EXECUTIVE SUMMARY

European Parliament

Research for AGRI Committee – The Future of the European Farming Model: Socio-economic and territorial implications of the decline in the number of farms and farmers in the EU

The present document is the executive summary of the study on "The Future of the European Farming Model: Socio-economic and territorial implications of the decline in the number of farms and farmers in the EU". The full study, which is available in English can be downloaded at: https://bit.ly/3tSgpfa

This study provides an overview of the effect of the decline in the number of farms across the EU on the European farming model (EFM), which is built around the notion of multifunctionality and provision of public goods by agriculture. It concludes that in order to foster sustainability and resilience, the EFM and policy must embrace the emerging diversity of farmer profiles and stimulate socially desirable adaptive strategies that preserve the multifunctionality of farming.

THE EUROPEAN FARMING MODEL (EFM)

Since the 1980s, EU agricultural policy has taken a broader view of agricultural objectives, captured by the concept of multifunctionality, which includes the environmental and spatial implications of land management. This perspective led the European Council in 1997 to advocate a "European model of agriculture", whereby it argued that the agricultural sector "must be versatile, sustainable, competitive and spread throughout European territory, including regions with specific problems". Thus, from the outset, the EFM was framed as subsuming the diversity of European regions, traditions and agricultural systems reflected in the wide variety of farm structures, types of land cultivation and range of products.

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However, while a widely shared recognition has been on the specific *impact of small-scale farming* on various aspects of multifunctionality and on maintaining traditional European agricultural landscapes, a **literature review of the function and role of the EFM** and ongoing structural adjustment also underlines the *long-term process of structural change*. In contrast to the assumptions of a standard prototype of farm management, it dispels the notion of a unique farming model and underlines the need for land management systems that enhance multifunctionality and public goods provision as a core task of European farming systems, highlighting the *dynamic character of the evolution of land management in the EU*. Similarly, the report "Farmers of the Future" stresses the "emergence of more diverse and experimental models of farming to face the environmental challenges and to address the diverse consumption models". This shift towards an increasing diversity of farming models has strong implications for governance, but should also allow for place-sensitive adaptation of agricultural systems across European regions. In the future, the EFM will be shaped by adaptation strategies adopted at farm-level and along value chains to respond to emerging sector-specific and external challenges.

DYNAMICS OF THE EFM

The analysis of the **quantitative trends of structural adjustment** confirms a *drastic decline in the number of farms,* especially small farms, across the EU. This decline is more pronounced in new Member States due to their recent accession, the associated transition process and rigid social agricultural structures. Conversely, large farms are growing in number. This has significant implications for the multifunctional role and resilience of European agriculture, particularly in terms of sustaining economic activity and employment in rural areas, enhancing the value of rural areas, maintaining environmental quality, safeguarding biodiversity, and preserving the landscape and its beauty.

Projections into the future show a *substantial decline in the number of farms* in almost all NUTS 2 regions of the EU-27 and a prevalence of adaptation strategies that entail a substantial increase in the size and/or intensity of remaining farms and/or a greater EU dependence on agricultural imports. This trend toward farm concentration is particularly evident in southern and eastern regions. Mountainous areas are also at high risk of abandonment. Results of the **scenario analysis** predict increased polarisation of the farming structure, with continued abandonment and specialisation under all scenarios.

The **drivers** of farm decline are primarily *structural, economic and social, and to a lesser extent environmental*. Drivers such as agricultural subsidies, agricultural prices, macroeconomic and demographic variables play a greater role in the new Member States and affect the various types of farms differently. Previous studies of **drivers of farm structural change** in the EU-27 suggest that *the main determinant of farm structure is past farm structure*. The strong dependence of structural trends on local conditions was underscored by **case study** results, which demonstrate that the main structural driver of farm decline is a *market structure that favours intensive production and large-scale farms,* related to tightening margins and low bargaining power. Furthermore, barriers to entry compound the issues of demographic change (aging populations) and rural exodus. While there are concerns with the EU subsidy system, the consensus remains that subsidies are indispensable, but should be further tailored to reverse negative effects.

POLICY RESPONSES

Since the late 1980s, EU food security has been taken for granted. Public concern and policy discourse therefore shifted to environmental issues and product quality, in addition to the decline in farms and the reduction of farm employment. Agricultural policy support was assumed to contribute to the competitiveness of the sector and farming incomes, suggesting that increased support would slow the decline in the agricultural labour force. While some measures (in particular rural development and structural measures) are intended to guide structural adaptation, others (in particular market measures and income support) may yield *unintended structural consequences.*

The CAP and other relevant EU policies can only partly and indirectly address external challenges affecting the farming sector, while the scope of policies is greater for sector-specific challenges. Our assessment shows that the CAP *cannot adequately address new societal challenges and is limited in reconciling the constraints of agricultural markets with the EFM and emerging societal demands.* The policy framework pursues the three elements of sustainable development (economic, ecological, social), but hardly lessens the effects of market mechanisms on structural adjustment and resilience of food systems.

While farm structures seem to be taken as a given and are *not addressed as such in the CAP objectives,* CAP measures need to integrate more clearly and specifically the implications for structural adjustment and the preservation of the diversity of farming practices. Many measures address the multiple drivers of structural change, while *only a few address specific structural challenges* (generational change/young farmers, organic farming). Targeted measures could achieve more specific goals in terms of resultant structures and sustainability.

As the CAP's *policy focus is primarily on addressing economic issues* (farm income, competitiveness, market pressures), a disproportionate share of spending is allocated to large farms, implicitly accelerating the concentration processes. To support the pursuit of the Sustainable Development Goals, *a greater shift in policy focus is needed*, with increased attention to diverse transition strategies. Agricultural policies need to be thoroughly revised, including structural goals, to create an environment that supports multifunctional and resilient strategies, including new forms and types of land management, farming practices, and market relationships.

Further information

This executive summary is available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the executive summaries can be downloaded at: https://bit.ly/3tSgpfa

More information on Policy Department research for AGRI: https://research4committees.blog/agri/

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