

Farm structural change in Central and Eastern Europe and the CAP

Anikó Juhász
**Research Institute of Agricultural Economics,
Hungary**

Structure of the Presentation

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1. Aim of the research

- to provide a descriptive analysis of the changes in farm structures in the post-socialist MS (EU-10) since their accession to the EU
- to explain the drivers of these changes
- to evaluate the development path of these countries
- to outline future policy options to promote a more balanced territorial development

2. Methodology and data (1)

Data sources

- EUROSTAT, in particular Farm Structure Survey (FSS)
- Economic Accounts for Agriculture (EAA)
- Farm Accountancy Data Network (FADN)

Structural changes presented...

- mainly through changes in CAP context indicators for 2005 (first FSS with SO) and 2013 ⇒ *preliminary data for 2013*
- for 3 basic physical and economic size categories of agricultural holdings ⇒ *corresponding to the farm structure indicators defined by the EC*

2. Methodology and data (2)

Physical and economic size categories of agricultural holdings

| SIZE CATEGORIES | PHYSICAL | ECONOMIC |
|-----------------|---------------------|-----------------------|
| Small | < 5 hectares UAA | < EUR 4,000 SO |
| Medium | 5 < 50 hectares UAA | EUR 4,000 < 50,000 SO |
| Large | > 50 hectares UAA | > EUR 50,000 SO |

Limitations of the FSS

- physical thresholds are exclusive and not constant over time \Rightarrow PL, CZ & SK
- inclusion of common land in 2010 \Rightarrow BG
- physical farm size corresponding to a certain SO level varies widely \Rightarrow also a problem with FADN data

2. Methodology and data (3)

Indicators for the EU-10 are heavily influenced...

- by changes in the FSS methodology
- by the weight of RO & PL in the number of farms, UAA and AWU

Proposal

- the quality of structural indicators needs to be improved in order to better support the designing, planning and implementation of policies

3. Structural change in EU agriculture

In general, farms are becoming...

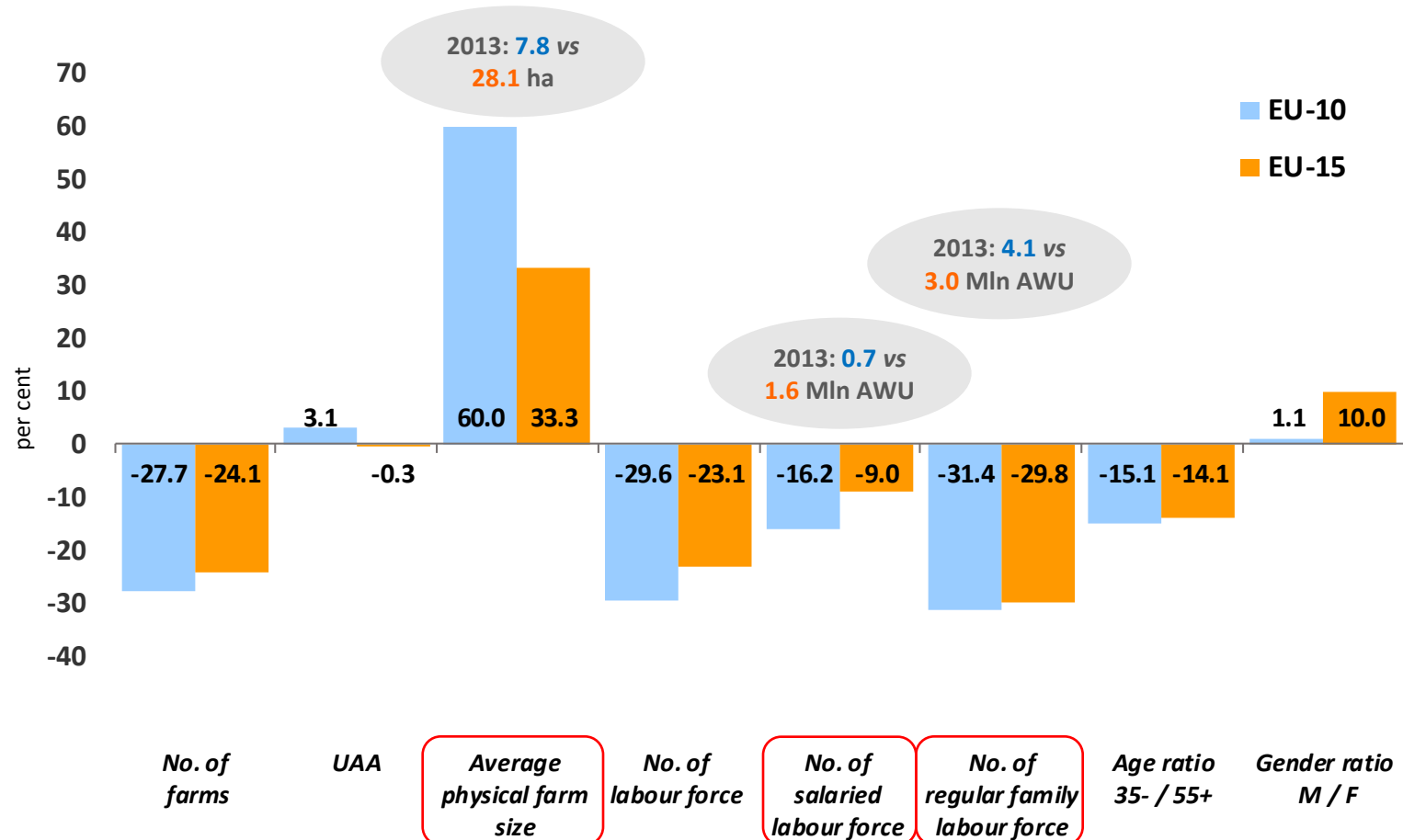
- fewer
- larger
- more capital-intensive

While the farming population is...

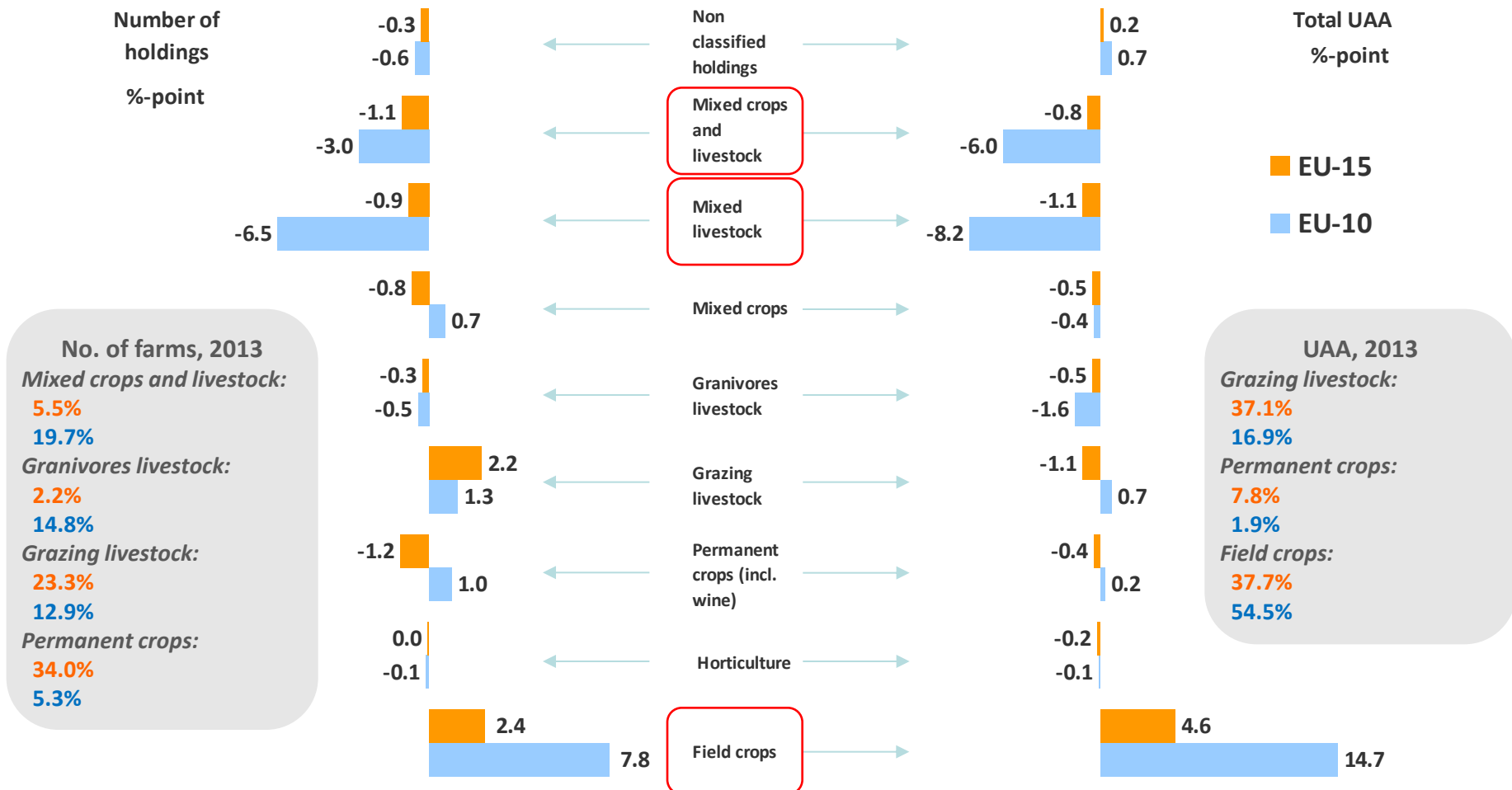
- declining
- with an increasing average age

 **A complex phenomenon occurring at a different pace across the EU regions**

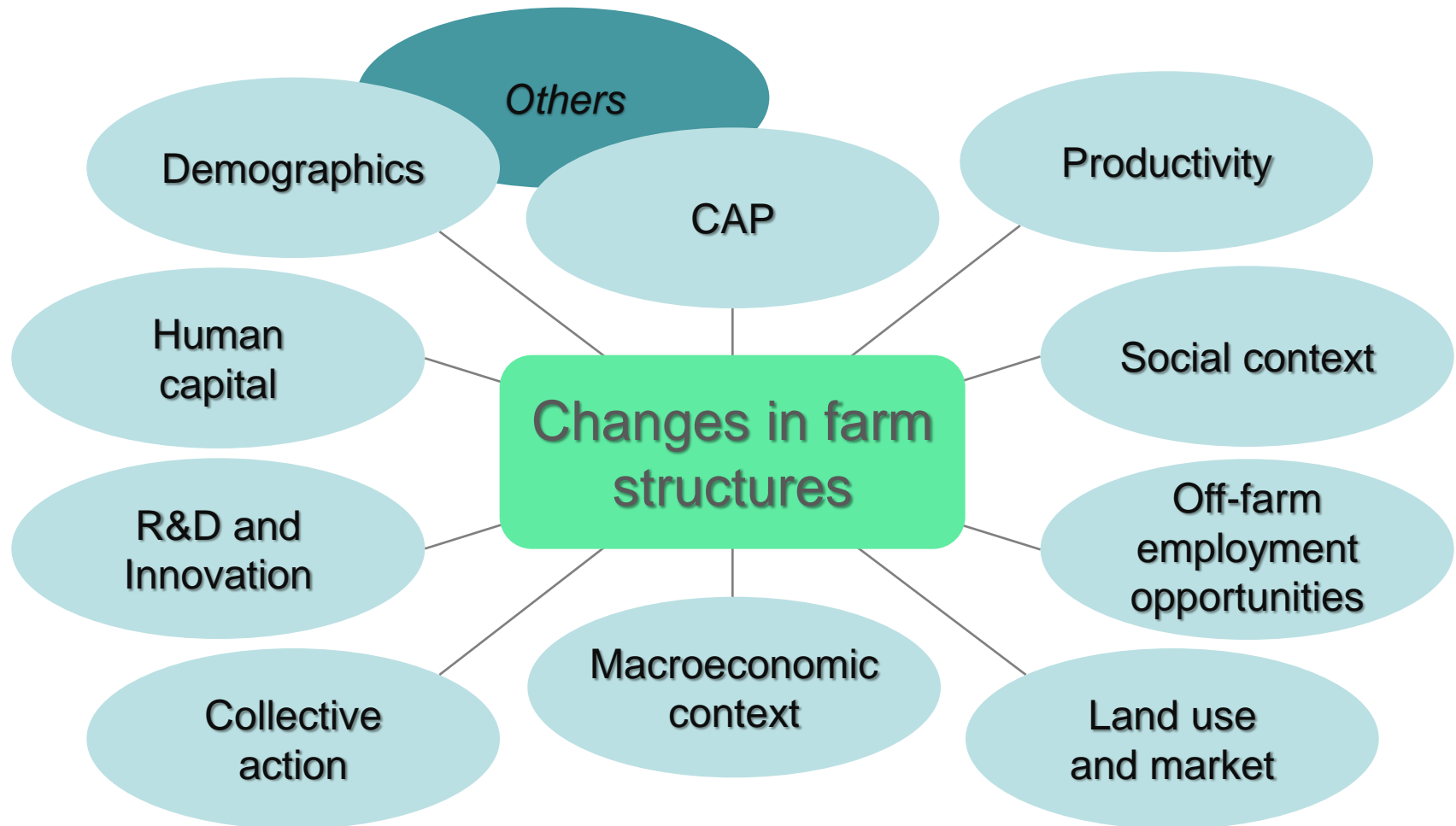
3. Changes in the main indicators



3. Changes in specialisation



4. Main drivers analysed



4. Key findings regarding main drivers (1)

EU-10

- improving productivity
 - efficiency still lagging behind the EU-15
- improving competitiveness
 - now a net exporter of commodities, and primarily and secondary processed goods as well
- improving agricultural incomes
 - growing faster than in the EU-15, lagging behind other sectors
- ageing demography
- investment in human capital receiving less attention
 - labour with low skills and outdated knowledge in rural areas
- lack of cooperation
 - high fragmentation, illegal marketing activities, lack of financial capital and mutual trust

4. Key findings regarding main drivers (2)

Some drivers speed up structural change



Some drivers slow down structural change

- ☞ These hinder the ability of farms to adapt to economic, environmental and social challenges, and to manage appropriately the risks associated with these changes

5. Impact of EU agricultural policies (1)

EU direct payments in the EU-10

- positive impact on farm incomes and on access to capital
 - slowing down the rate of exit of the older generation from subsistence and semi-subsistence farming
- negative impact on the intensity of labour use
 - accelerated by decoupling
- impacts are not uniform across the regions and businesses
 - differences in unit amount of the payments
 - differences in physical size and specialisation

but there is convergence
- direct payments + market measures + international market developments induced changes in production structures
 - field crops gaining popularity
- 'cross compliance' and 'greening' not main drivers of structural change (*OECD, 2015; EC, 2015*)

5. Impact of EU agricultural policies (2)

Rural development support in the EU-10

- investment support raising productivity and speeding up structural change
 - flowing to more prosperous farms
 - environmental measures creating additional labour demand
 - preference for extensive production systems
 - quality of life measures contributing to the retention of rural population (in farming) by diversification of activities
 - promoting the rejuvenation of farming society
 - gender-specific issues receiving only modest attention
- Positive
environmental
and social
impacts*

6. Development path in the EU-10

- role of agriculture in national economies further declining
- GVA and labour productivity in agriculture improving
- large numbers of uneducated, elderly farmers leaving
- young and skilled labour discouraged to enter in large numbers due to relatively low wages
- limited increase in the share of farmers supplementing farming incomes from other gainful activities
- demand for agricultural land intensifying and land concentration accelerating
- specialisation of farms continuing according to current trends as a consequence of EU direct payments up to 2020
- specialised farms with greater resources of human capital

7. Outline for future policy options (1)

Direct payments

- should aim at improving the ability of farms to better adapt to economic, environmental and social challenges by
 - further strengthening of the environmental and/or social aspects of farming
 - facilitating labour intensive production systems by the further redistributing and/or capping of total support

7. Outline for future policy options (2)

Rural development

- should aim at improving the ability of farms to better adapt to economic, environmental and social challenges by
 - targeting a more competitive farm structure and production with modernisation
 - enhancing innovation, knowledge transfer and cooperation
 - contributing to off-farm diversification and/or to the setting up of enterprises
 - facilitating demographic renewal

Thank you for your attention!