

Local agriculture and short food supply chains

Report on the outcome of

Workshop A. Towards an appropriate policy framework

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This conference has a double theme -- the well-being of small farms in Europe; and short food supply chains. Together, these two features form a significant, and potentially in future a more significant, element in European life, contributing to the social, economic and environmental well-being of European citizens, including urban consumers as well as rural communities.

Workshop A - with a large attendance, four good presentations** and a lively discussion - points to 10 broad conclusions related to an appropriate policy framework in the present CAP regime and in the period 2014 to 2020. I summarise them thus :

1. The EU has a large number of small farmers
2. they have social, economic and environmental significance
3. they deserve a specific focus in EU policy
4. Present policies provides some specific focus
5. however, there are significant factors preventing small farmers from benefitting from that focus
6. There are ways in which these barriers could be addressed in the present CAP regime
7. this has implications also for the new regime 2014-20
8. Short food chains offer opportunities as we look ahead
9. however those who wish to promote these chains face difficulties
10. Solutions to these difficulties should be found now, and in the future EU policy.

** Mieczyslaw Paradowski, Polish Ministry of Agriculture, Poland

Martin Pazeller, Provinz Bolzano, South Tyrol

José Miguel Afonso Fernandes, Via Campesina (Portugal)

Věra Dvorská, CEJA-European Council of Young Farmers (Czech Republic)

1. Small farms are a widespread force in the European countryside. Eurostat figures for 2005 showed a total of 10.3 million farms of less than 5 hectares within EU 27. This total included 3.6 million between one and 5 ha in size, which some Member States defined as "semi-subsistence" farms; and 6.7 million of 1 ha or less, usually regarded as "subsistence" farms. The latter figure included 3 million in Romania, 1.4 million in Poland, and large numbers in Hungary, Bulgaria and Italy.

An indication of the strength of small farms in some regions of Europe is provided by the figures which Martin Pazeller offered from the Bolzano province in South Tyrol. That province contains 12,000 livestock farms of average size 7 ha; 7,800 fruit farms of average size 2.5 ha; and 5,200 wine producers with average 1.1 ha. Together, these 25,000 small farms form the prime component of the sub-regional economy.

2. Small farms have high social, economic and environmental significance in many regions. They are the homes of between 20 and 30 million people i.e. between 4 and 6% of the EU population. In

many rural regions, these farm families are the rural communities : if small farming collapsed, so the rural communities would wither, leading to mass out-migration, abandonment of land and increased pressures of rural migrants upon the cities. Small farms produce significant volumes of food, consumed (within both formal and informal economies) by the farm families themselves, their relatives elsewhere, their neighbours and the wider community. They are the main element in many local economies, and have the potential to offer more jobs and to generate more trade. Very often, they are diversified in their products and are thus resilient to crises or to climate change : they can offer a safety net in harsh times, as is being shown by the current revival in their fortunes within the hard-pressed Greek economy. Small farmers are the managers of land, and can keep it in good heart for long-term food security. They maintain ecosystems, landscapes and local cultures : the survival of that heritage, which has both local and European significance, depends upon the continuation in modern form of the traditional ways of life which created the heritage. All these benefits are public goods.

3. Small farms deserve a specific focus in EU policy. Such a focus is justified by the social, economic and environmental public goods described above. Small farms contribute now, and have the potential to contribute more in future, to the well-being of Europe and the EU 2020 goals. Those who speak for them should not be dismissed on the grounds of special pleading.

4. The relevance of present CAP policies. Small farmers, like other farmers, can (in principle) take advantage of the present CAP – both Pillar 1, with SAPS and other elements ; and Pillar 2, with its three Axes focused on farm modernization, agri-environment schemes, and diversification of the rural economy. In the newer Member States, there are two special measures – support for semi-subsistence farms, and for producer groups – of particular relevance to small farms.

5. However, there are significant barriers which prevent or inhibit small farmers from benefiting from the present CAP. These barriers fall into two broad groups ;

- a. Policies applied by member states. Some governments wish to rationalise the farm structures, at the cost of small farms. For example, Mr. Paradowski stated that the aim of the Ministry of Agriculture in Poland is to promote an increase in the average size of farm, which clearly implies a reduction in the number of small farms; and that the farms of less than 4 European Size Units are not normally eligible for farm modernisation grants. In the Workshop discussion, it was alleged that agricultural policy in Lithuania is strongly focused on the large farms. In Romania and Bulgaria, many hundreds of thousands of subsistence farms – notably those which have a share in common grazings but very limited private land plus – fall “below the radar” of support programmes. Key reasons for this marginalising of small farms are the high transaction costs (for example, an average of €350 in Italy, or €650 in the South Tyrol, for a monitoring visit); and the belief by governments that the smaller farms cannot become “competitive” in a European sense.
6. Difficulties specific to the farmer. In some regions, a high proportion of small farmers are elderly, or have low education levels or limited interest in commercial activity. Young farmers are relatively rare, and may be unable to gain access to land. Small farmers may lack skills in marketing or in handling diversified activity. They may lack the financial resources needed to pay their share of investments, and may be unable to secure credit from banks or other sources : Mrs.Dvorská described her family's frustration at the refusal of

their bank to assist their efforts to diversify. Many rural areas, notably in mountainous or sparsely populated regions, lack adequate infrastructure such as roads or water supplies. Small farmers generally can be at a trading disadvantage within food chains. This disadvantage is particularly marked within the milk sector : Mr. Fernandes described how, after years of effort, he had recently given up his milking herd because of grossly unrealistic farm-gate prices, and how the number of milk producers in Portugal had fallen from 80,000 20 years ago to 5,500 today.

6. How these barriers may be addressed in the present CAP regime. Taken together, the barriers described above appear to disenfranchise many hundreds of thousands of small farmers, and to disable many others from securing support through the CAP. At this mid-term moment of the present CAP regime, the Commission could be well advised to review the application of relevant policies by Member States and the factors which prevent small farmers from gaining support through the CAP. In specific terms, there appears to be need for recognition by member states that small farms can well be helped to be viable locally rather than competitive at European level; increased efforts in giving young farmers access to land; for improvement in technical and advisory services; for discussion between governments and banks about how small farmers can gain access to credit; and for improvements in infrastructure to enable small farmers to gain access to markets. Where individual farms are too small to qualify for support, they could be encouraged to cooperate and make joint applications, as happens for example in the use of agri-environment payments in parts of Transylvania. Several speakers in the workshop urged the need for a package of measures, focused upon the needs of small farms. To improve the position of milk producers in the food chain, the creation of producer groups could be made exempt from competition law; and such groups could be empowered to make a levy on their members in order to create a crisis fund for use when there is abrupt rise in production costs or abrupt fall in farm-gate prices.

7. Implications for the CAP 2014-20. Mr. Plewa this morning referred to the support which small farmers, even those with a low degree of market participation, could expect to receive through Priorities 2 and 3 of the proposed future EAF RD, with their focus on farm competitiveness and viability, and through the proposed option of flat-rate payments of €500 or €1000 per small farm. Participants in the workshop noted the proposed measures, but there were calls for a higher ceiling of €1500 for the flat-rate payments, with no checking of cross-compliance or greening; for reduction in monitoring costs and in the paperwork burden on small farmers; and for a stronger system of farm advice. One participant proposed that there should be a compulsory single EU-wide scheme for small farmers, spread over a three-year period, with yearly checks, derogation on cross-compliance and greening, and with access to technical support for groups of more than five producers. This might be supported by the creation of a permanent EU-wide network of small farms, to assist the exchange of ideas and provide a voice for small farmers in Europe.

8. Opportunities offered by short food chains. Participants in the workshop strongly endorsed the benefits which may be offered by short food chains and local food systems, as described at the beginning of the conference by Commissioner Ciolos and the Prince of Wales. Short food chains can serve the rising demand among consumers for fresh, healthy, good-quality food of known provenance and good taste. They can provide fresh food to urban consumers, including those on

very low incomes and those in institutions such as schools and hospitals. They can reduce food miles, save energy and the use of fossil fuels, and help to combat climate change. They can enable farmers to gain a higher share of the final food price, to add value to their own products, and to diversify their enterprises. They can generate local employment in processing, retail and tourism.

9. Those who seek to promote short food chains face difficulties. The inhibiting factors are similar to those which affect the access of small farmers to CAP support. Thus :

- a. Government policies are often unhelpful. Commissioner Dalli and Mr Van Goethem described, this morning, the wide degree of flexibility which Member States could exercise in implementing the hygiene regulations. However, it is clear from the experience described by workshop participants that some member states make limited use of this flexibility or fail to publicise its effectively, with the result that many small farmers or SMEs in the food chain are pushed into disproportionate levels of investment or prevented from diversifying as they might wish. The rules of public procurement also are interpreted by many governments in ways which fail to reflect the benefits of fresh local food or short food chains.
- b. Difficulties specific to farmers and other entrepreneurs. Small farmers and food-chain enterprises may lack skills in marketing or in handling diversified activity. They may lack the financial resources needed to pay their share of investments, and may be unable to secure credit from banks or other sources. Infrastructure such as roads, electricity or water supplies may be inadequate, not only in the rural areas but (for example) in city markets where farmers wish to sell products which depend upon washing or refrigeration.

10. Solutions to these difficulties should be found now, and in the future EU policy. It is clear that a determined effort is needed if the European Union is to realise the strong benefits which are offered by short food chains and local food systems. This effort should not wait until 2014 and the new programming period. The aim should be to integrate primary producers more fully into the food chain. There is need for strengthening of technical advisory system; for securing of effective sources of credit; for encouragement of cooperation between farmers, and between them and others in the food chain; and for a flexing of public procurement processes and regulations to reflect the benefits of fresh local food and short food chains. Member States should be urged to use and effectively publicise those measures of flexibility in hygiene and related regulations which can enable small farmers, SMEs and all actors in short food chains and local food systems to operate in ways that do ensure public safety but are proportionate to the scale of their enterprises. Looking ahead to the policies beyond 2014, there is need for a package of measures focused upon the promotion of short food chains and local food systems, with higher than normal co-financing from the EU. This package may include support for infrastructure and transport, storage, processing and marketing, labelling and the like. Those food chains which cross the boundary between the countryside and cities may be much assisted by the links between the Rural, Regional, Social and Fisheries Funds foreshadowed by the Commission, and by the new family of Local Action Groups which will be funded under the proposed new provisions for Community-led Local Development.

Conclusion. The workshop endorsed the comment by the Prince of Wales in his video message that small farmers are a major asset for Europe; that local food is not merely a niche sector; and that small farms and short food chains, which were at the core of Europe's life in the past, represent a vital part of the future of European agriculture.

