in size classes for farm areas above 100 ha (which is instead available in the [farm payment data](#) published by the European Commission for farms benefitting from EU direct payments).

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