

## Comment

# Is CAP addressed to support family farms?

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### 1. Introduction

The contribution of De Castro *et al.* in this issue (De Castro *et al.*, 2014) underlines the role that small farms play in the EU agriculture and highlights how the recent CAP reform meets specificities and needs of this farming model. As the majority of EU farming are family farms and most of them are small either in physical or in economic terms, small-scale and family farming concepts are often used in an interchangeable way. Moreover, terms like subsistence or semi-subsistence farming are often used when describing small farms, associating market elements to size and managing factors (Hubbard, 2009).

Nevertheless, issues that are threatening small and family farms' sustainability and related policies needs should be analysed taking into account that family farms can both include large commercial structures and consist of very different farming models (Smithers *et al.*, 2004), mainly linked to the role the agriculture plays for the household income and employment. As a fact, family farms model is an economic and a social unit at the same time and that implies that the family and business life-cycles are strongly intertwined and production decisions, as well as development or adaptation strategies, are the result of both of them. As a consequence, to be effective, policies aimed to sustain family farms should involve both economic and social field and should pay attention to the way family decision-making occurs.

Since the nineties EU rural development policy has progressively included the preservation of the rural territory and the maintaining of the population in the rural areas as explicit objectives of the agricultural policy and that has meant supporting family farms. However, the way policy tools have been added or adapted to respond to new and more CAP objectives, without a rethinking and redesigning of the available toolbox and of its implementation schemes, has affected the coherence and the efficacy with regard to different policy goals. In the recent CAP reform, innovative instruments have been proposed (European Parliament, 2014), but the adjustment logic has still prevailed. Instead, to build a policy specifically addressed to family farms, a careful analysis of farm typologies and of mechanisms that can influence their behaviour should be needed.

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## 2. Family farm models

The definition of family farms was traditionally based on the involvement of the holder and his/her family in the business management and on the extent agriculture contributes to the family income. The development of the off-farm labour and the increase of pluriactivity, as well as the diversifying of in-farm activities, made this definition too tight to represent the family farm model. In fact, several family farm typologies can be distinguished where the labour organization and the economic behaviour and performance depend on different family objective functions.

Many variables should be used to characterize these models. They mainly relate to the physical and/or economic size, the production systems and the structural ratios between land, labour and capital, to socio-demographic characteristics of the holder and of his/her family, to the market and food chain linkages. An exhaustive classification based on these factors is out of the purpose of this short note. Anyway, some main categories can be drawn that can help to envisage family farm development paths and the related policy needs.

The economic size is a first relevant factor that gives some idea of the role the agriculture plays for the family income and of future farm perspectives. In 2010, the 60.4% of EU-28 farms were small in economic terms, with less than 4.000 euro of standard output (SO) per year. SO doesn't take input costs into account and is not adjusted for purchasing power differences among countries and, as expected, the share of subsistence and semi-subsistence farming is particularly large in new Member States (e.g., 88.6% of farms in Romania; 81% Hungarian farms). Nevertheless, the low economic size characterizes a relevant share of farming in some of the Southern EU-15 countries, too: farms with less than 4000 euro of standard output are 62.6% of total holdings in Portugal, 52.8% in Greece, 48.3% in Italy (EC, 2013). Which are the perspectives of these farms? Can we expect that farms producing at a subsistence or semi-subsistence level can persist in the medium-long term? There is no doubt that the development patterns will be different in new and old Member States, as an active process of structural adjustment is still in going in the first ones, while in old Member States (mainly in EU Southern States) the agriculture restructuring path is more likely the effect of farms exit than the result of consolidation strategies (Chaplin *et al.*, 2004; Kinsella *et al.*, 2000; Moxnes *et al.*, 2002). Nevertheless, the standard output level gives some general information on the long-term farm economic sustainability and data are saying that a significant share of the EU family agriculture is at risk and that this phenomenon is territorially specific.

Anyway, the ability to provide the farm operator and his family with a reasonable and sustainable income is just one element affecting future perspectives. The age of the holder is a second factor that can influence the farm development path. 30% of EU holders is more than 65 years old and this percentage is even higher in those countries where low standard output levels characterize agricultural structures. With reference to old Member States, farmers 65 years old or more are 46% of the total in Portugal, more than 37% in Italy, one third in Greece and in Spain. Therefore, in these countries small family farms include a large share of farms managed by aged

holders that keep persisting in the short term because the agriculture has a complementary economic role with regard to pensions or satisfies self-consumption objectives. In these cases, the lack of economic sustainability can result in the overlapping of holder and farm lifecycles and the permanence of the farm as economic unit is likely at risk in the medium-long term (Inwood *et al.*, 2012). The farm and land abandonment will be the most probable scenario when the farmer doesn't have a successor and when land is marginal or localized in inner areas.

When the small economic size of the farm is associated to a young holder, different farm typologies could be distinguished according to the labour involvement of the farmer and his/her family, from full-time to hobby farms, through pluriactivity and different levels of off-farm and in-farm income equilibrium. Income diversification can help to guarantee the long-term permanence even in a context of low economic performance and can even be source of capital for agricultural investments. Future pattern of these typologies can be differentiated according to the profitability of the employed resources and the prevalence of one or the other among self-consumption, residential, economic and assets aspects in the family objective function. In these cases, the less profitable is the farm resource use, the more the residential or the self-consumption objective will prevail and the farm will progressively lose its production function.

A more critical situation characterizes small farms with a young full-time holder whose future adjustment patterns are largely dependent on the external opportunities, on one side, and on the policies on the other side. The small size doesn't guarantee any economic perspective in the medium-long term and what we can expect is either a transition to part-time farming or the farm abandonment depending on the economic context where the farm is located.

As previously underlined, family farms do not necessarily mean small farms. Large commercial farms are included, too. The share of firms with more of 50 thousand euro of Standard Output is 9% at EU level but it varies among countries, with percentages of 50% or more characterizing the strongest agriculture of Northern Europe. Between this professional category and the subsistence and semi-subsistence situations, there are family farms characterized by different size, input intensity and productivity that result in different family income levels. Indeed, these farms are the ones agricultural policy should mainly act on, as they can either move in the direction of de-structuring and losing the main production function, or skip to the more efficient and professional area. In these cases EU and national policies can make the difference pushing to the one or the other path.

### **3. The EU intervention for small and family farms**

The CAP Pillar 1 has traditionally favoured large farms, but the previous price support and the present direct payments helped small farms to persist in spite of any economic rationale. As stated by De Castro *et al.*, the redistributive payments and the small farm scheme in the Pillar 1 reform represent a real change with regard to the past. Nevertheless, even if new tools are specifically addressed to favour small farms

(Matthews, 2013), the additional resources received by the farm will largely depend on the regional/national agricultural structure and on the way each Member State will implement them and the jointed effect of these factors could be very limited. Moreover, these instruments are not linked to any specific farm objective and then keep being a short-term support.

More relevant could be the impact of the new young farmers' payment that summed up to Pillar 2 aids could favour the generational change, the improvement of the social capital quality and innovation processes. Two points should be underlined, though. First, the inter-generational transfer within the family can be limited because the land is both a production factor and a family asset. This characteristic affects the land market and land mobility (outside the family), too, and can be a strong constraint to re-structuring processes. Then, young farmer payments could be ineffective if they aren't associated to strong national policies aimed at favouring land property transfer. Secondly, when the farm structure isn't able to guarantee the profitability and the farmer income, the succession can be viable and sustainable in the long term only if a set of measures is put in place, both inside and outside the farm, helping the young entrepreneur to move toward a multifunctional, diversified farm model. In some way, that was the rationale of cluster of measures aimed at young farmers that were implemented in some regions in the last Rural Development Programming (RDP) period. This approach met many obstacles linked to bureaucratic management of the EU measures and to the lack of a systemic approach to the farm. This last one would require a focus on the goal the farm should reach in terms of development path and production model, more than on the measures' goals.

This approach seems to prevail in the new regulation for rural development where long-term strategic objectives are given more detailed expression through six priorities that are the basis of programming and most measures potentially serve more than one objective. Moreover, the regulation opens up the possibility for sub-programmes, a novel tool that underlines the attention the EU wants to pay to some specific thematic issue. Among them, the young farmers' sub-programme follows the experience of the previous clustered measures and the small farm sub-programme that is a first explicit reference in CAP to the role and functions of small farms. Nevertheless, the risk of a failure of this tool is not far away: the feeling is that many regions will not implement sub-programmes in their rural development plans because they would require a higher programming and management effort. Yet, what the CAP reform states is a new intervention logic. To translate this logic into a real small farm policy two factors should be considered. First, specific goals should be fixed in the programming in terms of the organization model and functions the farm should attain and policy measures have to be pertinent to and coherent with the specific farm development strategy. Hence, need assessment, intervention logic, selection of measures and planning of actions in the thematic sub-programmes should be fitted having in mind how each farm typology can reach a long term sustainable model.

Secondly, a stronger integration of EU funds is needed. Indeed, the new strategic framework of EU policy and Partnership Contracts aim at this integration, but differences in the funds' rules can still limit this process. The future of small family farms

cannot exist without a future of rural communities and that requires an effort in terms of services, infrastructures and economic diversification of rural areas that goes beyond agricultural policy.

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