

Louvain School of Management

Harvesting Change: The Social Dynamics of the Common Agricultural Policy on European Farmers

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Academic year 2023-2024
Dissertation for the advanced master of European business and
economic policy
Daytime schedule

Acknowledgement

This master's course in European business and economic policy has been an incredible journey, in which I have discovered a new passion for the functioning of the European Union and its policy making in particular. Therefore, I would like to thank prof. dr. Jean-Christophe Defraigne for his guidance and interesting insights he has shared with us during the academic year. I would also like to thank him for his support in writing this concluding master's thesis. Without his support and feedback and gainful insights it would not have been possible to bring this master's thesis to completion.

I would also like to thank my parents Jim and Annick and my brother Matthias for giving me the opportunity to start this master and continuing to support me throughout this journey. Their support and motivation throughout the year have been of incredible value to me and I could have not succeeded without their support during the exam periods and in the period when I was writing my thesis.

Next, I would like to thank all students of this master's course and in particular Hugo Bohez, Zoé Depireux, Lucas Duysens and Pauline Paise. Together we completed all the group work courses and we have worked together as a good group, both within and outside the context of this master's thesis. Their friendship means a lot to me. Another friend I would like to thank is Sam Ravesloot, with whom I have completed this journey in Louvain-la-Neuve. His friendship too has been of incredible value to me.

Lastly, I would like to thank everybody that has contributed to this master's thesis, all of your help and support has been of invaluable importance to me.

Executive summary

The Common Agricultural Policy (CAP) is a cornerstone of the European Union's efforts to support its agricultural sector and ensure the vitality of rural areas. Established in 1962, the CAP has undergone significant transformations to address evolving economic, social, and environmental challenges faced by the EU. This thesis provides a comprehensive analysis of the CAP's impact on European farmers, focusing on its dual objectives of supporting farm income and promoting rural development.

The CAP is structured around two main pillars. Pillar One focuses on direct income support to farmers and market measures, accounting for 76.9% of the CAP total budget commitments. These payments are designed to provide a safety net for farmers, ensuring stable income levels despite market volatility and adverse weather conditions. Since the MacSharry reforms in 1992, there has been a shift towards direct support to farmers, which replace price supports, to avoid market distortions and promote more sustainable farming practices. The Basic Income Support for Sustainability (BISS) is now the primary form of direct payment under Pillar One, reflecting this strategic shift.

Pillar Two, on the other hand, targets rural development and is co-financed by the EU and member states. This pillar aims to enhance the viability and sustainability of rural areas through investments in infrastructure, diversification of economic activities, and environmental stewardship.

Despite the CAP's comprehensive support mechanisms, several challenges persist. One major issue is the relatively low income of farmers compared to the average European wage, with farming income averaging only 59.9% of the broader economy's average wage. This income disparity is compounded by the high level of competition and exposure to environmental risks inherent in the agricultural sector.

Another significant challenge is the ageing farming population in Europe. Over 57% of European farm managers are older than 55, with 33.2% over 65. This demographic trend poses a threat to the long-term sustainability of the agricultural sector. The CAP addresses this through various measures aimed at supporting young farmers, such as the Complementary Income Support for Young Farmers (CIS-YF) and grants for new entrants to overcome barriers to entry.

The thesis also highlights the environmental dimension of the CAP, particularly through Pillar Two agri-environmental payments. These payments encourage farmers to adopt practices that enhance biodiversity, soil quality, and overall sustainability. While these measures are essential for long-term environmental health, they also require a more labour-intensive approach to farming, which can impact technical efficiency and crop yields.

The goal of this master's thesis is to obtain a comprehensive understanding of the impacts of the CAP on the farming population. The primary research question addressed is: "What are the impacts of the CAP on social cohesion in rural areas?" To answer this question, a thorough literature review was conducted, drawing on policy papers, peer-reviewed articles, books, and Eurostat data.

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List of abbreviations

AECC: Agri-Environmental-Climate Commitments

ANC: Areas with Natural Constraints

ASD: Areas with Specific Disadvantages

BISS: Basic Income Support for Sustainability

CAP: Common Agricultural Policy

CIS: Coupled Income Support

CIS-YF: Complementary Income Support for Young Farmers

CRISS: Complementary Redistributive Income Support for Sustainability

CSP: Common Agricultural Policy Strategic Plans

EAFRD: European Agricultural Fund for Rural Development

EAGF: European Agricultural Guarantee Fund

EU: European Union

GDP: Gross Domestic Product

GVA: Gross Value Added

LFA: Least Favoured Area

MFF: Multiannual Financial Framework

NGEU: Next Generation EU

TFEU: Treaty on the Functioning of the European Union

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Introduction

The Common Agricultural Policy (CAP) is one of the European Union's (EU) most enduring and significant policies, supporting European agriculture to ensure food security. Since its establishment in 1962, the CAP has undergone multiple reforms to adapt to changing economic, social, and environmental challenges. The CAP today has a dual aim: on the one hand, to ensure a stable and sustainable agricultural sector by providing financial support and implementing regulatory measures that address various challenges faced by farmers to ensure European food security. On the other hand, the CAP aims to support the social and economic development of rural European areas, through supporting agriculture, shifting from price support mechanisms to direct payments and sustainable development initiatives.

This master's thesis looks into the social impacts of the CAP on the European agricultural labour force, with a particular focus on the young farmers and the agricultural sector's influence on the wider rural social cohesion. The agricultural sector in Europe faces multiple challenges, including a significant income disparity between farmers and the broader economy, as well as an aging farming population. These issues threaten the long-term viability of the agricultural sector and, by extension, the vitality of rural communities. The CAP, through its various support mechanisms, aims to address these challenges, yet questions remain about the effectiveness of these measures in promoting sustainable rural development and social inclusion.

The research question guiding this master's thesis is: "What are the social effects of the CAP on social cohesion in European rural areas?" The CAP's specific goals, particularly those with significant social effects, are pivotal to its overall mission. Among the ten objectives outlined in the CAP for 2023-2027, three stand out for their social impact: supporting viable farm income and resilience, attracting young farmers, and promoting employment and social inclusion in rural areas.

The significance of this master's thesis lies in the contribution of the ongoing policy debates in the EU about the functioning of the CAP and how it should support European farmers in the future. By providing a comprehensive analysis of problems faced by the European agricultural sector and the CAP's impact on social cohesion, this thesis aims to offer valuable insights for policymakers, academics, and stakeholders in the agricultural sector.

The structure of this master's thesis is as follows: chapter one will provide a brief overview of the history of the CAP and on the contemporary functioning with the two pillars as well as the financing of the CAP. The second chapter is divided in four subchapters, which respectively discuss (1) the overall objectives pursued by the CAP, (2) supporting farmer's income and resilience, (3) structural change and generational renewal and (4) enhancement of social change and development in rural areas. Finally the conclusion synthesises the findings.

Methodology

The goal of this master's thesis is to obtain a comprehensive understanding the impacts of CAP on both the farming population itself as well as the rural economy as a whole, in which the agricultural industry plays a prominent role. The primary research question addressed in this master's thesis is: "What are the impacts of the CAP on social cohesion in rural areas?"

To answer this research question, a thorough literature review was conducted, drawing on a combination of policy papers, peer-reviewed articles, books, and supplementary data obtained from the Eurostat database. The majority of the reviewed literature was in English, with a smaller portion in French. An emphasis was put on using the most recent research published to provide an up-to-date understanding on the social cohesion effects on the CAP. The peer-reviewed articles were obtained in the databases of Google Scholar, ScienceDirect and JSTOR, combining the following search terms: "EU CAP", "social impact", "agricultural employment", "agricultural labour", "generational renewal", "rural employment", "rural communities", "social cohesion", "young farmer problem" and "young farmers". These search terms were selected to capture the multifaceted nature of the CAP's impact on rural areas. A thematic analysis will be employed per specific objective of the CAP 2023-2027 to identify key themes and patterns in the literature. The policy papers used in this master's thesis are conducted on behalf of the World Bank, the European Commission DG AGRI and the French Ministère de l'agriculture et de la souveraineté alimentaire.

This study is limited to the available literature and Eurostat data. Future research could explore additional data sources and conduct primary research to further investigate the impacts of the CAP on social cohesion.

Common Agricultural Policy: the EU longest running policy

Brief history of the Common Agricultural Policy

The Common Agricultural Policy (CAP) is the oldest still running policy of the European Union (EU). Introduced in 1962 as a partnership between society and agriculture, the CAP continues to support European farmers today, albeit in different ways than in 1962 (European Commission, 2024b).

The importance of the agricultural industry has changed substantially in the last 70 years. In the early 1950s, agriculture in the founding member states of the EU was a profound part of all Member states gross domestic product (GDP), ranging from 7.9 percent in Belgium to 20.7 percent in Italy. However, these figures dropped drastically over the following 54 years, with no country having a share of agriculture in GDP over 1.5 percent in 2009 as shown in Table 1 (Baldwin & Wyplosz, 2015).

	Agriculture's share GDP as %		
	1955	2009	Ratio 1955/2009
Belgium	7.9	0.6	13
Luxembourg	9.3	0.2	46
Netherlands	11.4	1.3	8
Germany	8	0.5	16
France	11.4	1.2	9
Italy	20.7	1.5	13

Table 1 Agriculture as % of national GDP

The declining relative economic importance of agriculture in the EU is also visible if one looks at the Gross Value Added (GVA) of agriculture compared to the total GVA of a country or region as shown in Figure 1 (Eurostat, 2024e, see Appendix 1 for data). In all member states the relative importance of agriculture in gross value added within the territory has decreased. The trend is particularly pronounced among the thirteen member states that have acceded to the Union since 2004. There, the relative importance has decreased from 7.47 percent in 1995 to 3.11 percent in 2020. Nevertheless, it is important to note that the reduced relative significance of agriculture compared to other sectors does not equate to an absolute decline in agricultural output. From 1995 to 2020, the total GVA of agriculture has risen in all but four member states¹. Therefore, agriculture has generally seen an increase in GVA, even though its relative importance has abated to 1.77% in 2020. This relative decrease may indicate that other economic sectors have grown in relative importance, compared to agriculture.

¹ Greece, Luxembourg, Malta and Portugal.

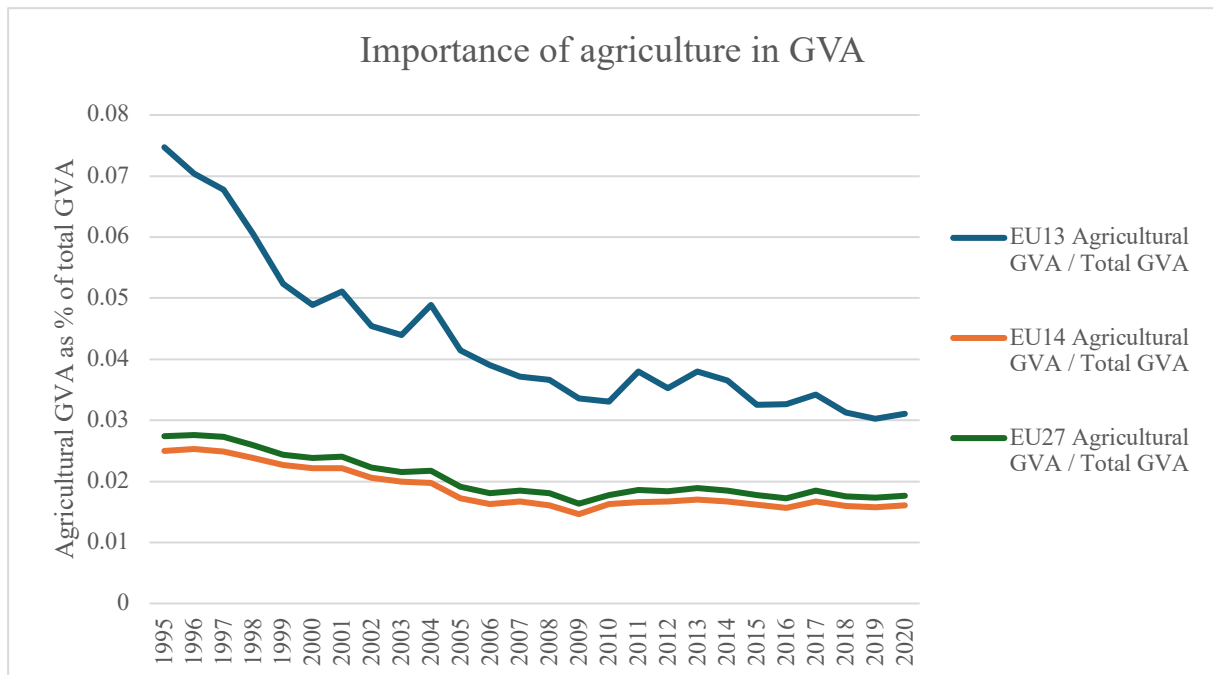


Figure 1 Agricultural share in gross value added

To understand this evolution in the agricultural sector, it is essential to examine the origins and development of the CAP, which was established in 1962 to support European farmers and ensure food security across the member states. It was installed as a compromise between the interests of French and German government: France faced pressure from its export-oriented agricultural producers due to declining world prices, while Germany sought to expand markets for its industrial exporters and remained a net importer of agricultural products (Fennell, 1997; Lovec, 2016). The evolution of the CAP reflects the fragile circumstances in which it was established, as well as the numerous controversies and reforms to which it became a subject (Defraigne & Nouveau, 2022). In its early years, the CAP was a price supporting programme for European farmers. Minimum prices, i.e. price floors, were set for products such as beef, wheat and dairy products, which were higher than the world prices. As a consequence, the benefits of these price floor went to the biggest farmers and agricultural companies as they not only had more production capacity but were more efficient as well (Baldwin & Wyplosz, 2015; Lovec, 2016). Furthermore, the EU transitioned from being an importer to an exporter of agricultural products. By maintaining price floors, the EU was purchasing large quantities of food to bin them directly afterwards, as there was no use of these purchased agricultural products. However, the revenues of the tariffs on imported agricultural products were not sufficiently high to finance these purchases and the subsequent exports, and budgetary expenditures of the CAP kept increasing (Lovec, 2016).

In the 1992 the MacSharry reforms marked a significant change in the CAP, by lowering the price floors while at the same time introducing direct payments to farmers to compensate for

lower price floors. These direct payments were coupled to number of livestock units held and area processed (European Commission, 2018; Moreddu et al., 2011; Viegas et al., 2023). Subsequent reforms have gradually shifted focus from increasing output and efficiency, through supply controls and then the design of a two pillar CAP and support decoupled from production (Blomquist & Nordin, 2017; European Parliament et al., 2019), which meant that farmers were no longer required to produce certain products in order to receive subsidies, but instead they are required to process a certain amount of land (Gohin & Latruffe, 2006; Lovec, 2016). Agricultural product prices in Europe converged to world market prices and farmers today are compensated for lower revenues to decoupled payments, on the condition that they comply with environmental and animal protection regulations, also known as cross-compliance (Baldwin & Wyplosz, 2015; Grant, 2010). Today, the CAP support for farmers mostly exists in decoupled support, although coupled payments to number of livestock units and held land area still exist today (Defraigne & Nouveau, 2022).

Contemporary agriculture and the Common Agricultural Policy

While the relative importance of agriculture has consistently decreased to the benefit of other industries, as mentioned hereabove, agriculture nevertheless important for several reasons, which will be discussed extensively in this article. Firstly, it remains an important sector to preserve and stimulate economic growth in rural areas, as it is embedded in a long production chain of agricultural processing (Helming & Tabeau, 2018; Hill, 2012). It can moreover stimulate rural employment and therefore the wider rural economy by promoting agricultural tourism, providing education on the farm, and enhancing environmental protection (Helming & Tabeau, 2018). The importance of agriculture is emphasised also by the World Bank, which argues that it plays a vital role in the process of structural transformation of its economy², in which agriculture gives way to the development of manufacturing first and services later. If successfully transformed, agriculture is not linked to poverty anymore but thrives together with the manufacturing and services, so that agricultural income converges with those other sectoral incomes. (Van Den Brink et al., 2018). Lastly agriculture plays an important buffering role in times of crisis, as it can serve as a shock absorber because it suffers less severe economic damage than other sectors, as has become clear during the 2008 financial crisis (Severini et al.,

² For structural transformation to take place, five conditions should be present at the start of it: (i) roads to market products; (ii) secure property rights so that farmers invest in their farms; (iii) extension services so that they can adopt new techniques and (iv) access to health and education services. If conditions are met and they reach multiple farms in a region, then farm income growth will have substantial ripple effects on the local area via agriculture's production and consumption linkages (Van Den Brink et al., 2018).

2016; Van Den Brink et al., 2018). This resilience is due to the consistent demand for food and agricultural products, which remains relatively stable even during economic downturns.

The enduring significance of agriculture today is evident in the continued presence of the CAP in the EU and its size. As will be discussed below, the CAP is the second most important expenses post of the EU budget, right behind the EU Regional Cohesion Policy. However, today's CAP is a multifaceted policy framework characterised by numerous reforms of the past and as a consequence of these reforms the CAP has become a very complex policy framework characterised by both continuity and change (Quiroga et al., 2017).

As a result of the Transitional Regulation (EU) 2020/2220, the CAP 2014-2020 was extended until the end of 2022 (Transitional Regulation (EU) 2020/2220, 2020). This is a consequence of the extensive debate between the European Parliament, the Council of the EU and the European Commission, which only approved the reforms for the following CAP in the autumn of 2021 (European Commission, 2024e). Therefore, the current CAP for 2023-2027 does not align with the Multiannual Financial Framework (MFF) for 2021-2027, covering only five years instead of seven.

The remaining part of this chapter will give an overview of the policy instruments used to implement the CAP and how the CAP is financed nowadays, in the perspective of its pillar structure.

Funding of the Common Agricultural Policy

As shown in Figure 2 (European Commission, 2024c; see Appendix 2 for data), the CAP has consistently been the largest expenditure post in the EU budget and continues to hold an important position, although now alongside the EU Regional Cohesion Policy, which has gained substantial significance in the MFF 2021-2027 (European Parliament, 2023).

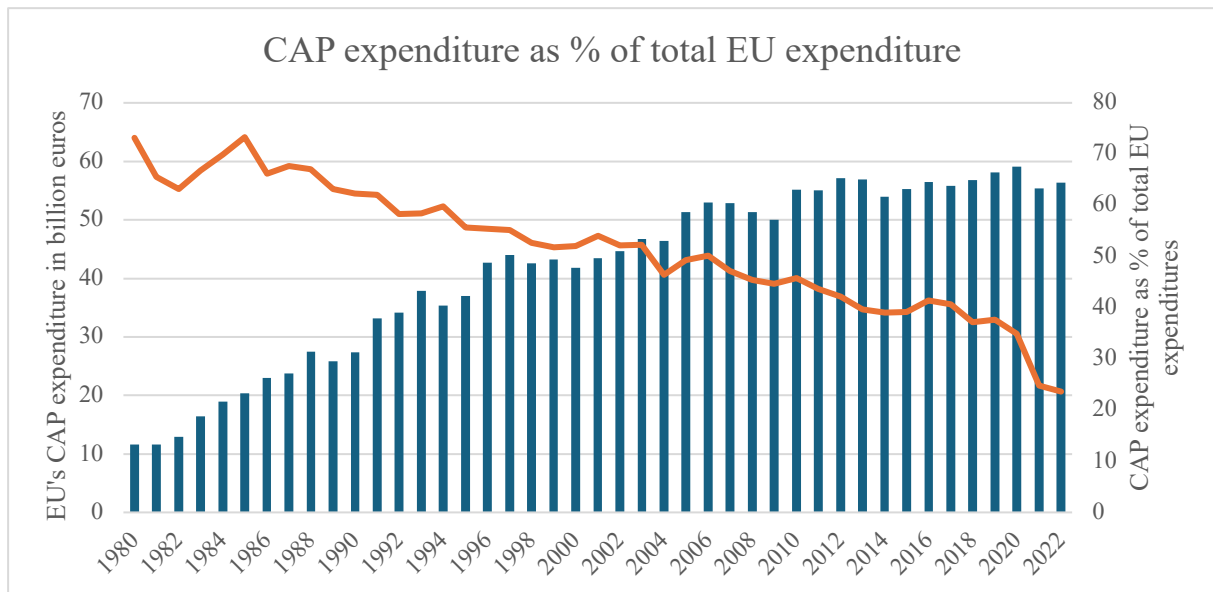


Figure 2 CAP expenditure as % of total expenditure

The CAP is underpinned by two principal funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). Each fund has distinct characteristics and serves different purposes, which will be elaborated on further in the sections of the Pillar descriptions. The EAGF supplies the resources needed to meet the objectives of Pillar One. The EAFRD on the other hand is the fund that provides the resources to fulfil the needs of Pillar Two. Moreover, the EAFRD also received 8.05 billion euro (7.5 billion euro in 2018 prices) from the Next Generation EU (NGEU), installed as an additional budget as to recover from the Covid-19 pandemic. The NGEU will not be discussed in this article. Combining the EAFRD and the EAGF, the CAP accounts for approximately 31% of the total EU budget, as shown in Figure 3 (European Commission & Directorate-General for Budget, 2021; European Parliament, 2023; see Appendix 3 for data). Only the EU Cohesion Policy has a bigger budget to allocate, the relative size of which is close to 35% of the total MFF 2021-2027. The total budget commitments for the MFF 2021-2027, expressed in 2018 prices, amount to 1,074,300 million EUR. Out of this, 336,444 million EUR is dedicated to the CAP. Specifically, 258,594 million EUR (76.9% of the CAP budget) is allocated to the EAGF, while 77,850 million EUR (23.1% of the CAP budget) is allocated to the EAFRD. (European Commission & Directorate-General for Budget, 2021; European Parliament, 2023).

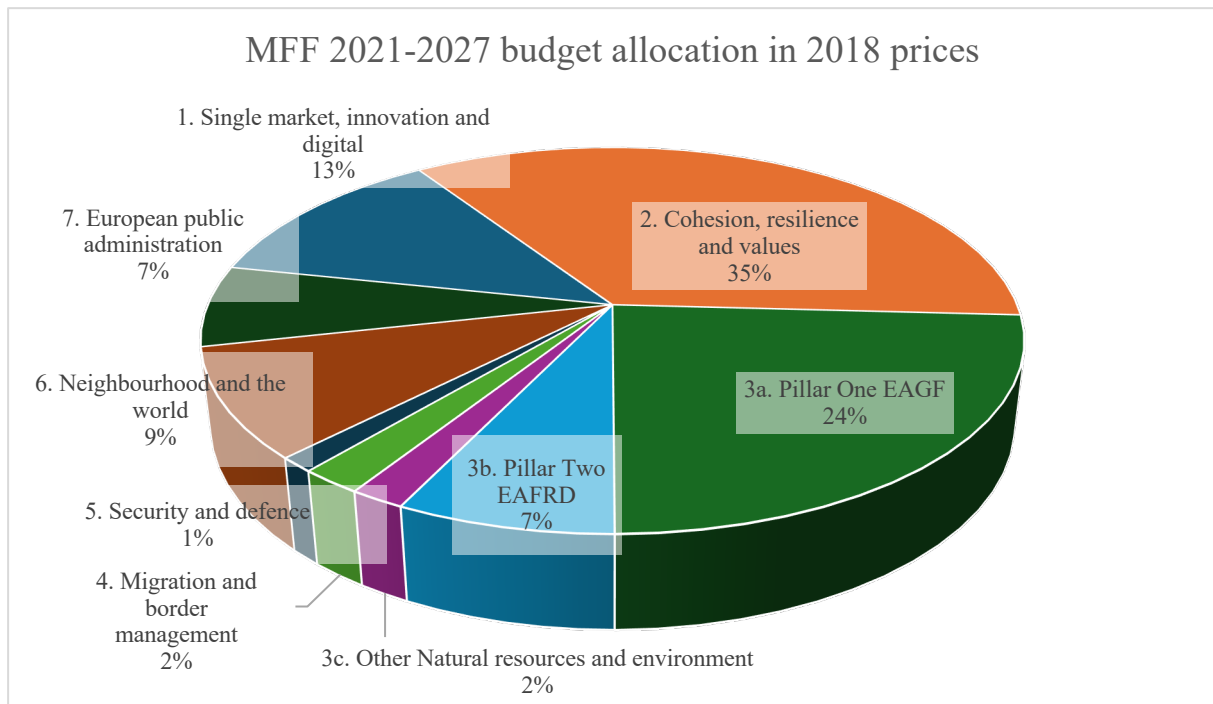


Figure 3 Allocation of EU budget under MFF 2021-2027

Pillar One: direct support and market measures

The first pillar of the CAP is set up to offer direct support to farmers, as well as market measures aimed at stabilising agricultural markets via public intervention. The direct support intends to support farmers income in return for maintaining their farmlands and meeting several food safety, environmental and animal welfare standards, as the Commission sees it as a correction for market failure³ (European Commission, 2024b). This is also known as the cross-compliance requirement of Pillar One (Van Den Brink et al., 2018). As from 2025, direct income support will also be linked to compliance with social and labour rights of farm workers (European Commission, 2023a). Should a farmer fail to adhere to these standards, the subsequent year will see a reduction or complete cessation of support, contingent upon the farmer's continued non-compliance with these standards (European Council & Council of the European Union, 2024). The income support serves as a safety net for farmers, ensuring that they can continue their farming activities (European Commission, 2023). Pillar One of the CAP is entirely financed by the EAGF and the allocation of these funds is decided on an annual basis (European Commission, 2023a, 2024b).

³ “[...] income support through direct payments ensures income stability, and remunerates farmers for environmentally friendly farming and delivering public services not normally paid for by the markets, such as taking care of the countryside [...]”

Pillar One encompasses two categories of income support: coupled income support (CIS) and decoupled income support. In the coupled income support regime, where support is provided in the form of tariffs or price supports (Garrone et al., 2019), the subsidies are made dependent on the output of certain agricultural products, or number of livestock units held. Nevertheless, the aim of the Commission is to completely decouple the support under Pillar One. The process of decoupling support is still ongoing today and has proven difficult for the Commission (Defraigne & Nouveau, 2022). Nowadays coupled income support is a tool that can be voluntarily instated by member states, under strict conditions and limits. Nevertheless, it is still heavily used by all member states but the Netherlands (European Commission, 2023a). It is mostly used to support the grazing livestock sector, such as cattle, sheep and goat production (Détang-Dessendre et al., 2022; European Commission, 2023a).

On the other hand, decoupled support is not linked to the production of certain agricultural products, but is an area-based support based on how much land the farmer processes (Détang-Dessendre et al., 2022; European Commission, 2018; Grant, 2010). Decoupling income support from production provides farmers more flexibility to respond to changing market conditions and signals, as according to the Commission, the strength of EU farming lies in its diversity (European Commission, n.d.). This relatively recent system of direct decoupled payments aims to achieve a convergence of support between and within member states (Baldwin & Wyplosz, 2015; Ciliberti & Frascarelli, 2018a; Viegas et al., 2023). Already in 2000 the OECD stated that direct decoupled support has a positive influence on transfer efficiency, production and trade (OECD, 2000). There are differences between member states in how these decoupled payments are allocated. Either member states base their allocation on historical production, or they use a flat rate per hectare or they use a hybrid system, which is a combination of the former (Quiroga et al., 2017).

Additionally the EAGF also funds market measures under Pillar One, that are introduced to deal with unexpected and difficult market situations in specific sectors. These measures include sectoral intervention and cooperation between farmers to increase their bargaining power, market efficiency and position in the value chain. Support is mostly provided to producers organisations and although these supports are not insignificant, support in the form of market measures will be left out of the analysis as they do not support directly the farmers themselves but mostly organise farmers cooperation and producers organisations (European Commission, 2023a).

In the current approved CAP (2023-2027) there are six measures to support farmers income, that together account for 62% of the total CAP expenditures, including national co-financing of Pillar Two, discussed below, and 72% of the total EU expenditures in the CAP (European

Commission, 2023a), as shown in Table 2 (European Commission, 2023a; CSP Regulation, 2021). The figures in the following columns vary from the ones provided hereabove, as the figures present only the allocated funds for the CAP 2023-2027, while the figures in Figure 3 represent the MFF 2021-2027 commitments to the CAP as a whole.

Type of intervention	EU contribution	National co-financing	Total public expenditure (EU and national co-financing)	% as a share of the total public expenditure
Support through European Agricultural Guarantee Fund				
BISS – basic income support for sustainability	96,697,483,142		96,697,483,142	31%
CIS – coupled income support	23,030,903,969		23,030,903,969	7%
CIS-YF – complementary income for young farmers	3,407,403,394		3,407,403,394	1%
CRISS – complementary redistributive income support for sustainability	20,094,247,101		20,094,247,101	7%
Eco-scheme – schemes for the climate, the environment and animal welfare	44,712,639,715		44,712,639,715	15%
Cotton – crop specific payment for cotton	1,232,110,245		1,232,110,245	0%
Total direct payments – EAGF*⁴	189,109,706,310		189,109,706,310	62%

Table 2 CAP budget distribution to different Pillar One policy instruments

The most important CAP income support measure is the basic income support for sustainability (BISS), as this accounts for half of the EAGF expenses. It is also the most widely recognised form of support, namely the area-based payment. Member states can decide to either allocate this BISS on the basis of payment entitlements granted to farmers or by defining a uniform amount of support per hectare, and ultimately these amounts of supports are to converge at national level (European Commission, 2023a).

The eco-scheme payments are second biggest expenses post of the EAGF and should support farmers in their transition to sustainable farming. They can either be an addition to the BISS

⁴ * This total includes the estimated amount resulting from the capping of amounts granted to farmers, thus the planned total of all interventions under direct payments is higher than the amount set in Annex V of the CSP Regulation

payments received or a compensation for the loss of income as a result of commitments to certain sustainable practices (European Commission, 2023a).

Third in size are the CIS payments, whose functions are already discussed hereabove.

The complementary redistributive income support for sustainability (CRISS) is implemented to ensure a fairer distribution. It offers a supplementary payment for the first hectares to farmers who are entitled to BISS payments and as a result smaller farms should receive 15% more support per hectare. Member states must at least allocate 10% of their adjusted financial commitments to CRISS to more evenly distribute farmer support, to the benefit of small and medium-sized farmers (European Commission, 2023a).

To conclude the Pillar One supports, the complementary income support for young farmers (CIS-YF) are to encourage young farmers (farmers who are younger than 40 years old) in setting up farms, as setting up a cost. Young farmers will receive additional support for the first five years of their farming years (European Commission, 2016).

Pillar Two: rural development

While Pillar One support is mostly about the income of farmers, Pillar Two aims to enhance the viability and development of rural areas in Europe, in which agriculture takes a prominent role in the economy. Rural areas are among the least favoured areas in Europe having a GDP per capita below the European average, amounting to 74% in 2021 (European Commission, 2024b; Eurostat, 2024d). Especially in the 13 member states that joined in 2004 or later, the rural income was only 48% of the EU-28 average, while in the EU-14 the average rural income amounted to up to 87% in 2017 (Chartier et al., 2023). The CAP aims to achieve balanced territorial development by developing the rural areas (Skakelja & Di Federico, 2019; Smit et al., 2015):

- modernising farms and improving uptake of technology and information;
- boosting the rural areas;
- increasing the competitiveness of agriculture;
- protection of the environment;
- improve the vitality of rural areas;
- ensuring generational renewal in farming (European Council & Council of the European Union, 2024).

The distribution of resources under Pillar Two are, unlike Pillar One, decided on a multiannual basis and are implemented in the form of rural development programmes (European Commission, 2021b). Moreover, the composition of the funding of Pillar Two is completely different from that of Pillar One. It has its own separate fund, the EAFRD, and policy measures are co-financed by the member states (European Commission, 2023a). Pillar Two therefore has

a lot of resemblance with the EU Cohesion Policy, and the two policies complement each other to come to an overall balanced territorial growth (DG AGRI, 2021; Moës, 2018). Pillar Two is responsible for 35% of the total CAP expenses and uses the eight policy measures shown in Table 3 (European Commission, 2023a; CSP Regulation, 2021) to achieve its objectives pursued. As Pillar Two is more focused on the development of local rural areas, the measures supported differ across the EU as the needs differ from one member state to another.

Type of intervention	EU contribution	National co-financing	Total public expenditure (EU and national co-financing)	% as a share of the total public expenditure
Support through European Agricultural Fund for Rural Development (EAFRD)				
AECC – environmental, climate and welfare related	20,289,987,423	12,922,384,337	33,212,371,760	11%
ANC – areas with natural constraints	10,598,347,767	8,117,856,724	18,716,204,491	6%
ASD – areas with specific disadvantages	501,286,959	329,170,180	830,457,139	0%
INV – investments	18,433,062,578	12,945,827,188	31,378,889,766	10%
INSTAL – setting up of farmers and start-ups	3,411,775,402	1,763,146,568	5,174,921,970	2%
RISK – risk management tools	2,731,774,898	1,859,749,688	4,591,524,586	1%
COOP – cooperation	7,033,768,843	4,125,997,116	11,159,765,959	4%
KNOW – knowledge and information	1,134,104,929	939,153,317	2,073,258,246	1%
Technical assistance	1,864,585,916		1,864,585,916	1%
Total support through EARFD – rural development	65,998,694,715	43,003,285,118	109,001,979,833	35%

Table 3 CAP budget distribution to different Pillar Two policy instruments

To make this budget analysis more comprehensible, some of the policy instruments will be grouped. The first policy instrument in the table is the agri-environmental-climate commitments (AECC). These are subsidies provided to farmers for environmental and climate related commitments made by farmers. They focus mostly on supporting biodiversity and mitigating climate change and will therefore not be discussed in depth.

The support tools for areas with natural constraints (ANC) and areas with specific disadvantages (ASD) are installed to support farmers in areas confronted with difficulties to conduct farming activities. They are installed to contribute to the viability of farming income and resilience and act as a complementary source of income for farmers located in these areas (Chartier et al., 2023; European Commission, 2024a).

The investments and setting up of farmers and start-ups policy instruments under Pillar Two of the CAP together aim to strengthen and modernize the agricultural sector while promoting rural development and generational renewal. The investment policy instrument focuses on supporting investments in physical assets to enhance competitiveness, sustainability, and modernisation. This includes funding for new machinery, infrastructure, and renewable energy projects to improve productivity and resource management. Installation support, as a complementary policy instrument, targets the establishment of new farmers, particularly young ones, and the creation of start-ups in rural areas. By offering start-up grants, business planning, and training, it reduces financial barriers and fosters entrepreneurship and innovation. Together, these instruments ensure a sustainable, competitive agricultural sector and vibrant, economically active rural communities (Chartier et al., 2023).

The risk management tools and cooperation policy instruments under Pillar Two of the CAP together aim to enhance resilience and collaboration within the agricultural sector and rural communities. Risk management tools focus on providing farmers with tools to manage risks associated in particular with market volatility and the consequences of climate change. This includes financial support for insurance schemes, mutual funds, and other risk management mechanisms to ensure stability and continuity in agricultural operations. Cooperation support on the other hand emphasises fostering cooperation among farmers, rural businesses, and other stakeholders. By promoting collaborative projects, knowledge exchange, and joint initiatives, it helps to improve market access, innovation, and resource efficiency. Together, these instruments build a resilient, interconnected agricultural sector and strengthen rural economies through collective action and risk mitigation (Chartier et al., 2023; European Commission, 2023a).

Objectives and challenges of the Common Agricultural Policy

This chapter will provide an overview of the objectives pursued by the CAP and what are concrete changes that have been made to achieve these goals. The CAP has been drastically reformed in order to deal more effectively with contemporary challenges faced by European agriculture, such as the climate change and the rapidly ageing farmers in Europe. Therefore this

chapter will discuss the objectives put forward by the 2023-2027 CAP and specifically those related to the European agricultural labour force and the renationalisation of the CAP.

Encompassing objectives of the Common Agricultural Policy

The CAP finds its legal fundamentals in Part Three, Title III of the Treaty on the Functioning of the European Union (TFEU) and regulations give the CAP a contemporary interpretation of it. Regulations give further substance to how these goals are achieved, as well as a contemporary definition of what these goals described in the Treaty should achieve⁵. These regulations are drafted by the European Commission, which considers the positions of various civil dialogue groups and agricultural committees. The main focus of this thesis will lay on the first two objectives⁶, as they have a direct impact on the European agricultural labour force.

First and foremost, the general objectives pursued by the CAP are described in article 39 of the TFEU: “The objectives of the common agricultural policy shall be:

- (a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- (b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- (c) to stabilise markets;
- (d) to assure the availability of supplies;
- (e) to ensure that supplies reach consumers at reasonable prices.”

Building upon these foundational goals, the CAP currently in place for 2023-27 has established ten specific objectives and policy paths to address contemporary challenges (European Commission, 2024d). Among these ten objectives, three are particularly focused on the social effects of the CAP:

⁵ Currently, there are three regulations in place regulating the CAP: (1) Regulation (EU) 2021/2115, establishing rules on support for national CAP strategic plans, and repealing Regulations (EU) 1305/2013 and 1307/2013; (2) Regulation (EU) 2021/2116, repealing Regulation (EU) 1306/2013 on the financing, management and monitoring of the CAP; (3) Regulation (EU) 2021/2117, amending Regulation (EU) 1308/2013 on the common organisation of the agricultural markets; Regulation (EU) No 1151/2012 on quality schemes for agricultural products; Regulation (EU) No 251/2014 on geographical indications for aromatised wine products; and Regulation (EU) No 228/2013 laying down measures for agriculture in the outermost regions of the EU.

⁶ (a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour and (b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture.

- Objective 1: Support viable farm income and resilience across the Union to enhance food security;
- Objective 7: attract young farmers and facilitate business development in rural areas;
- Objective 8: promote employment, growth, social inclusion and local development in rural areas, including bioeconomy and sustainable forestry (Chartier et al., 2023).

Objective 1: Supporting viable farm income and resilience across the Union
Uncertainties and competition lower farming income

Agriculture is an industry that comes close to perfect competition, in which competition is driven on prices. First of all, the products coming from agriculture are homogeneous, which means that farmers cannot differentiate their products in order to distinguish themselves on the market. Moreover, there is a substantial number of producers, which means the degree of concentration in the industry is very low compared to other industries (Lovec, 2016). As a consequence, farmers compete on prices rather than on quantity which means that prices will only reflect the production cost while having no profit margin for farmers.

Apart from the fact that the farming industry comes close to perfect competition, farmers are also exposed to higher unpredictability and therefore uncertainty because of weather and climate pressure. The proceeds of the harvest heavily depend on the weather during the year, which is in a continuous process as a consequence of climate change (Grodzicki & Jankiewicz, 2022; May et al., 2019; Severini et al., 2016).

However, as became clear again during the COVID-19 pandemic, European farmers are crucial in ensuring food security in the EU. For the proper functioning of the agricultural sector and to enhance food security it is believed that it is imperative to support the agricultural industry (Balezentis et al., 2020; Détang-Dessendre et al., 2022; European Commission, 2010; Kiryluk-Dryjska & Baer-Nawrocka, 2019; Quiroga et al., 2017).

Lower than average agricultural income

As a result of the factors discussed hereabove, agricultural income remains lower on average in the EU, as shown in Figure 4 (DG AGRI, 2024a; see Appendix 4 for data). Average entrepreneurial income is used as a proxy for average income from farming, as this comes the closest to it (Chartier et al., 2023; European Commission, 2018)

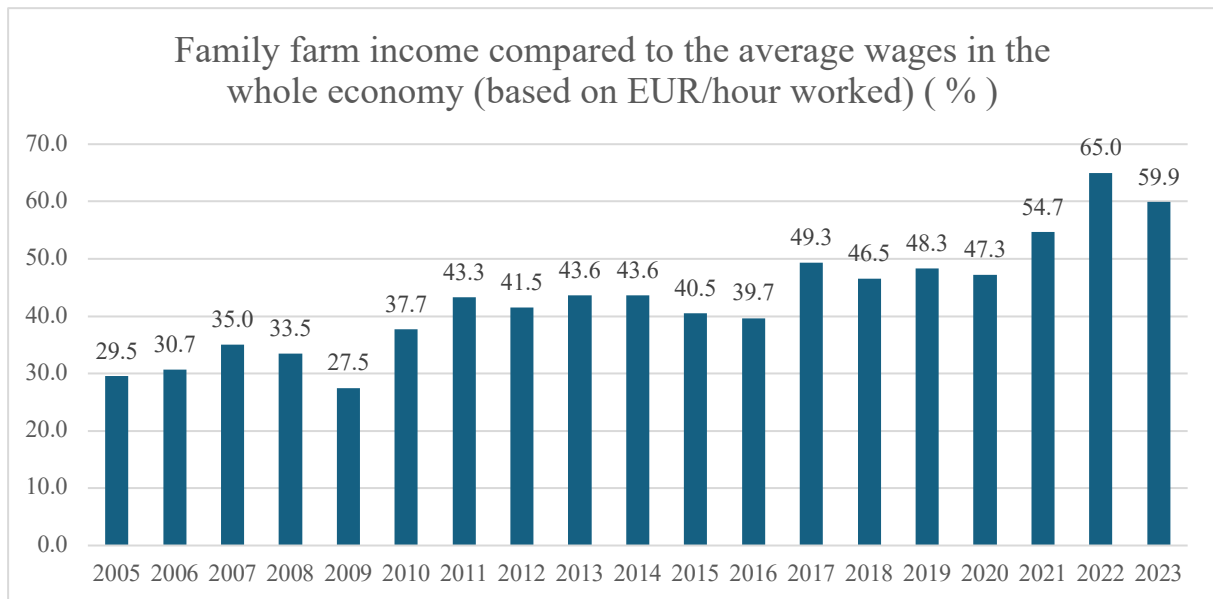


Figure 4 Average farming income as a % of average wage in the whole economy

This graph should be interpreted with caution. There are several reasons why farmer income is difficult to compare with regular wages, as the farming is a unique business where the farmer is often also the owner of part of the land, thus keeping the land with them is also seen as a source of delayed income because land prices are generally going up and CAP subsidies are tied to land processed (Détang-Dessendre et al., 2022; Hrabák et al., 2017). Moreover, according to the European Court of Auditors, there is no representative data on the disposable income of farm households, hindering the assessment of fair living standards for farmers. Additionally, no reliable system exists for comparing agricultural incomes with other sectors, which complicates justifying EU income support for farmers (European Court of Auditors, 2016).

In spite of the criticism hereabove, Figure 4 still represents a structural problem and while the difference between agricultural income and income from other activities is decreasing, it is still 40% lower today over the whole economy. In 2023 only five member states had an average income per farmer that was higher than the average income of the whole economy, while in 16 other member states it was lower than 80% of the average wage⁷ (DG AGRI, 2024a)⁸. To help reduce this income gap, the CAP provides income support for farmers through Pillar One support and additional Pillar Two support through ANC and ASD payments for farmers located in disadvantaged areas. Indeed, the CAP support accounts for a considerable share of total farming income, and they reduce income variability over multiple years (Ciliberti & Frascarelli,

⁷ Belgium, Bulgaria, Denmark, Estonia, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Austria, Poland, Romania, Slovenia, Finland, Sweden.

⁸ Cyprus, Czechia, Germany, Greece and Spain.

2018b; European Commission, 2021b; Van Den Brink et al., 2018; Vrolijk & Poppe, 2007). Decoupled Pillar One supports, together with Pillar Two investment supports are preferred over coupled Pillar One support, as this support distorts production decisions (Ciliberti & Frascarelli, 2018b). As a consequence, farmers can cover more extensively for the weather risks they face (Severini et al., 2016).

Increasing equitability of CAP support

Although the significance of supporting European farmers is widely acknowledged, the distribution of CAP support disproportionately favours large farms. This disparity arises because the support is linked to the amount of land cultivated. Consequently, larger farms receive more benefits than smaller ones. On average, 80% of the support is allocated to only 20% of the farmers, a trend that has persisted for several years and was still the case at the beginning of CAP 2023-2027 (Baldwin & Wyplosz, 2015; Chartier et al., 2023; Hanson, 2021; Nelsen, 2021; Sciences & NL, 2019; Tubiana, 2024; Viegas et al., 2023). This is contrary to the fact that small farms are more labour intensive and they are more vulnerable to income variability, hence they need more support (Matthews, 2017; Severini et al., 2016). This also stands in contrast with the fact that the vast majority of EU farms are small farms, albeit that this majority is declining, perhaps because of the skewed support (Di Salvo et al., 2021). Therefore, to increase the efficiency of aid under the first pillar, the CAP wants to distribute support on a more equitable basis, meaning that more support goes to small farmers, an objective that has already been set at the start of CAP 2014-2020 (European Commission, 2010). However, although the redistributive effect of the CAP 2014-2020 was considered positive, its effect remained limited (Hanson, 2021; Viegas et al., 2023).

The process of striving to distribute resources more equitably is enhanced in the current CAP. The Commission has introduced voluntary measures, such as capping support to large farms above EUR 100,000. Additionally, another measure to achieve more equitable distribution is the introduction of degressive support, reducing support above EUR 60,000 to 85% per hectare (Chartier et al., 2023; European Commission, 2023a). These measures have been proven as effective from an equitability perspective, but it comes at the price of voluntary implementation by member states (Dupraz & Latruffe, 2015; Hanson, 2021; Van Den Brink et al., 2018).

On the other hand, measures to support small farms were introduced as well in CAP 2014-2020 in the form of extra support for the first 30 ha of land processed and reduced administrative requirements to comply with (Détang-Dessendre et al., 2022; European Commission, 2010). In the current CAP, member states will have the possibility to relocate additional support to small farmers in the form of a lump sum payment of EUR 1,250 per small farmer (Chartier et al., 2023; European Commission, 2023a). These payments will come from the Pillar One CRIS

instrument that plans to reallocate 20,094,247,101 EUR over the 2023-2027 period to the small farms. Since the new CAP is implemented, it is mandatory for the member states to reallocate at least 10% of their adjusted allocation for direct payments (after transfers between funds) to CRISS in order to increase small farm payments (European Commission, 2023a). By supporting these small farms they will be kept from exiting the industry (Blomquist & Nordin, 2017). By providing more support to small farmers, the income of all farmers will converge as well as the support provided to each member state including the most outermost marginal regions which are often underdeveloped (Chartier et al., 2023; European Commission, n.d.; Hanson, 2021; Lampiris et al., 2018).

Objective 7: structural change and generational renewal

Perhaps one of the biggest challenges faced by the EU agricultural sector is its ageing farming population. First this article will discuss the problem of generational renewal. It will first give an overview of the figures regarding generational renewal with special focus on the young farmer problem. Consequently, it will identify the most important reasons aggravating the young farmer problem. Lastly it will discuss the CAP's policy instruments used to encourage young people to enter into the farming sector.

The ever-ageing farming population in Europe

Farming is mostly a family business⁹ in the EU, as 93.1% of all farms in Europe are family-run businesses that are passed down through generations. In only two member states family farms accounted for less than 80% of farms¹⁰ (European Commission, 2023c; European Parliament et al., 2019; Eurostat, 2024h). However, farmer's population is ageing in Europe. In 2020, 57.57% of the EU farm managers were older than 55. What is even more striking is that in 33.20% of the farmers are older than 65. On the other hand, only 11.95% of the farmers was 40 or younger. The complete age structure of farms in the EU is shown in Figure 5 (Eurostat, 2024c; see Appendix 5 for data).

⁹ Any farm under family management where 50% or more of the agricultural labour force was provided by family workers – definition by the Food and Agriculture Organisation.

¹⁰ Estonia (65.3%) and France (59.3%)

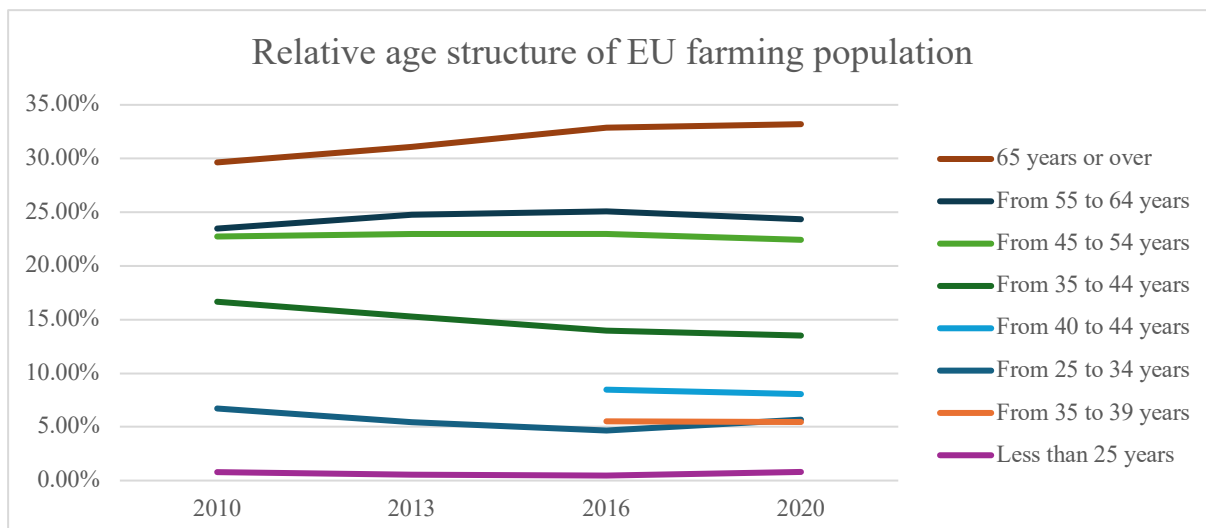


Figure 5 Age structure of European farm managers

In relative terms, for every 100 farmers who are 40 years or younger, there are 475 farmers older than 55, of which 275 are even 65 years or older. Figure 6 (DG AGRI, 2024b; see Appendix 6 for data) shows the ratio of farmers younger than 40 to farmers aged 65 or older., Table 4 (Eurostat, 2024c) provides an overview of the young to old farm managers per member state.

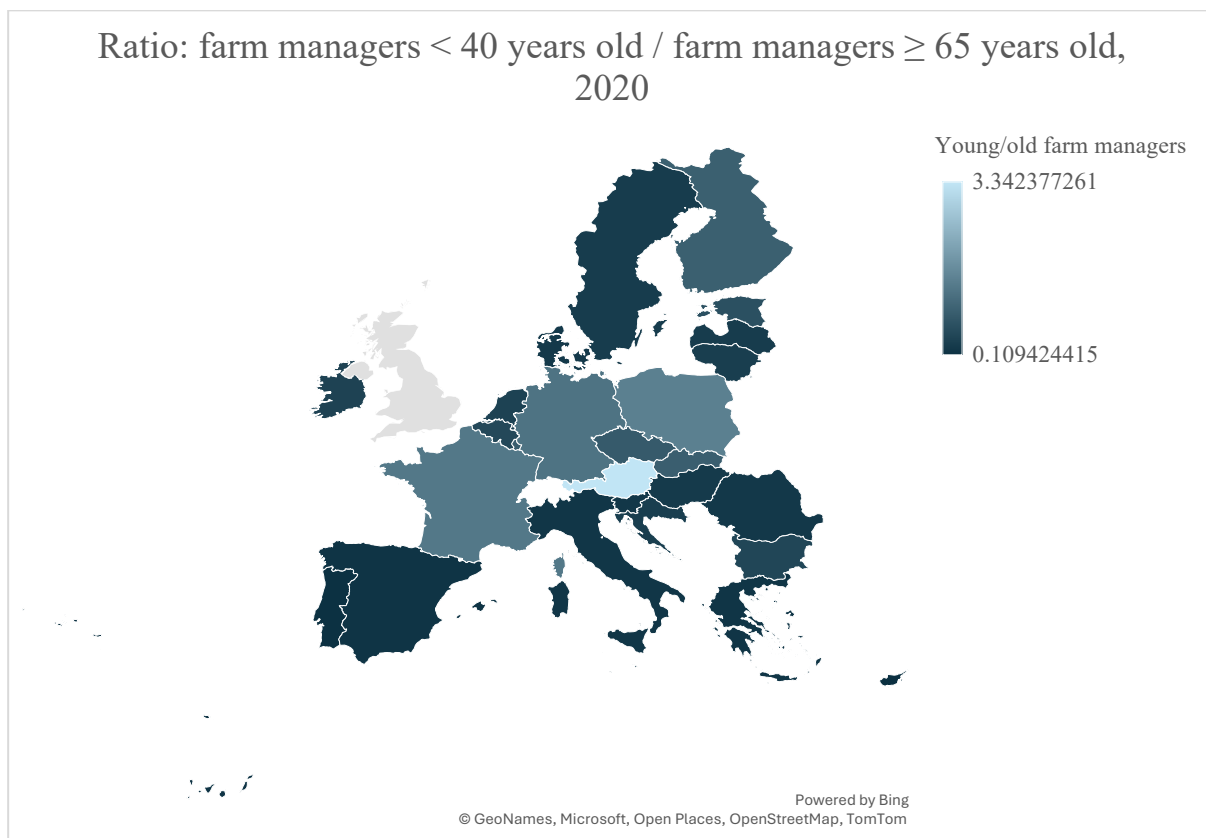


Figure 6 Ratio: farm managers < 40 years old / farm managers ≥ 65 years old, 2020

Ratio: farm managers <40 years old / farm managers ≥ 65 years old, 2020			
Cyprus	0.1094	European Union	0.3598
Portugal	0.1267	Netherlands	0.4286
Spain	0.1867	Ireland	0.4383
Greece	0.1942	Bulgaria	0.5086
Italy	0.2176	Belgium	0.5462
Slovenia	0.2287	Estonia	0.6769
Romania	0.2555	Czechia	0.8670
Denmark	0.2652	Luxembourg	0.9211
Hungary	0.2843	Slovakia	0.9389
Malta	0.2857	Finland	0.9584
Sweden	0.3206	Germany	1.2983
Latvia	0.3248	France	1.3897
Lithuania	0.3581	Poland	1.5340
Croatia	0.3598	Austria	3.3424

Table 4 Ratio per member state of young farmers to old farmers

If one looks at the map of where the ratio is the lowest, it is clear that central member states have a higher ratio of young farmers than northern, but mostly southern member states where the young farmer problem is particularly prominent. Indeed the ratios of young to old farmers are the lowest in Cyprus, Portugal, Spain, Greece and Italy. This is very problematic, given the fact that older farmers are also considered the less productive than younger farmers (Šimpachová Pechrová et al., 2018; Zagata & Sutherland, 2015).

One important reason why there are so many older farmers in the EU is that the farm is not only their business, they also live on the farm. Although they often reduce their farming activities after they reach retirement age, they continue working to complement their pension (Leonard, Kinsella, et al., 2017; Leonard, Mahon, et al., 2017). Although older farmers constitute the largest group of farmers, they occupy a significantly smaller portion of agricultural land and contribute even less to the total production value (Barnes et al., 2016; European Commission, 2016; European Committee of the Regions, 2017; European Parliament et al., 2019). Older farmers also consider farming as a lifestyle and therefore are resisting to passing on the farm to the next generation (Hrabák et al., 2017; Kirkpatrick, 2012; May et al., 2019).

The young farmer problem

The "young farmer problem" has primarily been addressed in discussions about the future ability of European agriculture to stay competitive and ensure adequate food production in the globalised agricultural market (Eistrup et al., 2019). The problem relates to the low rate of

generational renewal of farming businesses. Farmers who are set to retire do not find younger replacements to continue the farming business and thus the number of farms is likely to decrease in the future. It both drives and is driven by broader societal trends in rural areas, exacerbating demographic challenges and socio-economic inequalities within and between regions. Generational renewal in agriculture is deeply intertwined with the wider rural context, particularly affecting depopulating regions characterized by remoteness and marginality. A lower number of young farm managers can also hinder innovation and productivity in the sector, as data indicates that young farmers are generally better trained and qualified than farm managers overall, enabling them to manage larger farms on average (Chartier et al., 2023; Kontogeorgos et al., 2014). The decreasing number of farmers in the EU is not the problem in itself, as this reduction is expected, owing to the industrialisation of farming and focusing mainly on farm growth (Bojnec & Fertó, 2019). The problem however is that the generational renewal rate is too low, thereby putting at risk the food security of the EU and the modernisation of the agricultural industry (May et al., 2019; Zagata & Sutherland, 2015). Although the EU already supports young farmers for three decades, this problem seems to persist (Hrabák et al., 2017).

However, having enough young farmers in the agricultural industry is important for several reasons. First of all, having not enough generational turnover puts the farming sector itself at risk of survival which, in turn, threatens food security by potentially undermining the stability and efficiency of agricultural production (Kontogeorgos et al., 2014). Moreover, younger farmers run on average more economically robust farms than older farmers (Zagata & Sutherland, 2015), and are on average more future orientated than older farmers (May et al., 2019). Lastly, having youth in rural areas and young farmers in particular enhances the viability and prosperity of rural areas in Europe (Briassoulis, 2017; Skakelja & Di Federico, 2019).

Factors deterring young people from entering the agricultural industry

The reluctance of young people to enter the agricultural industry can be attributed to a multitude of interconnected factors. Land availability and prices, together with the access to finance by young farmers are the most important reasons for this reluctance (Chartier et al., 2023; Hrabák et al., 2017) and will be discussed subsequently.

Land availability and land prices

Access to land is widely recognised as the most important entry barrier for young farmers (Balezentis et al., 2020; Chartier et al., 2023; Détang-Dessendre et al., 2022; Matthews, 2017; Micha et al., 2019; Sloom et al., 2015). Agricultural land often is transferred from one family generation to another, thereby making it difficult for potential entrants to acquire land (Šimpachová Pechrová et al., 2018). High quality land is only limited available for purchase or

secure land in the EU. Moreover, new entrants to the farming industry consider the available land too expensive, as they often do not have the resources to purchase this high-quality land (Hrabák et al., 2017; Van Den Brink et al., 2018). The European Council of Young Farmers identified several factors impeding the mobility of agricultural land in Europe. Farmers retain land to keep CAP subsidies or rent it for compensation, while older farmers' reluctance to encourage successors, intergenerational conflicts, specific constraints for new entrants, and transmissibility issues from farm enlargement hinder the transition of farms to younger generations (European Council of Young Farmers, 2023a).

The problem of the high land prices is partly caused by the CAP itself. Because direct support depends on the utilised agricultural area, the CAP indirectly pushes up agricultural land prices (Ciliberti & Frascarelli, 2018b). Old farmers above retirement age are therefore reluctant to give up farming or renting out their land to newcomers, as the subsidies are seen as a substitute income to their retirement pension (Balezentis et al., 2020; European Council of Young Farmers, 2023a; Kontogeorgos et al., 2014). Moreover, agricultural land is increasingly seen as an investment by institutional investors, particularly in Eastern Europe (European Council of Young Farmers, 2023a; Hrabák et al., 2017). The CAP, by providing subsidies per hectare of land processed, thus not only deters young and new farmers from entering the farming sector, but it also makes them compete with other farmers who are seeking economies of scale (Zagata & Sutherland, 2015).

Even more striking is the fact that although there is a shortage of agricultural land, simultaneously land abandonment occurs in other EU regions. About 30% of the EU farmland is at risk of land abandonment (European Commission, 2021a; Gaupp-Berghausen et al., 2020). Land abandonment occurs in remote regions, mostly in ANCs where the land is of low quality suitable for agriculture and where basic infrastructure and general services are scarce (Raggi et al., 2013; Zagata & Sutherland, 2015). Although these areas are already extra supported by Pillar Two support (ANC and ASD support), land abandonment remains a persisting problem in the remote areas, which further exacerbates the balanced territorial development problem.

Access to finance, especially for young farmers

As shown in Figure 4, the income of the average farmer in 2023 was on average only 60% of that of other sectors in the EU and farming is a particularly risky business more exposed directly to weather conditions and climate change than any other industry. Due to the higher exposure to these natural constraints, their income is more volatile over multiple years (Vrolijk & Poppe, 2007). New and young farmers under 40 years not only have the lowest income of all age groups often have less means to buffer against this income variability. Furthermore, farming is a capital intensive industry with high set up costs for land and equipment (Balezentis et al., 2020; Micha

et al., 2019). At the same time, farmers have to comply with regulations aimed at mitigating climate change and preserving the environment.

Despite the role farmers play in the economy, lenders are more hesitant to provide farmers loans or other financial means to farmers (European Council of Young Farmers, 2023b). The lenders' risk-averse complicates the process of finding financial resources for farmers to acquire sufficient land and equipment to establish competitive farm businesses. This makes it, in turn, difficult for new entrants to compete with existing farmers (Hrabák et al., 2017; Smit et al., 2015). On top of that, the financial support schemes provided to young farmers to encourage them to stay in agriculture (such as the young farmer payments and the LEADER+ programme) are offset by other CAP measures increasing land prices (Balezentis et al., 2020). Perhaps the agricultural market structure, where price competition prevails and little differentiation is possible, is the biggest financial disincentive for both potential entrants and lenders who support European farmers.

CAP support measures for young farmers and their effects

Measures to support young farmers

Generational renewal in agriculture is a key focus of the CAP after 2023, recognising that young and new farmers bring essential skills, energy, and innovative approaches to the sector. These farmers are adept at leveraging modern agricultural techniques, thereby contributing significantly to sustainable farming and the vitality of rural areas in the EU. The CAP Strategic Plans (CSP) Regulation mandates that Member States allocate at least 3% of their initial direct payments envelope to support young farmers, with many exceeding this minimum (European Commission, 2023a). The CIS-YF support pillar one distributes an additional 25% top-up to the direct income support received under the BISS (Détang-Dessendre et al., 2022). It is provided to farmers who are younger than 40 and are provided in their first 5 years of their farming years (Balezentis et al., 2020; Détang-Dessendre et al., 2022; Di Salvo et al., 2021). Within Pillar Two, the instalment and investment support are intended to promote generational renewal, and support for knowledge, training, advice, cooperation, and business planning can help foster a more professional approach in farming, attracting a new generation of business leaders into the sector (Micha et al., 2019). The Pillar Two support is optional for member states and national schemes vary widely, particularly in eligibility conditions regarding the level of education and size of the farm (Détang-Dessendre et al., 2022).

The value of young farmer aids should be evaluated within the broader socio-economic context of rural areas. Effective young farmer support requires farming to offer a sufficient standard of living and quality of life to attract young people. Rural regions with inadequate infrastructure and services struggle to retain youth, even if farming yields are comparable to other sectors.

During economic booms with low unemployment, young people may prefer to move to urban areas for a better quality of life. Conversely, in recessions with high unemployment, returning to family farms can be a more attractive option than relying on welfare or low-paying city jobs (Micha et al., 2019). While paving the way for young farmers to enter the agricultural sector is a good start of structural change, the CAP should also focus on the exit of old farmers who are beyond retirement age. Implementing incentives for older farmers to retire and transfer their knowledge to the younger generation can enhance productivity and innovation (May et al., 2019). This approach ensures a sustainable transition and secures the future of European agriculture.

Young farmer support has positive impact on the number of farmers in general. However, there remain large differences in impact depending on regional factors such as economic development level, the significance of agriculture, and the quality of rural infrastructure. Farms in Italy and France that receive young farmer support perform better economically and have enhanced business strategies (Micha et al., 2019), and can raise the educational level of farmers (Balezentis et al., 2020; Micu, 2018). However, support provided under Pillar One widely differs between member states. For example, while more than 26,000 French farmers benefited from start-up aid between 2007 and 2012, only 19 young farmers in the UK were supported under that same measure (May et al., 2019). Moreover, early retirement schemes have proven not to be successful in 2013, and therefore was phased out in the following reform (Zagata & Sutherland, 2015). This implies that the BISS of Pillar One is more profitable for farmers who are beyond retirement age than retirement aid itself, impeding generational renewal.

The support provided under Pillar Two, instalment and investment aid, is found to have a positive impact on the most qualified young people and those without an agricultural background. Nevertheless, these programmes still face difficulties in making farming a competitive business and generating sufficient income (Détang-Dessendre et al., 2022; Hrabák et al., 2017). This becomes increasingly a threat to the whole EU agriculture, as the EU will increasingly struggle to meet its food demand (Balezentis et al., 2020; Kontogeorgos et al., 2014; Rovný, 2016). The recipients of the young farmer supports are mainly successors to existing farms rather than attracting new young farmers (Eistrup et al., 2019; Hrabák et al., 2017), which has as a consequence that these subsidies are not used to purchase new land, but are mainly provided to already existing farms. Moreover, while the budget allocated to young farmer support is considered large, the amount per farmer is considered limited and does not allow for significant investments, making it therefore unlikely that young farmer payments have a significant impact on the decision of young people to enter the sector (Carbone & Subioli, 2008; Vigani et al., 2020). Therefore, this policy drains money out of more useful purposes, for

example incentives for innovation, and increases the risk that subsidies are capitalised in the value of land (Vigani et al., 2020). This finding is however contested, as young farmers have a longer investment horizon, therefore invest in general more in innovation preparing their farm for the future (Eistrup et al., 2019; Galanopoulos et al., 2011; Leonard, Kinsella, et al., 2017; Šimpachová Pechrová et al., 2018; Zagata & Sutherland, 2015). Nevertheless, the start-up aid has indeed become a victim of its own success, with more applicants than financial resources allocated to start up aid for young farmers (Hrabák et al., 2017). One should keep in mind that although government policies are an important factor, farm succession depends not only on the CAP subsidies but also on endogenous factors of the farming business itself, such as the particular lifestyle of farmers and the family character of the business (Fischer & Burton, 2014; Hrabák et al., 2017; May et al., 2019). Farms that are older and larger are more likely to be taken over by the next generation. These successful farms have several competitive advantages, including their history, farm specific skills and human capital that have been passed on through generations (May et al., 2019).

The persisting issue of land availability

The discrepancy between the limited land availability on the one side, and the land abandonment on the other is a persistent problem. Young farmers have identified access to land as crucial for their instalment (Eistrup et al., 2019; Šimpachová Pechrová et al., 2018). In more prosperous regions, the measures intended to facilitate generational renewal have positive effects. However, in marginal and remote areas, the impact of the young farmer and generational renewal support instruments can be dwarfed by wider socio-economic disincentives to remain in European rural areas, particularly in mountainous regions (Di Salvo et al., 2021; Micha et al., 2019). One of the causes is that remote areas have only limited access to services of general interest, such as education or primary health care (European Commission, 2019). The lack of income opportunities from farming certain land areas and soil degradation, combined with inadequate public infrastructure in remote rural regions, can make the cost of operating isolated plots higher than the potential benefits. Consequently, facilitating access to land indirectly requires broader rural development policies. Additionally, climate change affects both the quantity and quality of land through droughts, floods, and soil erosion (European Council of Young Farmers, 2023a).

However, agriculture remains an important economic activity in rural areas and supporting agricultural holdings can increase sustainably rural innovation and competitiveness, thereby enhancing rural viability (Smit et al., 2015). To overcome the problem of land abandonment and to help young farmers establish themselves, it is indeed useful to support the purchase of land (Šimpachová Pechrová et al., 2018). While the CAP offers support for entering the

agricultural market, it fails to address the main obstacle of land access for starting a family farm as this would only push up land prices even more (Balezentis et al., 2020; Hrabák et al., 2017). To effectively tackle these issues, a multifaceted approach is necessary. This includes enhancing land mobility schemes, such as land banks or land matching services, to connect young farmers with available land, together with incentivising older farmers to pass on their farmland. Increased investment in rural infrastructure and services is also critical to making these areas more attractive to young people. Innovative solutions like cooperative farming and land-sharing arrangements can help improve land access and usage efficiency. Additionally, targeted measures to combat the impacts of climate change on agriculture are essential for maintaining the viability of rural farming (Hrabák et al., 2017). To improve the balance of territorial development, eligibility for installation support could be tied to a more global evaluation of economic, environmental and social performance (Détang-Dessendre et al., 2022). Young farmers mostly operate small farms, thus the most efficient way to enhance balanced territorial development is redistributing more support to small farms, as this has a positive effect on the development of rural areas (Détang-Dessendre et al., 2022; Hanson, 2021; Viegas et al., 2023).

Objective 8: enhance employment and development in rural areas

Agriculture is an important economic sector in Europe, especially in rural areas. In 2017, agriculture accounts for 13% of the employment in rural areas in the EU. It plays an important role in the rural economy as it creates employment directly on the farm as well as through ripple effects to its local economy (European Commission, 2019). When considering agriculture in a broader context, including the agri-food sector, the proportion of the active population employed in the agri-food sector rises to 20%, as opposed to just 5% in agriculture only in 2013. However, the labour force active in agriculture is shrinking continuously, as many people leave rural areas to find better employment opportunities in peri-urban or urban areas (Chartier et al., 2023; Van Den Brink et al., 2018). This relative importance of agriculture as employer in Europe has continuously decreased until the most recent figures available on Eurostat, as visible in Figure 7 (Eurostat, 2024e; see Appendix 7 for data). Both in the EU-28 (before Brexit) and EU-27 (after Brexit) the importance has been declining over the last ten years. In 2021, the latest figures available, only 4.12% of the total employment population in the EU works in agriculture, compared to 4.21% in 2020 and 5.01% in 2013. This means an average shrinking agricultural labour population of 3.45% from 2013 to 2020, perhaps with a slightly smaller decline of 2.14% per year after 2020.

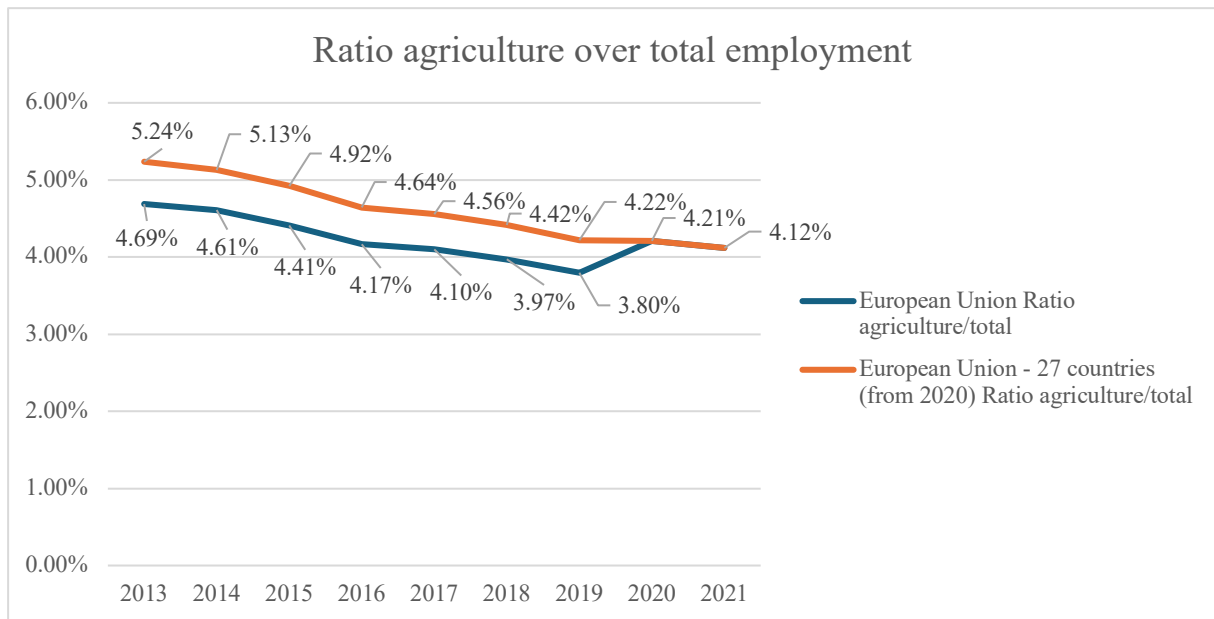


Figure 7 Relative importance of agriculture in employment

Annual decline in agricultural employment 2013-2021

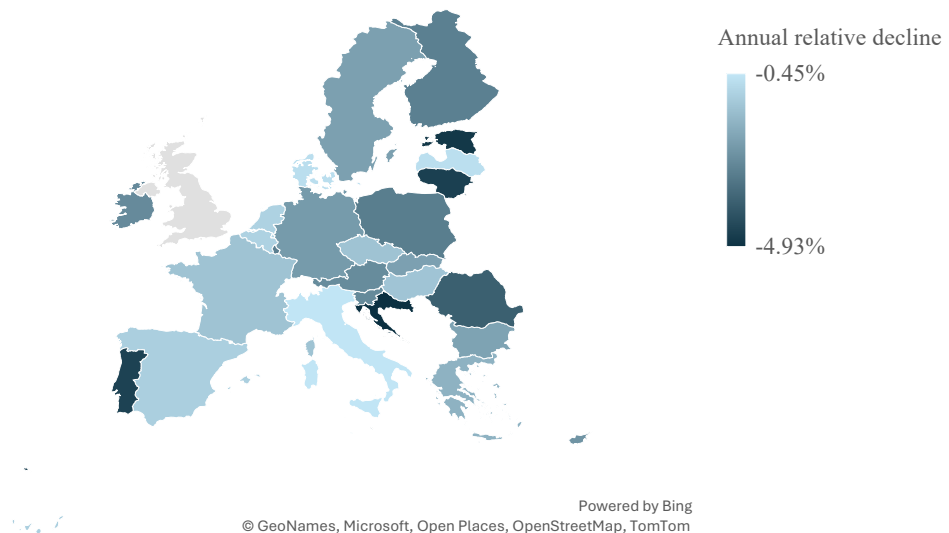


Figure 8 Decline in agricultural employment per country

It is important to note that this is only an average decline of the agricultural employment in the EU. There are subtle, yet not inconsiderable differences between Eastern and Western Europe, as visible in Figure 8 (Eurostat, 2024f; see Appendix 8 for data). While the decline is relatively limited for western member states (except for Portugal) the agricultural labour population has declined at a faster pace in the eastern member states. Nevertheless, the general trend is that already since 1995, when aggregated figures are published for the first time, in all member states the agricultural population is declining until 2021 (Eurostat, 2024f).

Not only the relative importance has decreased over the last eight years, the absolute number of people active in agriculture has been on a continuous decline as well. As visible in Figure 9

(Eurostat, 2024f, see Appendix 7 for data) the period 2013-2021, while the active labour population has been continuously increasing, the number of people active in agriculture has continuously been decreasing. When we exclude the United Kingdom from the trendline and we include all other member states in the trendline, we see that although the total active population of those member states has increased by almost 15 million people, the number of people active in agriculture has decreased by more than 1.5 million people, which is a decline of 15.3% in 8 years. This reduction rate is a continuation of the trend that has been going on since 2000, as 4.8 million full-time jobs were lost in the following twelve years (Eurostat, 2024a; Helming & Tabeau, 2018). Only five member states experienced an increase in their agricultural labor population, with a moderate rise of 3.5%, which stands in contrast to the overall 15.3% decline across the EU (Eurostat, 2024f).

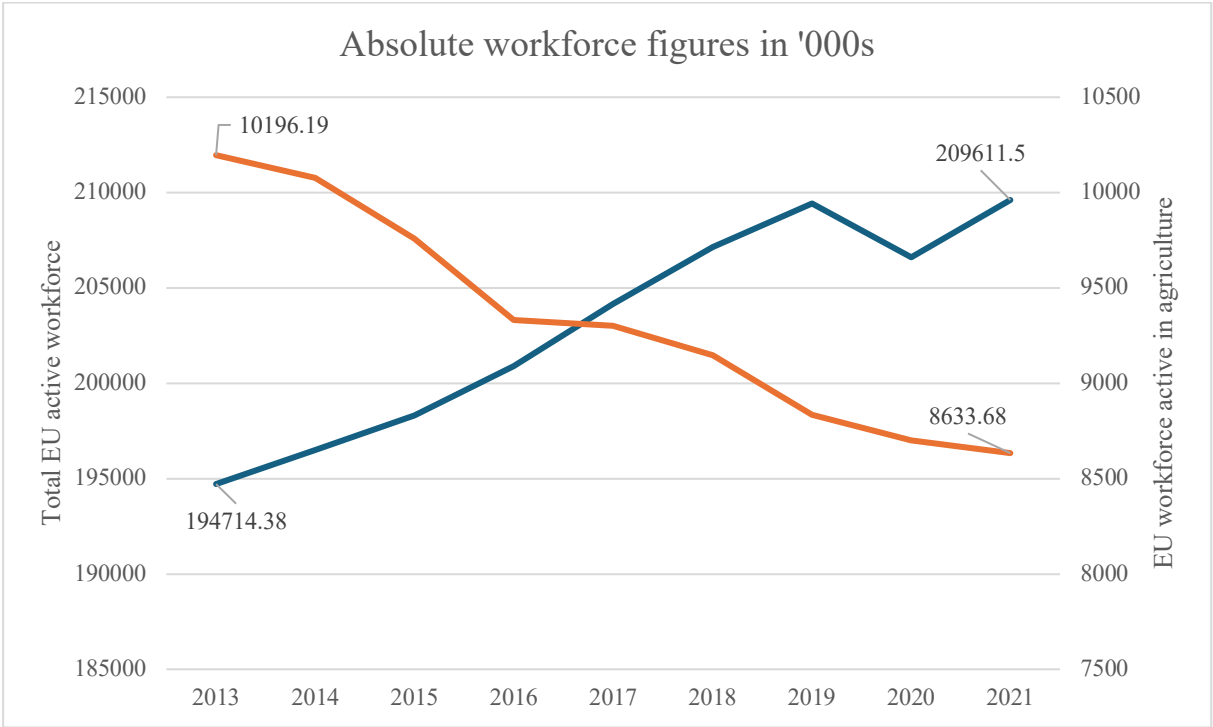


Figure 9 Employment figures in '000 persons

Technology and innovation as drivers for the decline in agricultural employment

The decline of agricultural labour can partly be explained by substitution of human labour by mechanised labour over the last 15 years (Marinoudi et al., 2019). Human labour is increasingly replaced by mechanised labour, which therefore reduces the need for agricultural human labour (Garrone et al., 2019). On the other hand, increasing investments in agricultural technology increases innovation and simultaneously creates new needs for specific skills and training. These technology investments target mostly precision farming and digital agriculture. The decline of agricultural employment reinforces this process of technology investments, as concentration proceeds larger and more financially stable farms that can carry these investments

(Détang-Dessendre et al., 2022; Fasching et al., 2019; Hostiou et al., 2020; Knierim et al., 2018). In this context, mechanisation and the adoption of digital technologies are anticipated to enhance sector productivity and drive further structural changes (Bartolini & Viaggi, 2013). These changes include the socio-economic development of rural areas, increased competitiveness and sustainability of food supply chains, and the integration of young and well-educated workers into farming activities. This transition towards more technology intensive agriculture; together with the green transition requires a shift in agricultural education (Détang-Dessendre et al., 2022; Di Salvo et al., 2021). This modern form of agriculture generates new knowledge which requires fewer low-skilled but more medium and high-skilled farm workers. Examples of emerging practices are the operation and maintenance of machinery and robotics and understanding of technological and analytical methods (Di Salvo et al., 2021; Šūmane et al., 2018).

In the previous chapter has become clear that more than 9 out of 10 farms are family-run businesses. This family dynamic is also evident in the agricultural workforce, as 87.6% of the people regularly employed on the farms are either the sole manager or their family members in 2020 as shown in Figure 10 (Eurostat, 2024a; see Appendix 9 for data)¹¹. In only three member states (France, Czech Republic and Slovakia) the ratio of family workers over total workers was lower than 50%¹² while this was higher than 75% in 16 member states. Although there has been a decline from 2013 to 2020, the ratio of family farm workers over total farm workers has remained relatively stable over the decade (Eurostat, 2024a). This relatively small decline can be explained by the shift towards technology driven agriculture. More investments in innovation and technology shifts the structure of agricultural labour towards hired employment, away from family employment (Détang-Dessendre et al., 2022; Dupraz & Latruffe, 2015).

¹¹ Spain, Slovenia and Lithuania are not included.

¹² France (44.06%), Czech Republic (39.09%), Slovakia (42.28%).

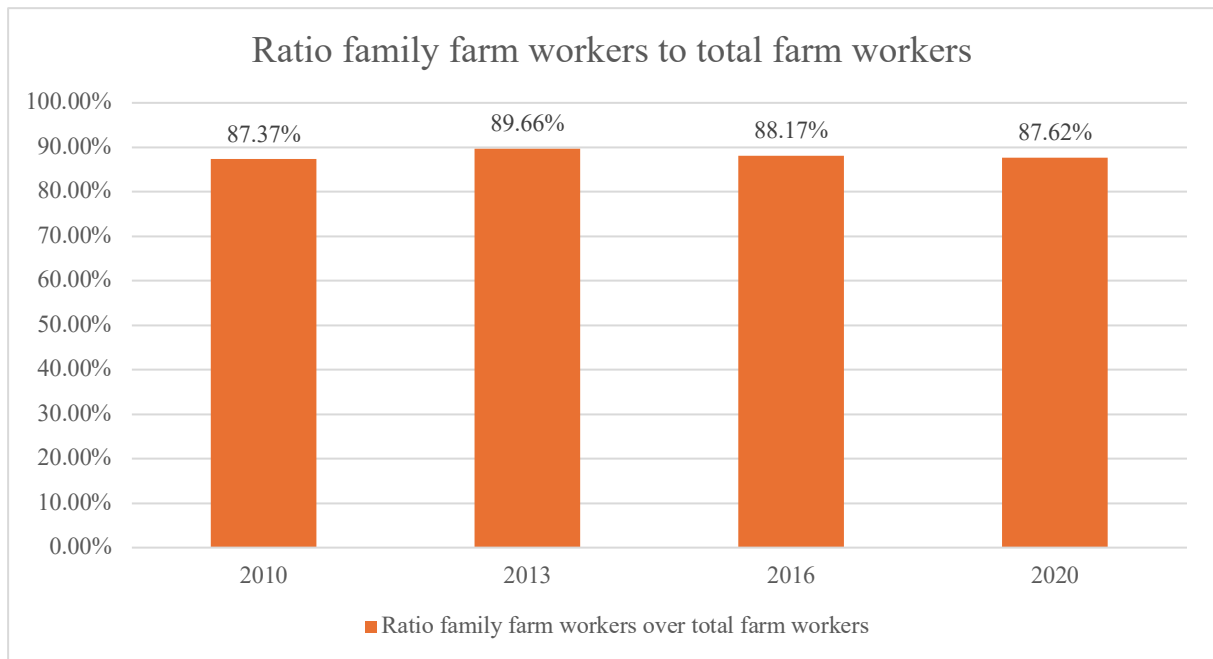


Figure 10 Importance of family workers on EU farms

Moreover, many individuals involved in agriculture are not formally employed on a farm or work irregularly in the farming sector. In 2016, only 17% of farm workers worked full-time at the farm, while 83% of the agricultural labour force worked only part-time on the farm, or has a primary job, meaning that the farm work is considered mainly as a secondary activity of farm workers who are not the farm manager (Fasching et al., 2019).

The broader picture of the declining agricultural labour force

The declining agricultural labour population fits in the more general tendency in the EU, where people move from the countryside to the more urban regions (Di Salvo et al., 2021; Dupraz & Latruffe, 2015; European Committee of the Regions, 2017; Micha et al., 2019). Between 2013 and 2017, about 500,000 people left rural areas in favour of peri-urban and urban areas (European Commission, 2019). The general economic trend is pivotal for this tendency. Generally, when national economies are strong and unemployment is low, young people are more likely to move to cities, where they can enjoy a better quality of life. Conversely, during economic recessions and high unemployment periods, returning to the family farm becomes a more appealing alternative to relying on welfare benefits or accepting short-term, low-paid city jobs (Micha et al., 2019). The Commission predicts that rural outmigration will continue to take place as long as other economic sectors provide better job opportunities and more attractive incomes, especially for the younger generations and for recent member states (Di Salvo et al., 2021; Fasching et al., 2019; Galluzzo, 2017; Olper et al., 2014).

This has as a consequence that poverty will persist to be challenging in rural areas (Van Den Brink et al., 2018). Rural areas are defined by Eurostat as “predominantly rural regions form

part of the urban-rural typology, they are NUTS level 3 regions where at least 50 % of the population live in rural grid cells” (Eurostat, 2018). Nevertheless, from 2013-2020 the general at-risk-of-poverty rate is declining cities, towns and suburban regions, and rural regions, as visible in Figure 11 (Eurostat, 2024g; see Appendix 10 for data). The at risk-of-poverty rate has been declining also after Brexit, and as of 2023, the general at-risk-of-poverty rate in rural areas (21.7%) is slightly lower than that of cities (21.9%). This decline in of at-risk-of-poverty rate could be partially a result of the goal set in the previous CAP, which focused on balanced territorial development with its main focus on rural areas (European Commission, 2010). When comparing these results one should keep in mind that the at-risk-of-poverty rate does not reflect the real poverty rate in those regions, as this rate only reflects the share of the population that has an income lower than 60% of the median national income after social transfers (Eurostat, 2021). Nonetheless, stimulating growth and employment in rural areas to combat rural poverty will remain a CAP goal even after 2020 (Grodzicki & Jankiewicz, 2022).

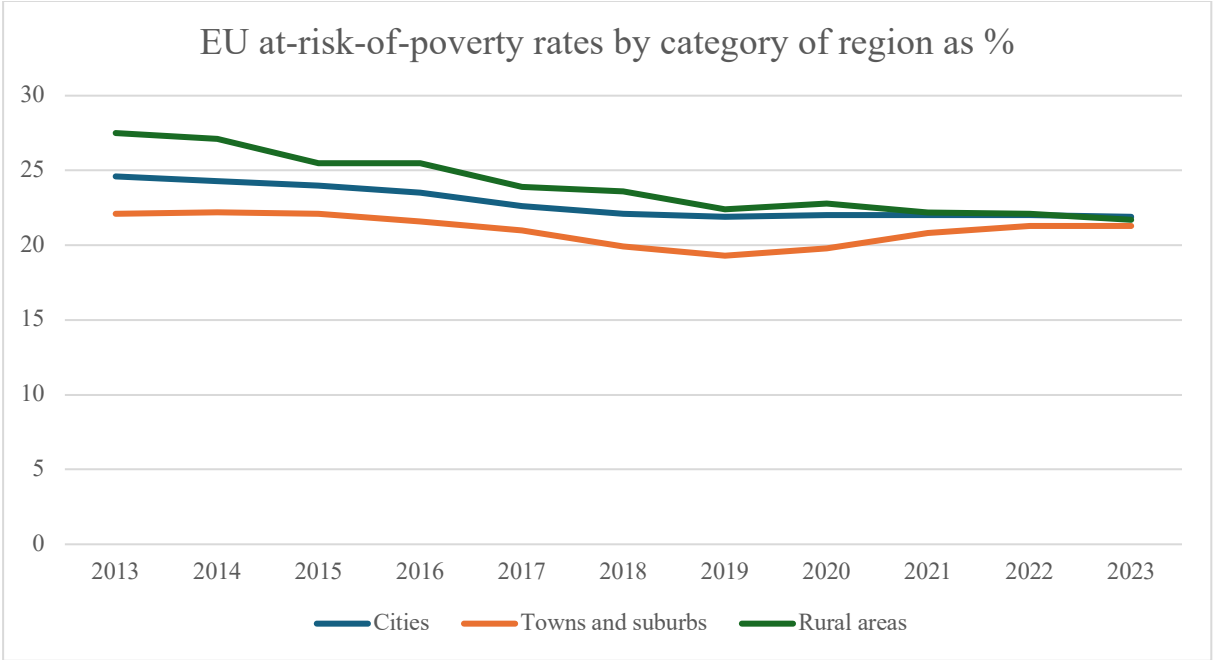


Figure 11 At-risk-of-poverty rate per category of region

Although the at-risk-of-poverty rate is declining across the EU, there is a clear gap between north-western and south-eastern member states in the poverty rate of urban and rural regions. While this downward trend is a positive sign for rural areas in the EU, it is important to remember that rural poverty remains a challenge in many regions, especially in the south and east. While in 2023 the at-risk-of-poverty rates in north-western rural regions are low, this rate higher in the southern and mostly eastern member states, as shown in Figure 12 (Chartier et al., 2023; Eurostat, 2024g, see Appendix 11 for data). There are two main reasons why these optimistic results should be approached with caution as there is an ongoing migration trend to

suburban areas, which can manifest as intermediate zones between rural and urban areas or as more developed concepts of peri-urbanization. Moreover, the extent of rural poverty varies significantly across the EU, with some countries, such as Croatia, Hungary, Lithuania, Poland, and Romania, having more than half of their poor population living in rural areas (Eurostat, 2024g; Grodzicki & Jankiewicz, 2022).

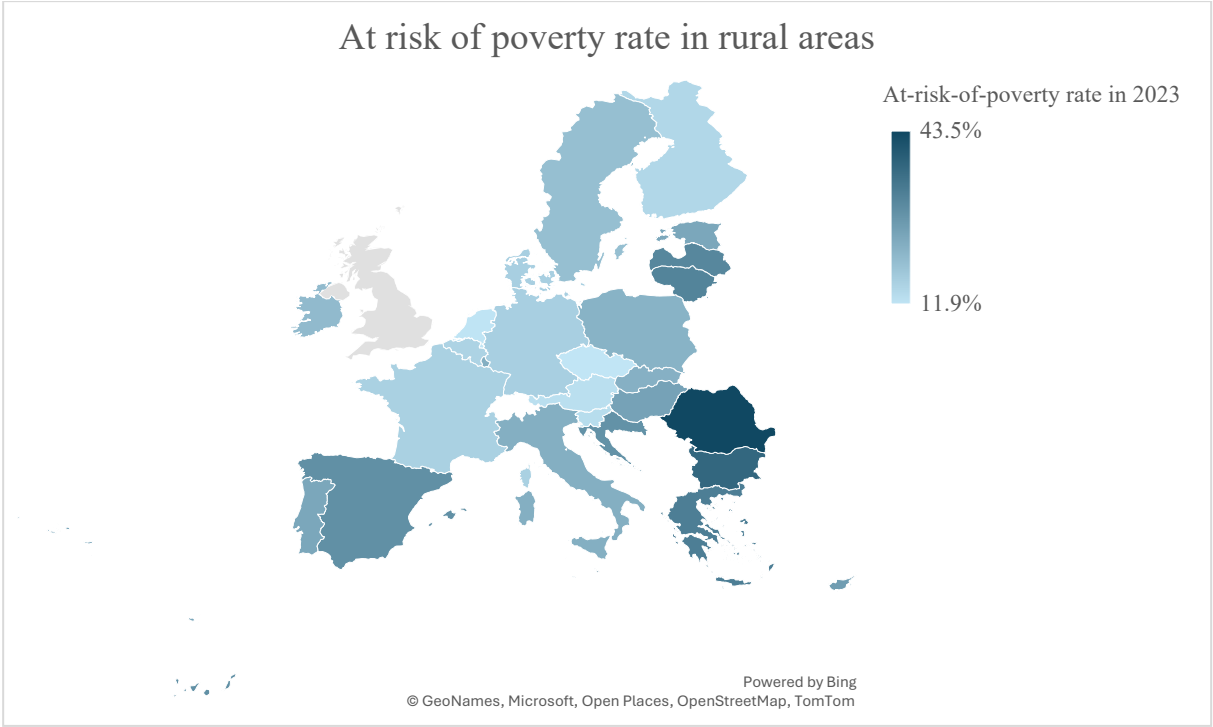


Figure 12 At risk of poverty rate in rural areas

The importance of agriculture in rural areas

Nevertheless, rural areas are instrumental for economic expansion and job opportunities determine to a large extent the viability of rural areas (Dupraz & Latruffe, 2015). As already mentioned before, although agricultural employment is declining, the agricultural sector is a significant employer, with agricultural production and the wider food industry providing jobs for up to one-fifth of the EU’s workforce, especially in rural areas. The positive association between agricultural productivity and successful structural transformation persists even in economies with a relatively high level of development and the challenge therefore rests in establishing a positive interaction between agriculture and other sectors. Because more than nine out of ten European farms are family owned, the interaction will have a direct impact on the rural economy as income is dispensed closely to where it is earned. If this interaction is successfully established, then rural areas prosper together with their urban counterparts, thanks to the role of agriculture (Matthews, 2017; Van Den Brink et al., 2018).

If farmers successfully raise their productivity and as a result are able to generate profits, then agriculture could be separated from poverty. As farmers profit and increase productivity, local

ripple effects reduce area poverty, as the farmers' income is spent closely to where it is generated, therefore stimulates the rural local economy. Eventually, poverty is reduced, and agricultural labor productivity rises to match other sectors, closing the income gap. This successful transformation, seen in about half of EU countries, has led to significant rural-to-urban migration. However, those remaining in agriculture now benefit from better, more lucrative jobs, with agriculture modernised and contributing to growth and good employment opportunities (Van Den Brink et al., 2018).

Common Agricultural Policy goal of agricultural and rural job creation

The CAP employment goal is only a recent goal that has been installed in the CAP 2014-2020, and today is also only captured by a broader concept of "rural employment" (Dupraz & Latruffe, 2015). While improving rural employment means creation of job in the rural areas, the CAP only supports creation of new jobs for young and unemployed people on farms (Bojnec & Fertő, 2022). Over the previous decades, the CAP has supported productivity growth of the agricultural sector, hence stimulated the labour outflow from agriculture to other industries by supporting capital-labour substitution and supporting investments in technology and innovation. Nevertheless, these subsidies provided to farmers improved the jobs in agriculture by supporting their income. It is argued by lobbyists and farmer organisations that a protective CAP is of utmost importance for retaining jobs in the agricultural sector (Petrick & Zier, 2012). The effectiveness of different types of subsidies in maintaining the labour force in the agricultural sector and job creation on farms is unclear, with mixed findings in the literature, while the empirical evidence is still largely inconclusive (Bojnec & Fertő, 2022). These results are also heterogeneous and regionally dependent as farm structure is not universal in Europe.

While the support to farmers generally is believed to retain or even create agricultural labour opportunities in rural areas (DG AGRI, 2022; Petrick & Zier, 2012), the agricultural labour population is continuously declining as visible in Figure 9. CAP subsidies can either have their effect of retaining labour through supporting the income of farmers, or an indirect effect by supporting other aspects of rural areas such as support of public services in these rural areas and have their effect because of interactions between capital, land, education and institutional structure of a region (Dries & Swinnen, 2004; Garrone et al., 2019). Diminishing the main differences between rural and urban standard of living is a main priority of the CAP 2023-2027. By promoting employment, growth and local development in rural areas, the CAP seeks to improve the viability of rural areas. Employment opportunities are crucial for this process (Grodzicki & Jankiewicz, 2022), and agriculture is still a crucial contributor to employment opportunities in rural areas (Dupraz & Latruffe, 2015; Hill, 2012). In addition to directly affecting agriculture, subsidies may boost the rural economy overall and increase employment

in non-agricultural sectors in rural areas and despite the agricultural sector being small, CAP subsidies are a substantial budgetary feature to support the development of rural areas (Blomquist & Nordin, 2017).

Mixed results of CAP Pillar One support on the agricultural labour population

The effect of CAP support on the decreasing agricultural labour population has been researched extensively, and the results are mixed, depending on the type of subsidy (Bojnec & Fertő, 2022; Dupraz & Latruffe, 2015; Fasching et al., 2019; Garrone et al., 2019; Olper et al., 2014; Van Den Brink et al., 2018). CAP subsidies could help reducing labour outflow retain labour in agriculture mainly through decoupled Pillar One and Pillar Two payments, but the effect remains small (Garrone et al., 2019; Key & Roberts, 2006; Olper et al., 2014; Van Den Brink et al., 2018). Moreover, as the CAP has evolved into a complex policy supporting multiple goals and therefore focussing on labour retention is not always the pursued objective, which has the opposite consequence that agricultural labour force further decreases (Fasching et al., 2019; Olper et al., 2014)¹³. While theoretically the CAP could increase agricultural employment by providing income support to farmers, these support measures cause increasing capital-labour substitution and provides farmers financial aid to purchase the land of other farmers who wish to exit the sector. The support provided thus induces the further outflow of agricultural labour (Garrone et al., 2019).

Decoupled Pillar One support has a positive effect, both in EU-14 and in the new EU-13 member states on agricultural employment (Garrone et al., 2019). Positive effects of the CAP can be explained by the fact that decoupled Pillar One support increases family farm income and therefore could complement the family's own on-farm labour with hired labour (Helming & Tabeau, 2018). Decoupled support of Pillar One promotes only the creation of paid labour opportunities, thereby promoting also the strength agricultural employment in total. It eliminates thereby the unpaid labour in agriculture and augments the quality of agricultural employment (Fertő & Bojnec, 2023). Through supporting income of farmers, the CAP directly decreases the opportunity cost of the farming business, incentivising more farmers to remain in the farming industry and not seeking to go search other opportunities away from the rural areas, where wages are higher (Fasching et al., 2019; Petrick & Zier, 2011). In addition, small farms are more dependent on the income support of the CAP and therefore are more likely to stop their agricultural activities if support were to be removed (Manos et al., 2009; Peerlings et al., 2014). Capping and degressivity of aid are crucial for the support of these small farms. By

¹³ This is for example the case when supporting investments in technology and innovation, which has as a consequence that human labour is substituted by capital and mechanised labour.

limiting the support for the largest farms, decoupled support can achieve a more equitable distribution, allocating more support to small farms and preserving the most vulnerable agricultural labour forces (Détang-Dessendre et al., 2022). Moreover, decoupled support is also associated with improvements in agricultural productivity per worker, particularly in the thirteen member states who joined in 2004 and after (Van Den Brink et al., 2018). Also the productivity of the farm itself goes up with decoupled support as it enhances the farmer's financial position, increasing the farm's capital and improving the financial stability of the farm, and their willingness towards innovative investments (Kazukauskas et al., 2013; Quiroga et al., 2017; Severini et al., 2016). It remains nevertheless important to consider specific characteristics of a member state to develop a policy adapted to the national agricultural sector, as Pillar One support can have effects on hired labour as well as family labour (Bojnec & Fertő, 2022). Regions with more part-time farming, high subsidy payments, and significant relative price increases for agricultural outputs have lower exit rates. This suggests that both off-farm income and CAP support slow down structural changes in European agriculture (Breustedt & Glauben, 2007). Lastly the green payments introduced in the CAP reform (2014–2020) could boost agricultural employment by preventing small farms from exiting the industry and hindering structural change (Nordin, 2014).

Although there will be 2.1 million farms who receive coupled support in Pillar One (European Commission, 2023a), this support could be provided for other reasons than job preservation. Only a small proportion of coupled support remained to address challenges specific to certain sectors, production types, or farming methods (Chartier et al., 2023; European Commission, 2018). Indeed, coupled Pillar One payments do not affect job preservation in the agricultural sector, on global EU level and for both the EU-14 and the EU-13 (Bojnec & Fertő, 2022; Détang-Dessendre et al., 2022; Dupraz & Latruffe, 2015; Fasching et al., 2019; Fertő & Bojnec, 2023; Garrone et al., 2019). Moreover, coupled subsidies are likely to negatively impact total factor productivity by causing production distortions, as they incentivise the cultivation of certain crops over others, potentially disrupting the efficient allocation of resources (Bartolini & Viaggi, 2013; European Commission, 2019; Quiroga et al., 2017; Van Den Brink et al., 2018). The coupling of support to a certain type of output restricts the farmers incentives to adopt efficient production methods and invest in more efficient technologies (Rizov et al., 2018). Nevertheless, some of the specific coupled measures are designed to attain other objectives, such as preserve farming systems with socio-cultural and environmental significance, thereby promoting ongoing rural vitality (Micha et al., 2019).

Pillar Two impact mixed on agricultural employment

Pillar Two support in general, like the Pillar One support, has mixed impacts on the agricultural labour (Bojnec & Fertó, 2022; Fertó & Bojnec, 2023; Garrone et al., 2019; Quiroga et al., 2017). Some studies indicate that Pillar Two support in general has a positive impact on the productivity of farms in the EU-27 (Van Den Brink et al., 2018). Moreover, Pillar Two support also contributes positively to the farmers' income and relative labour share, albeit with impact that is only half of that of decoupled Pillar One support (Bojnec & Fertó, 2022; Fertó & Bojnec, 2023; Olper et al., 2014; Rizov et al., 2018). It is also argued that Pillar Two support is able to mitigate any negative effects from reducing the Pillar One supports (Helming & Tabeau, 2018; Mattas et al., 2008). If one takes a closer look at the effects of Pillar Two support, one can find that the effect is significant only in the EU-14, while it has no significant effect on EU-13 member states or on the EU in general (Fertó & Bojnec, 2023; Garrone et al., 2019). In the EU-14, agri-environmental support has a positive impact on agricultural employment, which drives the whole EU, but this has no significant effect in the EU-13. In the EU-13 on the other hand, investments in human capital have stimulated the agricultural outflow in these member states and this effect is strong enough to counter the effect of the agri-environmental support in the EU-14, meaning that the Pillar Two supports in general have no significant effect on the agricultural labour population (Garrone et al., 2019). The impact of Pillar Two support can also differ, depending on the member states. For example, Pillar Two subsidies generally do not impact family labour employment on Hungarian farms but positively affect paid labor employment via least favoured area (LFA) and rural development subsidies. In Slovenia, while LFA subsidies reduce paid labor employment, other rural development subsidies boost family labour employment (Bojnec & Fertó, 2022).

Pillar Two supports in the context of their broader rural development objective

Through financial support for modernisation and restructuring, Pillar Two helps farms become more economically viable and competitive (European Council & Council of the European Union, 2024). This economic stability encourages younger generations to remain in or return to farming, thereby addressing the issue of an aging farming population. Pillar Two, as already stated hereabove, both resembles and complements the EU Regional Cohesion Policy in many ways, as they both aim to achieve a balanced territorial development and are both co-financed by the member states themselves (Chartier et al., 2023). However, while the EU Regional Cohesion is intended to enhance the broad balanced territorial development by reducing disparities and promoting balanced development across all regions of the EU, Pillar Two of the CAP is specifically aimed at rural development and the sustainability of agricultural and rural areas. This article will only focus on the effects of Pillar Two support on rural development.

According to the Commission, a rural development policy is needed to create a more inclusive society and enhance the quality of life in rural areas. Retaining people, especially young people, and tackling social challenges in rural regions necessitate access to business opportunities, knowledge, and essential services (European Commission, 2019), a role which Pillar Two of the CAP aims to fulfil. The lack of public services and goods, such as education, healthcare, sports facilities together with a poor quality of life and lack of good occupations in those rural areas are identified as the most important reasons, especially for young people to move to urban areas (Bartolini & Viaggi, 2013; Fasching et al., 2019). Also firms located in rural areas identify this lack of public services as a separating factor from their main markets, incurring higher transport costs making it less profitable for them to be located in rural areas (Bartolini & Viaggi, 2013). The CAP implements specific measures to promote balanced territorial development and support social inclusion. Alongside the European Regional Development Fund, the CAP plays a crucial role in remote regions, including outermost areas and those with natural or demographic challenges (Chartier et al., 2023). As an integral part of the CAP, rural development policy has proven its value by enhancing the sustainability of the EU's farming sector and rural areas economically and socially. The policy is crucial for improving the competitiveness of agriculture by promoting innovation, restructuring, and increasing resource efficiency from within the industry. Furthermore, it contributes to the balanced territorial development of rural areas across the EU by empowering local communities, building capacity, and strengthening connections between rural and urban areas (European Commission, 2019). The ANC and ASD supports in Pillar Two are installed to augment the income and the quality of life in rural areas for farmers specifically. Farmers in mountainous areas are heavily dependent on the CAP support, as it represented close to 50% of their total income in 2018 . Moreover, in France, the ANC support to small farmers have contributed to maintaining grazing farms and associated jobs (Chartier et al., 2023). Furthermore, the CAP effectively reaches poorer regions within EU member states, with total CAP payments significantly associated with poverty reduction. Pillar Two shows a stronger correlation with poor regions and plays a more significant role in reducing poverty at the regional level compared to Pillar Two (Van Den Brink et al., 2018). By reducing poverty in rural areas and improving provision of public services in rural areas, the CAP intends to motivate young farmers to remain in farming and to attract new entrants and workers so as to narrow the gap between rural and urban areas (Fasching et al., 2019). Although farming is an important employer for the rural areas and creates spill-overs to the local rural economy, rural development will not take place if only agriculture is supported in these areas (Van Den Brink et al., 2018). However, while the local spill-overs of the agricultural industry are important, they are not sufficient to develop the rural

areas as a whole. Support for rural areas can be more focused on small farms in those rural areas, as they contribute more to rural development than large farms (Massot & Borka, 2016). If successfully supported, then agricultural growth induces structural transformation of rural areas, in which jobs are of better quality and where agriculture is not associated with poverty anymore. Pillar Two and decoupled Pillar One support are important for rural regions that are still in transformation, and Pillar Two support remains important for the transformed areas (Van Den Brink et al., 2018). Nevertheless only supporting agriculture is not sufficient to augment the quality of life in rural areas. Therefore, regional cohesion policy of the EU complements Pillar Two in this rural development process by supporting infrastructure projects and local enterprises. Public services, such as access to health care, education and infrastructure are complementary to rural development.

The farming industry is also changing endogenously

Given the perception that farmers' incomes are insufficient, farmers often proactively seek innovative methods to increase their earnings independently, without relying on external solutions or support from the CAP. Examples of these methods are the concepts of pluriactivity and diversification of their activities. Pluriactivity in farming refers to the practice where farm households engage in multiple economic activities alongside traditional agricultural work. This often includes off-farm employment, on-farm diversification, and other income-generating ventures, allowing farmers to supplement their agricultural income and reduce economic risk (Fasching et al., 2019). Diversification on the other hand means that new farmers go look actively for niche markets to increase their profits, by diversifying their farming techniques and thereby trying to distance themselves from the traditional farming industry (Hrabák et al., 2017).

In terms of pluriactivity, there is large growth potential for tourism, as more than 46% of the number of beds offered for tourism in Europe are located in rural areas and is rising (European Commission, 2021a; Eurostat, 2024b). A commonly known example of tourism on the farm are the “agritourismos” in Italy, where hospitality services are offered on farms themselves, perhaps in combination with farming activities. Farmers offer accommodation on their farms as an additional source of income, thereby not only creating another source of income but also new employment opportunities, albeit not in the traditional farming business, but through the diversified activities on the farm (Fasching et al., 2019; Grodzicki & Jankiewicz, 2022). The increasing importance of tourism has thereby increased the economic growth and number of jobs of the rural areas, especially in southern European member states where tourism is already an important economic activity (Gagliardi & Percoco, 2017; Grodzicki & Jankiewicz, 2022; Hostiou et al., 2020; Tirado Ballesteros & Hernández Hernández, 2017).

Streamlining Pillar Two of the CAP to the present-day needs of the rural areas of the EU, and with the EU Regional Cohesion Policy can reduce the rural outflow and enhance the quality of life in rural areas of the EU (Di Salvo et al., 2021; Fasching et al., 2019). Allocating more funds to investment subsidies in Pillar Two can stimulate various sectors of the rural economy, including tourism, as farms attract tourists to the countryside. While supporting agri-tourism may lead to a negative impact on agricultural employment rates, it can enhance the solidity of the rural economy as a whole by creating local employment (Dupraz & Latruffe, 2015; Helming & Tabeau, 2018; Hill, 2012; Kristkova & Ratering, 2012). Indeed, multiple member states will support tourism in rural areas under Pillar Two support with the aim to create employment in those rural areas to stop the outflow to more urban areas (Détang-Dessendre et al., 2022; European Commission, 2023b; Micha et al., 2019). The Pillar Two subsidies have indeed supported the growth of agritourism and have thereby initiated job creation in rural areas, especially where land quality is poor (Galluzzo, 2017; Hrabák et al., 2017). Also jobs in agriculture become more multifunctional, as agricultural workers now can fulfil a multitude of tasks on the farm, ranging from the pure agricultural tasks to tasks in the hospitality business of the farm (Hostiou et al., 2020).

On the other hand, in the context of the greening transition of agriculture diversification of farming activities is a different way of increasing farming income which is centred around product differentiation and innovation in production methods (Di Salvo et al., 2021). New entrants are more focused on added value and run their farm as a proper business, and therefore seek new niche markets where margins are higher (Hrabák et al., 2017). These forms of farming bring forth premium products with higher return rates, such as organic farming (Matthews, 2017). Organic agriculture indeed attracts young entrants to the agricultural industry (Massot & Borka, 2016; Midler et al., 2019). Pillar Two supports these kinds of farming through agri-environmental payments, fostering practices that contribute to sustainability and environmental protection. They are intended to compensate for the losses of income or additional costs when farmers implement more environmentally friendly practices (Détang-Dessendre et al., 2022). While these payments promote innovative and environmentally friendly agricultural practices, it is important to consider their effects on agricultural employment too.

Organic farming is a substitute for traditional farming with the emphasis on natural processes, biodiversity, and the use of organic inputs for pest and soil management. It relies more on manual techniques for pest control, weed management, and soil fertility enhancement instead of synthetic chemicals and mechanized processes. Organic farming therefore often requires more hands-on involvement, including tasks such as crop rotation, composting, and maintaining diverse planting systems, all of which demand greater time and effort from farmers. As a

consequence, organic farming is more labour intensive than traditional farming (Midler et al., 2019). Pillar Two agri-environmental support have been shown to have a positive impact on agricultural employment by creating additional labour demands for these practices (Chartier et al., 2023; Dupraz & Latruffe, 2015; Fasching et al., 2019; Midler et al., 2019; Petrick & Zier, 2011; Pufahl & Weiss, 2009). The effect of the agri-environmental support on the agricultural labour force is the biggest in the EU-14, which drives the effect for the EU as a whole, while this support has no effect in the EU-13 (Garrone et al., 2019). By supporting farmers to invest in environmentally friendly practices, the EU indirectly encourages private investments in public goods, in particular soil quality and the possibility for new jobs in the rural areas (Fasching et al., 2019; Van Den Brink et al., 2018). The flipside of supporting a more extensive agricultural production system is that they reduce technical efficiency and crop production of farms (Bartolini & Viaggi, 2013; Garrone et al., 2019).

Conclusion

Although the relative importance of the agricultural industry has gone down continuously over time to 1.77% of the total GVA by the EU, to the benefit of other industries' relative importance. The CAP whose goal is to support European farmers has therefore undergone numerous changes and therefore, the contemporary CAP reflects both continuity and change. Today's CAP is underscored by two Pillars, which respectively directly support the farmers themselves (Pillar One) and the rural development as a whole (Pillar Two), in which agriculture plays a prominent role.

Pillar One is the most important pillar, taking up 76.9% of the total CAP budget commitments and is entirely financed by the EU. Since the MacSharry reforms in 1992, the emphasis of Pillar One support is put increasingly on supporting the farmer himself, and today the BISS is the most important support post, amounting to half of the Pillar One budget. It is an area-based payment, decoupled from the products delivered by the farm. On the other hand Pillar Two is co-financed by the EU and the member states themselves, aiming to achieve a balanced rural development by improving the viability of rural areas by supporting the farmers.

With some precautions mentioned here above, the agricultural industry is on average characterised by a lower-than-average income for farmers: the average farming income is equal to 59.9% of the average European wage in the global European economy. This is because not only the farming industry comes close to perfect competition, but it is also more exposed to changing weather and climate conditions. Therefore the CAP is installed, to serve as a buffer against these natural risks and to enhance European food security. While the CAP has historically favoured large farms due to land-based support allocation, the recent reforms aim to rectify this by introducing measures like capping and degressive support for large farms, and providing additional aid to small farms, ensuring more equitable distribution and helping small farmers remain viable.

One of the biggest social challenges faced by the European agricultural industry is the ageing farmer population in Europe. Over 57% of all European farm managers are older than 55, of which 33.20% of farmers are above 65 years old. While the CAP attempts to resolve the young farmer problem by providing additional support to young farmers, this problem is partly countered by the CAP itself, due to the fact that its support is more financially attractive to stay within the farming business. On the other hand, it has proven to be difficult for young farmers to access land due to the increasing land prices, which is exacerbated by the CAP itself, and difficulties in accessing financial support. Nevertheless, young farmers are more productive and more open to innovation. Therefore, the CAP supports farmers younger than 40 via the CIS-YF, granting them an additional 25% of the BISS support received in the first 5 years

operating the farm. Pillar Two support, including instalment and investment aid, positively impacts highly qualified young people and those without agricultural backgrounds. However, these programs continue to struggle to make farming a competitive business and generate sufficient income. While EU support is an important factor influencing potential entrants to enter the agricultural industry, a multifaceted approach is necessary, where both endogenous determinants to the agricultural industry as well as enhanced rural quality of life play a key role. Lastly, the European agricultural labour force is shrinking as well, mostly due to mechanisation of agriculture, where human labour is replaced by machinery. Farming is therefore a changing industry, requiring more medium and high-skilled workers. However, the agricultural income is lower on average and therefore more skilled people move to the peri-urban and urban regions. Nevertheless, agriculture remains instrumental for economic expansion and job opportunities and therefore it is crucial that the CAP supports it. The effects of CAP subsidies on agricultural employment are mixed and regionally variable. Decoupled Pillar One payments generally support farm incomes and employment, while coupled subsidies may distort production. Pillar Two support impacts are similarly varied, with positive effects in some EU-14 regions but negligible impacts in EU-13 countries. The overall effectiveness of CAP in maintaining agricultural jobs remains inconclusive.

Finally, Pillar Two supports rural development by enhancing the economic viability and competitiveness of farms, encouraging younger generations to remain in agriculture. This pillar aligns with the EU Regional Cohesion Policy, focusing on balanced territorial development and improved quality of life in rural areas. Pillar Two aids in providing essential services and business opportunities, mitigating rural outflow, and addressing poverty. Additionally, it supports pluriactivity and diversification, such as agritourism and organic farming, creating employment opportunities and enhancing the rural economy. However, while these measures boost job creation and sustainability, they can reduce agricultural technical efficiency and production. Ultimately, Pillar Two's multifaceted approach is crucial for rural vitality, balancing agricultural support with broader rural development goals .

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Appendices

Appendix 1: Gross Value Added by Agriculture as a percentage of total Gross Value Added

National accounts aggregates by industry (up to NACE A*64) (current prices, in million euros)								
	1995	1996	1997	1998	1999	2000	2001	2002
EU13 Total GVA - all NACE activities	270496.5	296166.4	327222.3	359661.7	363714	416319	469849.4	501376.1
EU13 GVA Crop and animal production, hunting and related service activities	18132.8	18730.3	20056	19400.6	16729	18163.6	21694.2	20305.2
EU13 GVA Forestry and logging	2076.9	2116.9	2131.2	2372.8	2322	2198.9	2310.3	2465.4
EU13 Total Agricultural GVA	20209.7	20847.2	22187.2	21773.4	19051	20362.5	24004.5	22770.6
EU14 Total GVA - all NACE activities	5443273.3	5679890.6	5805579.5	6024386.7	6285801.4	6638358.3	6936424.4	7171588.9
EU14 GVA Crop and animal production, hunting and related service activities	123346.6	131142.2	131557.8	130055.1	129281.6	134531.5	140102.9	134357.9
EU14 GVA Forestry and logging	12706.1	12558.6	13010.6	13395.9	13551.1	12855.6	13504.7	13611.1
EU14 Total Agricultural GVA	136052.7	143700.8	144568.4	143451	142832.7	147387.1	153607.6	147969
EU27 GVA Total - all NACE activities	5711588.1	5974467.7	6130909.4	6380993.1	6647146.9	7052104.5	7404555.2	7672237.4
EU27 GVA Crop and animal production, hunting and related service activities	141730.4	150136.7	151889.9	149701	146282.8	152952.6	162083.3	154979.9
EU27 GVA Forestry and logging	14783.4	14677.5	15144	15768.6	15875.6	15056.3	15818.4	16082.6
EU27 Total Agricultural GVA	156513.8	164814.2	167033.9	165469.6	162158.4	168008.9	177901.7	171062.5
EU13 Agricultural GVA / Total GVA	0.0747	0.0704	0.0678	0.0605	0.0524	0.0489	0.0511	0.0454
EU14 Agricultural GVA / Total GVA	0.0250	0.0253	0.0249	0.0238	0.0227	0.0222	0.0221	0.0206
EU27 Agricultural GVA / Total GVA	0.0274	0.0276	0.0272	0.0259	0.0244	0.0238	0.0240	0.0223

	2003	2004	2005	2006	2007	2008	2009	2010
EU13 Total GVA - all NACE activities	501070.4	549597.1	635730.4	714026.9	828856.1	943918.5	847750.9	901552.3
EU13 GVA Crop and animal production, hunting and related service activities	19593.9	24273.1	23466.4	24558.8	26703	30230.9	24819.9	24493.3
EU13 GVA Forestry and logging	2424.5	2581.4	2903.5	3276.1	4060.9	4296.7	3632.5	5329.5
EU13 Total Agricultural GVA	22018.4	26854.5	26369.9	27834.9	30763.9	34527.6	28452.4	29822.8
EU14 Total GVA - all NACE activities	7375134.2	7680207.8	7925391.9	8320807.1	8768529.9	9002738	8688974.3	8952008.9
EU14 GVA Crop and animal production, hunting and related service activities	134611.8	138699	124763	121146.7	129696.3	128741.8	113859	130871.5
EU14 GVA Forestry and logging	12784.2	13071.1	12107.4	14227.8	16821.6	15777.1	13253.8	14497
EU14 Total Agricultural GVA	147396	151770.1	136870.4	135374.5	146517.9	144518.9	127112.8	145368.5
EU27 GVA Total - all NACE activities	7875043.1	8228681.4	8559036.1	9030886.5	9592332	9942913.3	9534381.7	9851275
EU27 GVA Crop and animal production, hunting and related service activities	154543.7	163295.5	148540.5	145934.3	156617.7	159208.1	138932.6	155417.4
EU27 GVA Forestry and logging	15214.3	15659	15015.7	17506.5	20883.3	20078.2	16893.1	19827.1
EU27 Total Agricultural GVA	169758	178954.5	163556.2	163440.8	177501	179286.3	155825.7	175244.5
EU13 Agricultural GVA / Total GVA	0.0439	0.0489	0.0415	0.0390	0.0371	0.0366	0.0336	0.0331
EU14 Agricultural GVA / Total GVA	0.0200	0.0198	0.0173	0.0163	0.0167	0.0161	0.0146	0.0162
EU27 Agricultural GVA / Total GVA	0.0216	0.0217	0.0191	0.0181	0.0185	0.0180	0.0163	0.0178

	2011	2012	2013	2014	2015	2016	2017	2018
EU13 Total GVA - all NACE activities	945701.1	956792.3	963052	995424.2	1050437.1	1074625.7	1170061.5	1260367.5
EU13 GVA Crop and animal production, hunting and related service activities	30110.1	28119.8	30801.8	30028.9	27964.2	28897.8	33689.2	32837.3
EU13 GVA Forestry and logging	5813	5580.6	5822.1	6301.5	6250.8	6156.8	6319.7	6567.2
EU13 Total Agricultural GVA	35923.1	33700.4	36623.9	36330.4	34215	35054.6	40008.9	39404.5
EU14 Total GVA - all NACE activities	9204974.8	9254703.6	9356519.9	9560353.1	9888733.1	10153065.4	10519896.9	10835722.8
EU14 GVA Crop and animal production, hunting and related service activities	135946.5	137580.7	141417.1	140776.7	140837	139408.8	156614.7	153146.1
EU14 GVA Forestry and logging	16878.2	16790.4	17444	18486.3	19281	19193.9	19307.1	20169.4
EU14 Total Agricultural GVA	152824.7	154371.1	158861.1	159263	160118	158602.7	175921.8	173315.5
EU27 GVA Total - all NACE activities	10152349.4	10213208.6	10318983.1	10554793.4	10939262	11227133.1	11692289.8	12095442.7
EU27 GVA Crop and animal production, hunting and related service activities	166084.9	165728.7	172209	170789.6	168802.5	168297	190342.1	185973.4
EU27 GVA Forestry and logging	22695.2	22374.8	23264.7	24785.5	25531.9	25349.2	25632	26735.2
EU27 Total Agricultural GVA	188780.1	188103.5	195473.7	195575.1	194334.4	193646.2	215974.1	212708.6
EU13 Agricultural GVA / Total GVA	0.0380	0.0352	0.0380	0.0365	0.0326	0.0326	0.0342	0.0313
EU14 Agricultural GVA / Total GVA	0.0166	0.0167	0.0170	0.0167	0.0162	0.0156	0.0167	0.0160
EU27 Agricultural GVA / Total GVA	0.0186	0.0184	0.0189	0.0185	0.0178	0.0172	0.0185	0.0176

	2019	2020
EU13 Total GVA - all NACE activities	1352263	1324086.2
EU13 GVA Crop and animal production, hunting and related service activities	34219.8	34234.9
EU13 GVA Forestry and logging	6689.9	6903.7
EU13 Total Agricultural GVA	40909.7	41138.6
EU14 Total GVA - all NACE activities	11183521.4	10781977.7
EU14 GVA Crop and animal production, hunting and related service activities	158157.9	156817.6
EU14 GVA Forestry and logging	18087.3	16236.8
EU14 Total Agricultural GVA	176245.2	173054.4
EU27 GVA Total - all NACE activities	12534891.1	12105315.2
EU27 GVA Crop and animal production, hunting and related service activities	192364.1	191047.5
EU27 GVA Forestry and logging	24775.4	23139.2
EU27 Total Agricultural GVA	217139.5	214186.7
EU13 Agricultural GVA / Total GVA	0.0303	0.0311
EU14 Agricultural GVA / Total GVA	0.0158	0.0161
EU27 Agricultural GVA / Total GVA	0.0173	0.0177

Source:

https://ec.europa.eu/eurostat/databrowser/view/nama_10_a64__custom_11712044/default/table?lang=en

Appendix 2: CAP expenditure as % of total expenditure

CAP expenditure as % EU expenditure (current prices)		
Year	EU CAP expenditure	CAP at % expenditure
1980	11.60	73.20
1981	11.60	65.50
1982	12.90	63.10
1983	16.40	66.80
1984	18.90	69.90
1985	20.40	73.30
1986	23.00	66.20
1987	23.70	67.70
1988	27.50	67.10
1989	25.80	63.20
1990	27.40	62.30
1991	33.20	62.00
1992	34.10	58.30
1993	37.90	58.40
1994	35.40	59.80
1995	37.00	55.60
1996	42.70	55.40
1997	44.00	55.10
1998	42.60	52.70
1999	43.20	51.80
2000	41.80	52.00
2001	43.50	54.00
2002	44.70	52.20
2003	46.70	52.30
2004	46.40	46.40
2005	51.30	49.30
2006	53.00	50.10
2007	52.90	47.10
2008	51.30	45.40
2009	50.00	44.60
2010	55.20	45.80
2011	55.10	43.60
2012	57.10	42.10
2013	56.90	39.60
2014	54.00	39.00
2015	55.30	39.10
2016	56.50	41.40
2017	55.80	40.60
2018	56.80	37.20
2019	58.10	37.60
2020	59.10	34.90
2021	55.40	24.80
2022	56.40	23.60

Source: https://agriculture.ec.europa.eu/common-agricultural-policy/financing-cap/cap-funds_en

Appendix 3: EU budget commitment appropriations

Commitment appropriations	Total 2021-2027	2021	2022	2023	2024	2025	2026	2027
1. Single market, innovation and digital	132781.00	19712.00	19666.00	19133.00	18633.00	18518.00	18646.00	18473.00
2. Cohesion, resilience and values	377768.00	49741.00	51101.00	52194.00	53954.00	55182.00	56787.00	58809.00
2a. Economic, social and territorial cohesion	330235.00	45411.00	45951.00	46493.00	47130.00	47770.00	48414.00	49066.00
2b. Resilience and values	47533.00	4330.00	5150.00	5701.00	6824.00	7412.00	8373.00	9743.00
3. Natural resources and environment	356374.00	55242.00	52214.00	51489.00	50617.00	49719.00	48932.00	48161.00
3a. Pillar One EAGF	258594.00	38564.00	38115.00	37604.00	36983.00	36373.00	35772.00	35183.00
3b. Pillar Two EAFRD	77850.00	13935.00	11187.00	10967.00	10752.00	10542.00	10335.00	10132.00
3c. Other Natural resources and environment	19930.00	2743.00	2912.00	2918.00	2882.00	2804.00	2825.00	2846.00
4. Migration and border management	22671.00	2324.00	2811.00	3164.00	3282.00	3672.00	3682.00	3736.00
5. Security and defence	13185.00	1700.00	1725.00	1737.00	1754.00	1928.00	2078.00	2263.00
6. Neighbourhood and the world	98419.00	15309.00	15522.00	14789.00	14056.00	13323.00	12592.00	12828.00
7. European public administration	73102.00	10021.00	10215.00	10342.00	10454.00	10554.00	10673.00	10843.00
of which: administrative expenditure of the institutions	55852.00	7742.00	7878.00	7945.00	7997.00	8025.00	8077.00	8188.00
TOTAL COMMITMENT APPROPRIATIONS	1074300.00	154049.00	153254.00	152848.00	152750.00	152896.00	153390.00	155113.00
TOTAL PAYMENT APPROPRIATIONS	1061058.00	156557.00	154822.00	149936.00	149936.00	149936.00	149936.00	149936.00

Source: <https://www.europarl.europa.eu/factsheets/en/sheet/29/multiannual-financial-framework>

Appendix 4: Family farm income compared to average wage in the whole economy

Family farm income compared to the average wages in the whole economy (based on EUR/hour worked) (%)																			
Member State	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Belgium	47.6	66.5	76.2	48.7	43.6	67.6	53.1	70.9	47.7	42.1	51.8	39.2	48.9	40.4	59.0	46.5	44.4	62.9	79.8
Bulgaria	83.1	88.8	73.9	125.0	70.2	69.3	80.9	81.9	96.7	93.9	68.8	97.6	99.0	95.4	103.9	107.0	155.1	151.6	56.3
Czechia	110.1	92.5	118.3	121.4	35.6	94.6	212.4	195.4	178.8	253.9	176.3	212.8	170.8	126.9	124.6	146.4	193.2	197.9	100.4
Denmark	14.8	19.7	9.2	-85.5	-51.0	3.4	24.0	77.5	30.2	46.8	-5.1	-5.2	45.7	21.7	49.6	96.6	68.1	131.1	23.3
Germany	35.0	39.5	59.8	64.7	24.2	63.6	84.4	65.6	84.2	76.1	30.7	33.4	69.4	28.3	65.7	56.3	47.9	120.6	114.4
Estonia	102.4	90.5	124.1	67.9	52.7	138.2	207.5	242.9	212.1	190.3	99.2	1.6	120.5	36.6	112.3	108.6	84.5	217.6	-113.9
Ireland	45.2	35.0	36.7	27.7	16.6	20.6	31.6	27.8	30.0	31.8	36.4	37.9	50.5	38.6	38.5	38.5	44.4	57.9	31.5
Greece	69.9	64.9	71.2	71.8	81.5	86.0	77.6	83.2	82.4	88.3	97.1	88.5	106.9	113.3	131.2	126.8	126.7	152.2	148.6
Spain	124.1	114.5	135.6	106.4	103.9	116.9	118.9	120.3	140.7	153.0	164.4	178.8	183.2	177.6	159.4	158.4	163.0	159.3	175.4
France	50.3	57.4	70.3	51.7	33.7	68.8	72.4	71.3	51.6	65.5	72.0	55.7	72.7	89.6	79.8	77.2	100.1	117.6	94.2
Croatia	26.3	32.1	32.6	38.3	37.5	33.4	31.0	25.6	29.2	25.5	35.6	40.2	40.7	41.9	45.6	48.4	60.2	62.0	n.a
Italy	55.7	51.9	50.5	53.1	50.7	40.9	54.0	59.7	78.7	68.5	64.6	64.0	65.8	72.5	68.5	61.9	72.3	83.4	89.1
Cyprus	59.1	52.1	53.5	65.0	64.5	72.8	75.8	79.1	77.1	78.8	80.3	104.8	104.7	105.0	91.8	111.9	110.7	116.9	124.2
Latvia	46.9	54.8	49.3	35.3	32.7	50.4	50.9	62.0	49.2	50.9	54.5	43.6	56.1	43.3	65.8	71.2	73.5	85.3	54.1
Lithuania	45.2	31.5	46.0	40.3	29.9	45.0	65.0	85.1	65.1	54.2	57.6	37.2	49.3	24.5	31.1	48.0	45.0	57.1	28.9
Luxembourg	36.8	36.6	42.5	35.2	15.2	20.6	20.7	24.1	17.0	29.8	19.6	13.5	23.6	26.6	25.0	22.3	25.4	37.6	31.2
Hungary	30.1	32.4	32.9	50.2	25.5	36.5	66.3	55.1	66.1	75.3	68.7	73.5	69.7	68.0	69.1	74.1	76.4	75.2	84.7
Malta	110.2	106.2	104.0	96.0	109.0	97.9	81.4	75.8	72.1	69.2	81.5	59.2	51.8	67.7	67.7	53.3	47.2	42.0	44.2
Netherlands	72.5	104.9	91.7	64.0	35.2	78.7	45.2	58.3	78.0	71.3	76.6	78.6	100.0	70.3	75.0	61.5	69.0	74.3	78.0
Austria	44.0	49.1	55.1	53.0	39.2	47.6	55.3	50.7	43.6	39.3	36.1	42.1	47.9	42.5	39.1	36.5	40.2	52.4	38.1
Poland	33.4	36.9	44.6	35.9	40.4	45.4	59.0	54.3	58.5	46.2	46.0	47.5	59.1	51.7	51.7	61.2	59.2	76.4	64.1
Portugal	44.3	45.0	39.8	44.6	36.5	45.7	34.9	42.2	52.0	53.3	62.0	68.9	70.8	68.5	76.0	74.7	86.4	72.1	82.7
Romania	38.7	36.3	25.7	36.1	27.8	56.9	76.1	53.6	62.6	65.8	59.7	53.0	54.6	45.9	46.0	40.5	65.5	48.2	50.2
Slovenia	19.1	17.7	19.8	16.4	16.4	18.4	21.7	16.2	17.1	19.5	22.4	18.7	16.4	24.4	20.7	22.4	14.7	17.8	17.4
Slovakia	8.0	24.8	29.6	40.0	-5.5	-8.6	37.5	59.8	22.3	45.9	20.5	107.1	78.7	70.2	51.8	69.3	110.2	177.3	83.2
Finland	45.2	41.5	50.3	41.5	50.7	56.8	43.6	44.0	43.5	41.2	27.9	32.3	33.2	37.1	43.1	48.8	43.1	60.7	45.5
Sweden	39.8	49.1	62.0	51.8	31.5	53.6	48.1	44.6	34.3	44.3	54.7	44.9	59.7	39.4	52.2	50.3	75.2	112.7	57.5
EU-27	30.6	32.0	36.8	33.3	26.5	37.3	42.3	40.8	42.5	42.9	41.0	39.6	48.4	46.0	47.6	47.3	54.7	65.0	59.9
United Kingdom	55.9	53.5	55.2	84.8	89.7	84.5	106.5	100.6	110.4	107.1	80.3	77.5	105.1	87.6	92.2	n.a			
EU-28	29.5	30.7	35.0	33.5	27.5	37.7	43.3	41.5	43.6	43.6	40.5	39.7	49.3	46.5	48.3	47.3	54.7	65.0	59.9

Source:

<https://agridata.ec.europa.eu/extensions/IndicatorsSectorial/AgriculturalEntrepreneurialIncome.html>

Appendix 5: Relative age structure of the EU farming population

Relative age structure of EU farming population		2010	2013	2016	2020
European Union	Total	100.00%	100.00%	100.00%	100.00%
European Union	Less than 25 years	0.80%	0.53%	0.47%	0.80%
European Union	From 25 to 34 years	6.71%	5.41%	4.66%	5.69%
European Union	From 35 to 39 years			5.52%	5.45%
European Union	From 35 to 44 years	16.66%	15.26%	13.98%	13.51%
European Union	From 40 to 44 years			8.47%	8.06%
European Union	From 45 to 54 years	22.72%	22.97%	22.95%	22.43%
European Union	From 55 to 64 years	23.47%	24.76%	25.08%	24.37%
European Union	65 years or over	29.64%	31.06%	32.87%	33.20%

Source:

https://ec.europa.eu/eurostat/databrowser/view/ef_m_farmang__custom_11824308/default/table?lang=en

Appendix 6: ratio of farmers younger than 40 years to farmers older than 65 years

Young/old farm managers, 2020	
Cyprus	0.109424415
Portugal	0.126687222
Spain	0.186716062
Greece	0.194169333
Italy	0.217564456
Slovenia	0.228654124
Romania	0.255539053
Denmark	0.265217391
Hungary	0.284324591
Malta	0.285714286
Sweden	0.320550639
Latvia	0.324757282
Lithuania	0.358135154
Croatia	0.359811247
Netherlands	0.428571429
Ireland	0.4382884
Bulgaria	0.508553275
Belgium	0.546239211
Estonia	0.676870748
Czechia	0.867003367
Luxembourg	0.921052632
Slovakia	0.938875306
Finland	0.958438287
Germany	1.298303957
France	1.38966589
Poland	1.533953384
Austria	3.342377261
United Kingdom	
EU27-2020	0.359838293

Source:

<https://agridata.ec.europa.eu/extensions/IndicatorsSectorial/AgeStructureFarmManagers.htm>

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Appendix 7: ratio of agricultural employment over total employment in the EU

Agricultural employment in '000 persons as a percentage of total employment in '000 persons		2013	2014	2015	2016	2017	2018	2019	2020	2021
GEO (Labels)	NACE R2 (Labels)									
European Union 28 (before 2020)	Total - all NACE activities	224756.15	227244.85	229608.09	232641.3	236205.53	239577.09	242233.44	206611.81	209611.5
European Union 28 (before 2020)	Crop and animal production, hunting and related service activities	10537.56	10477.06	10125.01	9691.55	9683.74	9515.25	9197.29	8699.51	8633.68
European Union 28 (before 2020)	Ratio agriculture/total	4.69%	4.61%	4.41%	4.17%	4.10%	3.97%	3.80%	4.21%	4.12%
European Union 27 (from 2020)	Total - all NACE activities	194714.38	196492.33	198323.05	200895.98	204145.36	207134.12	209438.86	206611.81	209611.5
European Union 27 (from 2020)	Crop and animal production, hunting and related service activities	10196.19	10075.57	9758.1	9330.28	9300.29	9146.87	8835.9	8699.51	8633.68
European Union 27 (from 2020)	Ratio agriculture/total	5.24%	5.13%	4.92%	4.64%	4.56%	4.42%	4.22%	4.21%	4.12%

Source:

https://ec.europa.eu/eurostat/databrowser/view/nama_10_a64_custom_11712044/default/table?lang=en

Appendix 8 Annual and total decline in agricultural employment over period 2013-2021

Annual decline in agricultural employment 2013-2021		
	Difference 2013-2021	Annual relative decline
European Union - 27 countries (from 2013)	-21.34%	-2.67%
European Union - 28 countries (2013-2021)	-19.02%	-2.38%
Belgium	-7.40%	-0.93%
Bulgaria	-16.70%	-2.09%
Czechia	-10.29%	-1.29%
Denmark	-4.91%	-0.61%
Germany	-18.33%	-2.29%
Estonia	-37.97%	-4.75%
Ireland	-21.54%	-2.69%
Greece	-13.68%	-1.71%
Spain	-7.85%	-0.98%
France	-10.31%	-1.29%
Croatia	-39.46%	-4.93%
Italy	-3.56%	-0.45%
Cyprus	-19.63%	-2.45%
Latvia	-4.69%	-0.59%
Lithuania	-36.34%	-4.54%
Luxembourg	-23.75%	-2.97%
Hungary	-10.02%	-1.25%
Malta	-33.93%	-4.24%
Netherlands	-7.37%	-0.92%
Austria	-21.26%	-2.66%
Poland	-24.05%	-3.01%
Portugal	-35.91%	-4.49%
Romania	-29.99%	-3.75%
Slovenia	-21.67%	-2.71%
Slovakia	-17.21%	-2.15%
Finland	-23.60%	-2.95%
Sweden	-17.26%	-2.16%
United Kingdom		

Source:

https://ec.europa.eu/eurostat/databrowser/view/nama_10_a64_e_custom_11936207/default/table?lang=en

Appendix 9: Importance of family labour in European agriculture

		European Union
	TIME	
Farm labour force, directly employed by the farm on a regular basis	2010	21095570
Farm labour force, directly employed by the farm on a regular basis	2013	22355350
Farm labour force, directly employed by the farm on a regular basis	2016	20769140
Farm labour force, directly employed by the farm on a regular basis	2020*	15166860
Sole holder directly employed by the farm	2010	11619480
Sole holder directly employed by the farm	2013	10395640
Sole holder directly employed by the farm	2016	10035190
Sole holder directly employed by the farm	2020*	7620170
Members of sole holders' family, excluding the holder, directly employed by the farm	2010	6812360
Members of sole holders' family, excluding the holder, directly employed by the farm	2013	9648420
Members of sole holders' family, excluding the holder, directly employed by the farm	2016	8276490
Members of sole holders' family, excluding the holder, directly employed by the farm	2020*	5668650
Non-family farm labour force, directly employed by the farm on a regular basis	2010	2663730
Non-family farm labour force, directly employed by the farm on a regular basis	2013	2311280
Non-family farm labour force, directly employed by the farm on a regular basis	2016	2457450
Non-family farm labour force, directly employed by the farm on a regular basis	2020*	1803320
Ratio family farm workers over total farm workers	2010	87.37%
Ratio family farm workers over total farm workers	2013	89.66%
Ratio family farm workers over total farm workers	2016	88.17%
Ratio family farm workers over total farm workers	2020	87.62%

Source:

https://ec.europa.eu/eurostat/databrowser/view/ef_lf_leg_custom_11958621/default/table?lang=en

Appendix 10: At-risk-of-poverty rates per type of region in the EU

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
European Union	Cities	24.6	24.3	24	23.5	22.6	22.1	21.9	22	22	22	21.9
European Union	Towns and suburbs	22.1	22.2	22.1	21.6	21	19.9	19.3	19.8	20.8	21.3	21.3
European Union	Rural areas	27.5	27.1	25.5	25.5	23.9	23.6	22.4	22.8	22.2	22.1	21.7

Source:

https://ec.europa.eu/eurostat/databrowser/view/ILC_PEPS13__custom_3613747/default/table?lang=en&bookmarkId=562d0e2b-96ce-49b0-bd37-12e9ef071cc8

Appendix 11: At-risk-of-poverty rate per country

At-risk-of-poverty rate in 2023	
European Union - 27 countries (from 2020)	21.7%
Belgium	15.5%
Bulgaria	37.2%
Czech Republic	11.9%
Denmark	16.3%
Germany	16.3%
Estonia	24.4%
Republic of Ireland	20.5%
Greece	32.6%
Spain	29.1%
France	16.0%
Croatia	28.6%
Italy	22.8%
Cyprus	26.4%
Latvia	30.9%
Lithuania	31.5%
Luxembourg	22.8%
Hungary	25.3%
Malta	35.3%
Netherlands	12.2%
Austria	13.2%
Poland	22.0%
Portugal	24.4%
Romania	43.5%
Slovenia	13.6%
Slovakia	22.5%
Finland	14.7%
Sweden	19.6%
United Kingdom	

Source:

https://ec.europa.eu/eurostat/databrowser/view/ILC_PEPS13__custom_3613747/default/table?lang=en&bookmarkId=562d0e2b-96ce-49b0-bd37-12e9ef071cc8

Abstract: This master's thesis has identified the social aspects of the Common Agricultural Policy of the European Union. The main research question answered in this thesis is "what are the social effects of the CAP?" The relevance of this research lies in the farmers protests that happened in early 2024 in Brussels against the current CAP. Furthermore, as rural social cohesion, in which agriculture plays a prominent role, is one of the main goals, it remains important to analyse in depth how farmer support influences rural social cohesion. A comprehensive literature study to identify both critical issues, how the EU attempts to tackle these issues and what are the effects of these policy choices. It is found that while the CAP contributes to improve agricultural income and creates local spill-over effects, it also increases the land prices, which is identified as the main factor deterring entry in the agricultural sector, especially for young people. Decoupled Pillar One support and Pillar Two support are found to increase agricultural income and contribute to social cohesion in rural areas. On the other hand, coupled Pillar One support is found to distort market equilibria and production decisions.