CAP-IRE

Assessing the multiple Impacts of the Common Agricultural Policies (CAP) on Rural Economies (FP7 SSH - 216672)

*CAP reform and rural development (insights from the project **CAP-IRE)***

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Outline

- Project info
- Objectives
- Focus, strategy, methods
- Selected results & key findings
- Discussion

Project info/1

- Project acronym: *CAP-IRE*
- Project full title: *Assessing the multiple Impacts of the Common Agricultural Policies (CAP) on Rural Economies*
- *Time: 1/1/2008-31/12/2010*
- Funding scheme: FP7 SSH (theme 8)
- Website: www.cap-ire.eu
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Project info/2

	Partner name	Short name	Country
1	Alma Mater Studiorum – Università di Bologna	UNIBO	Italy
2	IPTS – Seville	IPTS	Spain
3	University of Wageningen	WU	The Netherlands
4	Agricultural Economics Research Institute	LEI	The Netherlands
5	University of Thessaloniki	AUTH	Greece
6	Warsaw Agricultural University	WAU	Poland
7	Aberdeen Business School	UNIABDN	UK
8	University of Cordoba	UCO	Spain
9	Institute of Agricultural Economics	IAE	Bulgaria
10	Institut National de la Recherche Agronomique	INRA	France
11	Leibniz-Centre for Agricultural Landscape Research	ZALF	Germany

+Advisory board+Local participatory networks

Objectives

The objective of the project CAP-IRE is

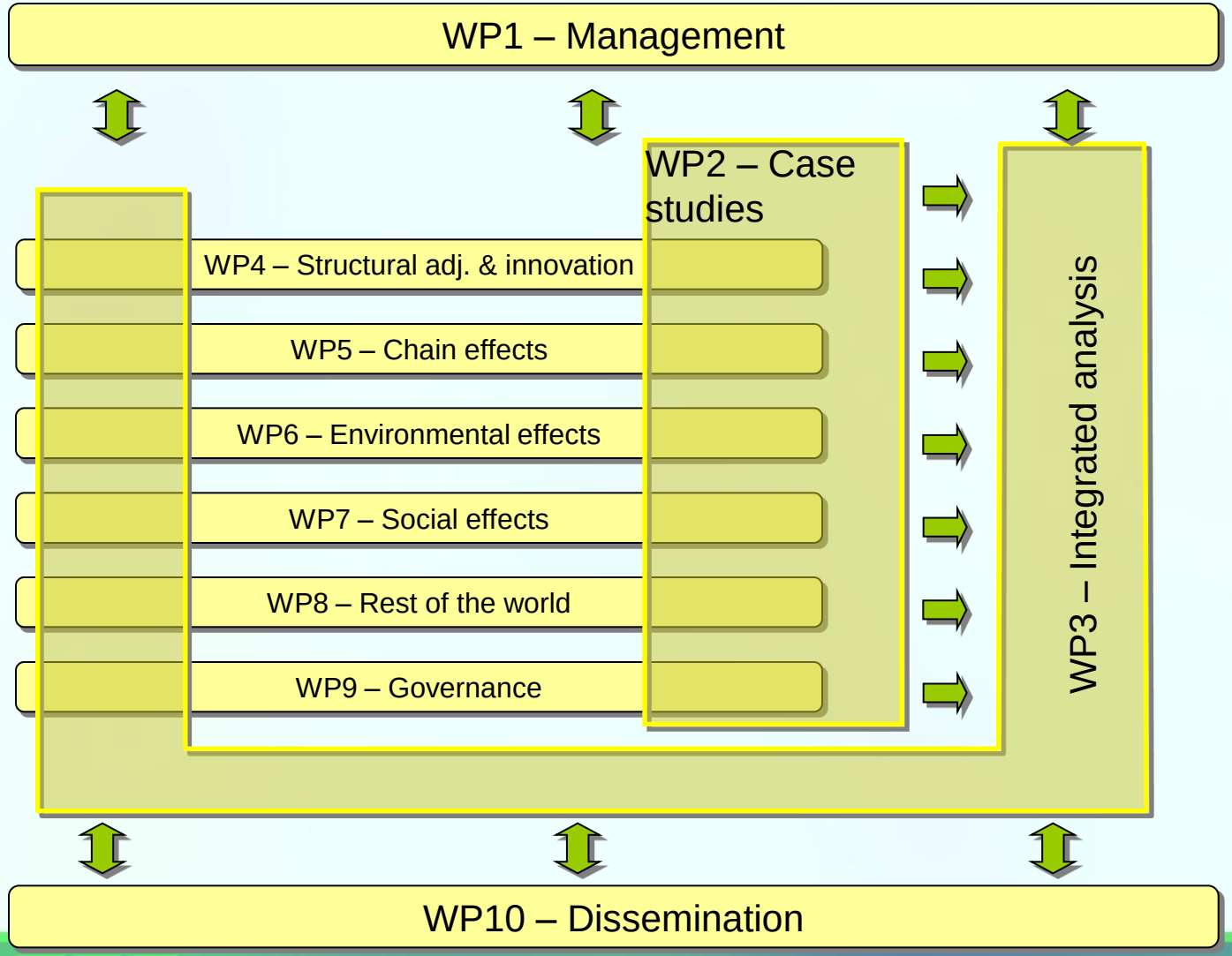
- to develop concepts and tools
- to support future CAP design
- based on an improved understanding of long-term socio-economic mechanisms of change in rural areas

Project strategy/1

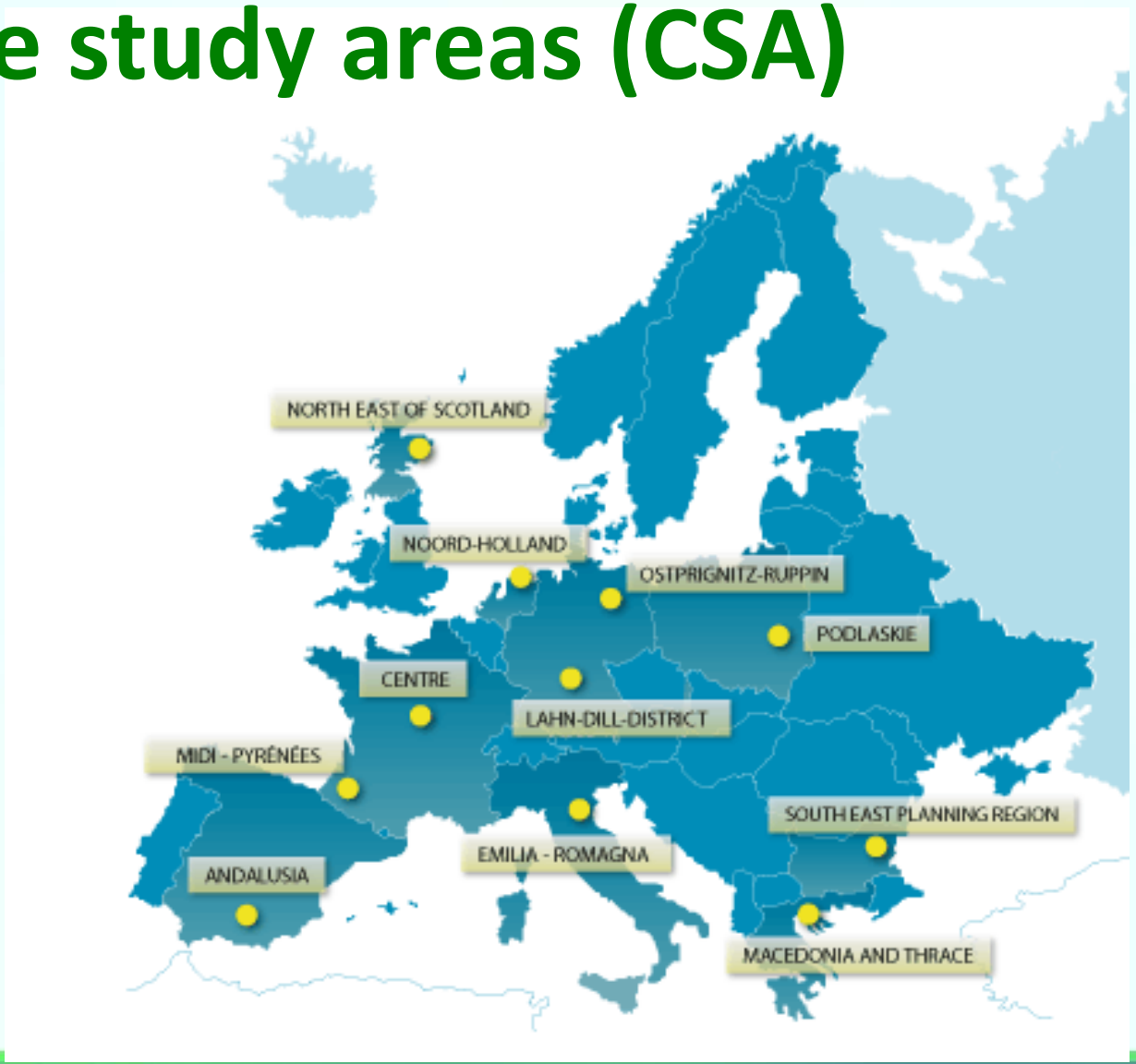
- Focus on micro mechanisms
  - CAP & farm & household
  - No aggregate evalution of impact on rural economies at regional scale
- Wide coverage of thematic issues and their connections
- Strong empirical inputs through selected case study areas (CSA)
- A mixed method approach
  - Stakeholders involvement + surveys + scenarios modelling
  - With focus on a major common survey (A)

Project strategy/2

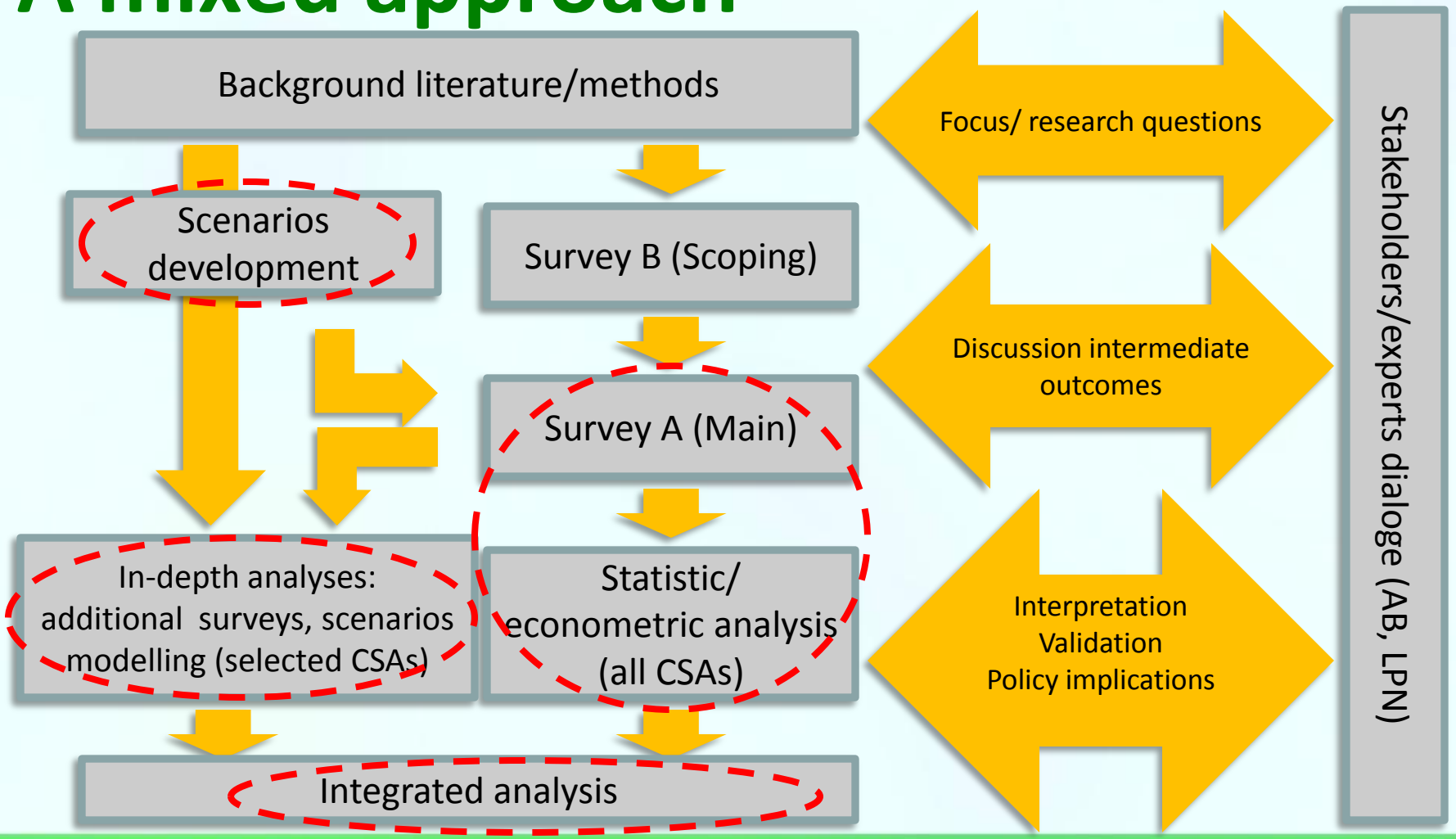
Organisation



Project strategy/3
Case study areas (CSA)

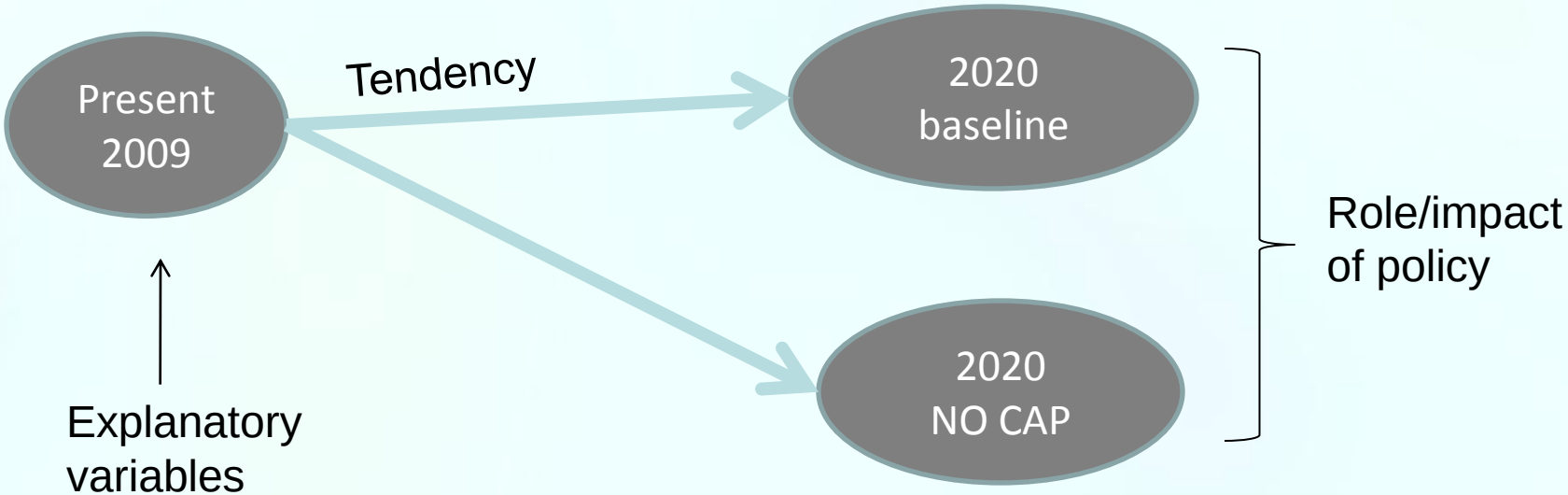


Methods/1
A mixed approach



Methods/2
Survey A rationale

- Comparing the path of development (tendency) of households/farms up to 2020 under two policy scenarios:
  - Baseline: continuation of CAP 2009, including decisions already taken
  - NO-CAP: complete removal of the CAP (I and II pillar) after 2013
- Other things equal (e.g. same prices)
- Based on stated intentions



Methods/3 In depth analyses

- **Real option models** simulating technology adoption
  - Emilia Romagna (IT), Midi-Pyrénées (France), Podlaskie (Poland), Noord-Holland (Netherlands), South-East Planning Region (Bulgaria).
- **Spatial tracking analysis** to explore the linkages between farm households and their immediate local economy
  - North East Scotland (United Kingdom), Podlaskie (Poland).
- **SAM-based analysis** to capture linkages between farm households and the regional economy.
  - North East Scotland (United Kingdom).
- Indicator-based analysis (**Driving forces-Pressures-State-Impact-responses - DPSIR**)
  - Andalusia (Spain).
- Scenario analysis based on **Multi-criteria decision making** in order to assess the impacts of different policies on social indicators
  - Macedonia and Thrace (Greece), Andalusia (Spain), South East Planning Region (Bulgaria).
- **New institutional economics and resilience** to represent connections between different households and different issues
  - North East Scotland (United Kingdom), Noord-Holland (Netherlands), South-East Planning Region (Bulgaria), and Centre (France).

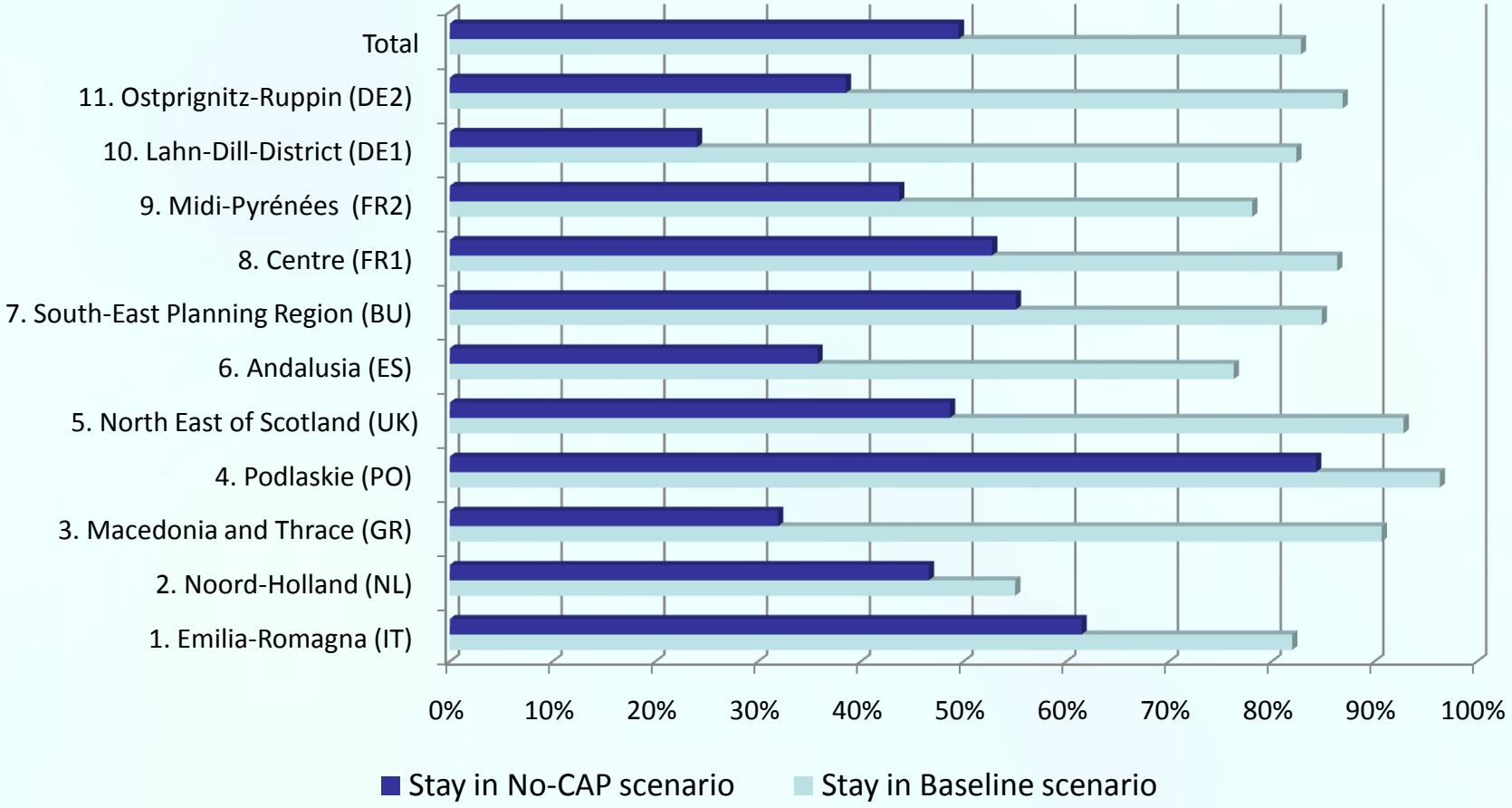
Methods/4
Overall picture

- Quantitative cross-thematic analysis from survey data
  - Identifying typologies of farm-households based on strategic reaction to policy changes (CAP removal hypothesis)
    - **Multiple Correspondence Analysis & Cluster analysis**
  - Modelling and simulating multiple cross-thematic issues and interconnections
    - **Bayesian models** of CAP effects
- Qualitative summary of the outcome of thematic analyses

Results
Continuation of farming/1

Variable	Baseline Scenario (A)	NO_CAP Scenario (B)	Difference (B-A)
Percentage of farm households that would continue farming	76%	45%	-30%
Share of land operated by those exiting farming	7%	31%	23%
Percentage of those exiting that would sell the farm	31%	40%	8%

Results
Continuation of farming/2



Results
Determinants of exits

	Positive effect on exits	Negative effect on exits
Baseline	Age Land rent out	Advisory services Sell to private Land owned Live on farm N. Household members Part time
NO CAP	Age Land rent out SFP per farm Sell to other farms	Land owned Land rent-in Live on farm N. Household members Percent of hh income from farming

Structure & innovation

- Heterogeneity of farms and farm households structure seems to be growing also internally to each region.
- Large farms tend to grow further.
  - The CAP has a relevant role in promoting further growth of medium-large farms
- Innovation concerns a relevant share of farms.
  - About 37% of those continuing would adopt selected innovations in the next 10 years
- The CAP supports adoption in a relevant share of farms.
  - But affects innovation patterns mainly through exists
  - And dependent upon the type of innovation

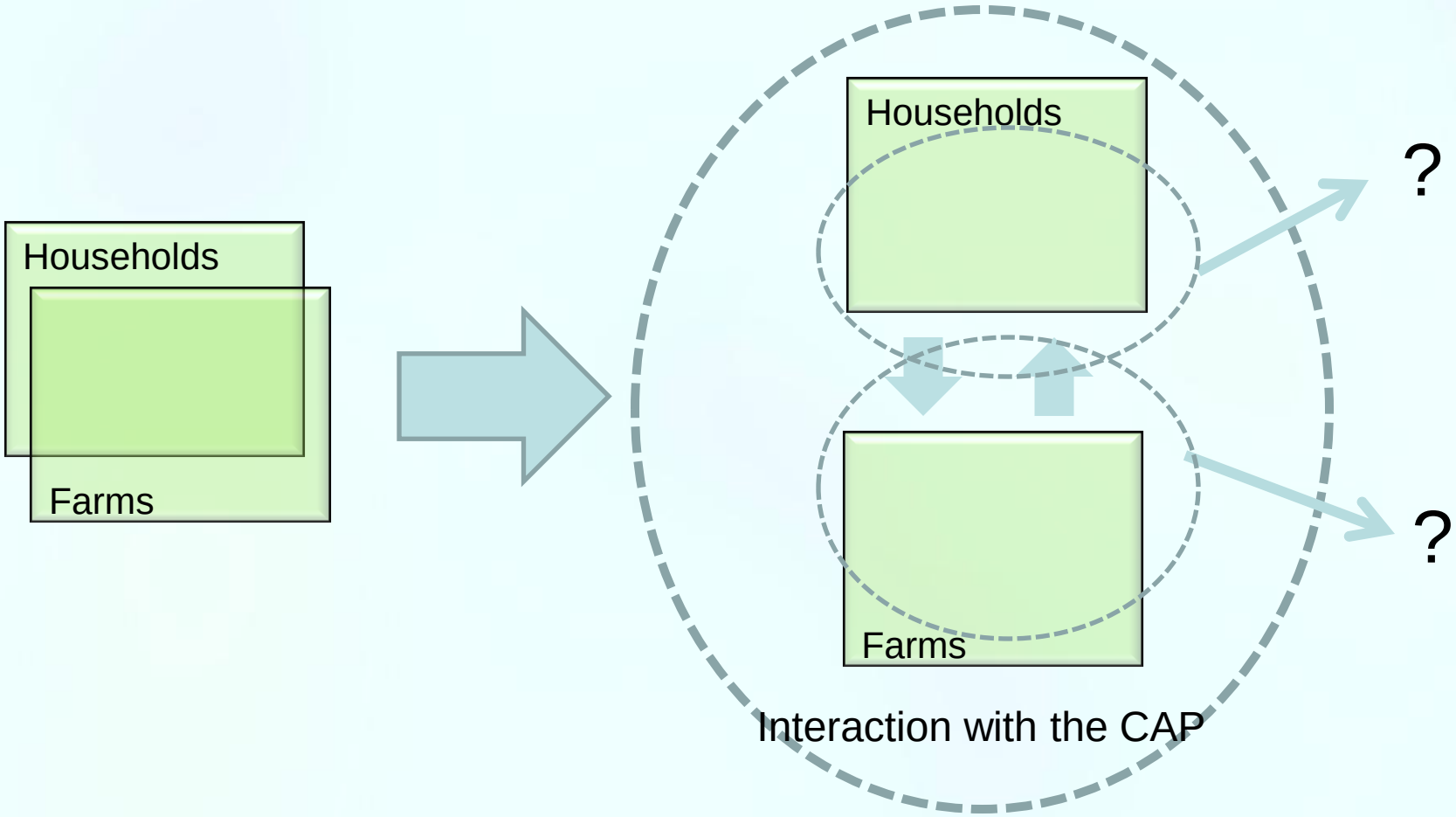
Chain connections & environment

- Connections with input providers, traders/processors and other sectors are growing and changing their shape
  - CAP scenarios would have apparently a minor effect on the overall regional economy (in regions with low share of agriculture GPD)
  - But a relatively high ability to stimulate other sectors (due the interwoven nature of agriculture in rural economies)
  - Due to different linkages, impacts of policy change would be spatially very heterogeneous across regions
- Connections between CAP, agriculture and the environment is increasingly multi-faced
  - Removal of the CAP would provide some reduction of input uses
  - However it would also cause major abandonment of positive actions connected to payments

Heterogeneity, networks, resilience…

- EU regions are very heterogeneous in terms of social features and sustainability.
  - This also affects the impact of policy changes in different contexts
  - Changes in CAP scenarios translate in minor changes in labour use, unless when they cause exit from farming activity
  - However this may be very relevant for specific farm categories and rural areas
- Social and business networks are changing in rural areas.
  - Business relations also changes as a consequence of the changing CAP
  - Different governance structures may contribute to farm differentiation and affect resilience of farm households

The household & the farm



Discussion/1

- The rural areas are widely affected by external scenarios (prices, etc.), however...

- The CAP continue to have a major role in protecting incomes and affecting farms (households) choices in rural areas

Discussion/2

- Accounting for regional differences (how?)
- More targeted instruments (innovation/entrepreneurship, public goods)
- Simplification & connection to other policies (environmental, bioeconomy, research...)
- Addressing/taking into account governance structures
- Better address interplay between different components of the CAP
- More finalised statistics (e.g. ARMS)

Thank you very much!!!!!!!!

- Website
  - www.cap-ire.eu
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- Coordinator

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Straight results from survey A/2

Percentage of those continuing that…	Baseline (A)	No CAP (B)	B-A
would increase household labour on farm	22%	19%	-4%
would increase non-household labour on farm	21%	15%	-5%
would increase owned land	27%	19%	-8%
would increase land rent in	29%	19%	-9%
would increase the number of animal (only farms with animals)	44%	31%	-13%
would increase other activities	15%	18%	3%
would increase the use of fertilisers and pesticides	12%	10%	-2%
wold increase farm endowment of machinery	32%	15%	-17%
would increase the use of credit	16%	25%	10%
would change who they sell their product to	14%	14%	0%
would increase the production under contract	17%	14%	-4%
change the legal status of the farm	9%	8%	-1%
adopt robotization/precision farming innovation	14%	9%	-4%
adopt energy/energy crop innovation	22%	19%	-3%
adopt e-commerce innovation	8%	10%	2%