THE CAP
HAVE YOUR SAY

MODERNISING AND
SIMPLIFYING THE CAP
WORKSHOPS FOR
IMPACT ASSESSMENT

Socio-economic issues

Brussels, 9 June 2017

#FutureofCAP
Agriculture 
and Rural 
Development
Date: 09 June 2017

Venue: DG AGRI, L102 - 00/25 Auditorium, Brussels (BE)

Disclaimer: This summary is based on abstracts provided by speakers and a synthesis of questions and answers¹. More details are available in the presentations. These documents solely represent the views of their authors and cannot be regarded as the official position of Constituencies/the European Commission.

¹ Acknowledgements
Contributions made by all participants should be acknowledged, in particular as regards the organisation of the workshop and drafting of the present report: speakers for providing abstracts, Pr. Alan Matthews (Rapporteur, Trinity College, Dublin), Eleftheria Vounouki, Florence Buchholzer, Marc Cropper (European Commission).
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1. **SCOPE AND OBJECTIVES**

1.1. **Context**

This event was part of a series of four workshops aimed at gathering evidence in the context of the impact assessment on modernising and simplifying the **Common Agricultural Policy** (CAP). This workshop provided an opportunity to discuss, with external experts/stakeholders and with interested staff of various Directorates General (DG) of the Commission, challenges for addressing **socio-economic issues within the CAP** and to **gather evidence**.

This workshop was organised by the Directorate General for Agriculture and Rural Development (DG AGRI).

1.2. **Scope of the workshop**

The workshop was constructed in three sessions, with presentations from external experts/stakeholders as well as the Commission services. The morning session provided information and analysis on lags, gaps and inconsistencies concerning jobs and growth in agriculture and rural areas. The afternoon session focused on poverty, inequalities and territorial cohesion issues. Both sessions were followed by a wrap up session and a question and answers discussion. During the third session, representatives of the Commission services presented their conclusions.

The **wrap up** session addressed the implications of these questions/answers for the CAP. The rapporteur communicated conclusions of the workshop to the Stakeholders conference on Modernising and Simplifying the CAP (7 July 2017, Brussels).

The total number of participants was around 70.

2. **SUMMARY TAKE-AWAY MESSAGES**

- Trade is increasingly occurring within agro-food global value chains
- CAP payments reduce outflow of labour in EU-15 – no impact found in EU-13
- Higher CAP expenditure correlated with higher regional GDP growth – but CAP payments go disproportionately to poorer regions
- Agricultural jobs and income help reduce poverty across EU
- Need to improve the number and the quality of jobs/invest in human capital.
- We have strong agriculture but weak rural economies
- Youth (and especially rural) feel ignored, not included in decision making
- Local responses are not enough, multilevel governance is needed
- Rural people "will move" and territorial forces are too strong for policy to change them.
- There is a need for training for resilience, which requires a different paradigm to the conventional training for productive efficiency
3. INTRODUCTION: SETTING THE SCENE

Tassos HANJOTIS, Director / Florence BUCHHOLZER, Advisor (DG AGRI)

The workshop on “Socio-economic issues” was opened by Tassos HANJOTIS who quoted the Commission Work Programme for 2017 which refers to the “Simplification and modernisation of the Common Agricultural Policy (CAP)”. The Commission took forward work and consulted widely on simplification and modernisation of the CAP to maximise its contribution to the Commission’s ten priorities and to the Sustainable Development Goals. He outlined the main challenges facing EU agriculture and the new policy context.

The process involves a first phase of consultation, where the challenges and objectives need to be identified, and which leads to the definition of the policy options and their assessment. The work takes into account the opinion of the REFIT platform, the results of a Public Consultation, and of a series of thematic workshops.

Florence BUCHHOLZER, Advisor on foresight and impact assessment in DG AGRI, explained the scope of the four thematic workshops, covering the following topics:

1. Best Environmental & Climate Practices
2. Risk Management
3. Food-related issues
4. Jobs and Growth

Participants in the socio-economic workshop include experts ad personam from academia, expert organisations, stakeholders and Commission services (Inter-Service Group). A Rapporteur will present the outcomes of each workshop to stakeholders at the Conference on July 7th, 2017. In the workshop on socio-economic related issues the Rapporteur role is held by professor Alan MATTHEWS (Trinity College, Dublin, Ireland).

4. STATE OF PLAY/ISSUES

4.1. Session 1: Lags, gaps and inconsistencies concerning jobs and growth in agriculture and rural areas

Chair: Mark SHUCKSMITH, Director of Newcastle Institute for Social Renewal
Newcastle University, United-Kingdom

4.1.1. Scene-setter on jobs and growth in EU agri-food sector

Emanuele FERRARI, Alfredo MAINAR, Joint Research Centre, European Commission

The presentation consists of two parts. In the first one, the presentation shows the historical and current picture of employment, turnover and value added of the agro-food sector, including simulation of the future coming from a modelling exercise. The second part introduces a new database to describe and analyse jobs and growth issues in agriculture and related sectors, the so-called BioSAMs (Social Accounting Matrices with high disaggregation for Bioeconomy sectors) for the 28 Member States and an EU aggregate. A few examples are extracted from the database to illustrate its potential for describing current situation in terms of jobs and wealth creation and linkages among all sectors of the analysed economies.
4.1.2. Structural analysis of bioeconomy sectors by EU Member State

George PHILIPPIDIS, Wageningen Economic Research department, Netherlands

Under the auspices of the bioeconomy strategy and its contribution to the circular economy, the current study employs social accounting matrix (SAM) multipliers to evaluate the macro-economic contribution of biobased activities to wealth and job creation in the European Union (EU). Building on previous research, 28 EU Member States, Bio-SAMs are constructed for the year 2010, which provide a comprehensive disaggregation of biobased sectors. Importantly, in the current study biobased sector detail is extended even further to incorporate additional contemporary sources (i.e., pellets, energy crops) and uses (first and second generation biofuels, bioelectricity) of biomass hitherto not contemplated in studies of this nature. Employing a statistical analysis, the results reveal that the EU bioeconomy is a potentially important engine of wealth and employment, although this is very much a function of the EU countries under consideration. Moreover, a comparison with previous studies suggests that structural change driven by the financial crisis has promoted the relative importance of these sectors, whilst the economic model presented here is congruent with the biophysical cascading model of biomass usage which promotes bioenergy usage as a last resort.

4.1.3. Links between global agriculture & food value chains and jobs & growth

Jared GREENVILLE, Organisation for Economic Co-operation & Development

World agro-food trade has exhibited strong and relatively stable growth since the late 1980s. Despite fluctuations in world prices and major economic events, agro-food trade growth has been remarkably stable showing the importance of longer term trends in supply and demand in determining trade outcomes – within this, the EU shifted from a net agro-food importer to net agro-food exporter in 2012. However, while trade has been growing the nature of the products traded have also been changing. World agro-food trade has become more ‘global’ – sectors which export are sourcing more of their inputs from international markets and, when these exports reach foreign markets, they are increasingly being used as inputs into other products and being re-exported. That is, trade is increasingly occurring within agro-food global value chains (GVCs). The changing patterns are apparent in trade in value added where China and the EU are shown to be ‘hubs’ in the flow of world agro-food value added. For the EU, the agro-food exports of Members within the region source foreign value added from across the globe. Furthermore, while GVCs provide opportunities for income generation, participation in them has also been found to have spill-over effects on productivity and sector transformation.

The increased inter-linkages in production and trade within agro-food markets mean that policies affecting trade can have wider influences (even unintended) on the competitiveness of domestic agro-food sectors. These effects, through both income generation opportunities and productivity, have a direct link to agro-food sector growth and job creation within the EU. In 2011, across the 28 Members exports to agro-food GVCs were on average accounting for around 7% of total agro-food sector employment in value terms – and as high as 16% in some Members. So in terms of a country's benefits for jobs and growth from agro-food GVC participation, both agricultural and non-agricultural policy settings matter:
Using trade policy to ‘protect’ individual sectors no longer serves this purpose because barriers to imports act as a tax on a country’s exports by raising input costs and thereby limit job and growth opportunities from GVC participation.

Domestic support policies affect both targeted and non-targeted sectors. Any policy that disrupts access to inputs or changes incentives between different sectors can limit the ability of agro-food sectors to participate in global value chains and reduce the domestic value added created. For countries covered by the OECD Producer Support Estimate database, non-distorting support provided either directly to producers or to the sector as a whole has a positive influence on GVC participation and domestic value added generation. By contrast, the use of distorting support has a negative influence on domestic value added creation, highlighting the value added losses from protection policies.

Technical barriers to trade (TBT) and sanitary and phyto-sanitary (SPS) regulations, can both facilitate and hamper GVC engagement and domestic value added creation. Overall, the results for SPS and TBT concerns suggest that, while these measures enable trade to occur, less complex and more transparent and science-based arrangements that avoid concerns being raised by trading partners can increase the domestic value added generated in exports.

Enabling policies in agriculture and the competitiveness of support sectors contribute to GVC participation and value creation. Transport infrastructure, education levels and agricultural research and development (R&D) are all positively related to GVC participation and domestic value added creation from GVC participation. Similarly, services trade restrictions have important influences on agro-food GVCs. Measured by the OECD’s services trade restrictiveness index, restrictions to services trade were found to negatively influence GVC engagement and decrease the domestic value added generated for countries with high levels of restrictions.

4.1.4. Assessing the impact of the CAP on growth, jobs and poverty: Conceptual Issues and Preliminary Findings

Rogier J. E. VAN DEN BRINK, The World Bank

The World Bank is currently carrying out a forward-looking assessment of the CAP. Preliminary results were presented. In the EU, the agriculture sector plays an important role: the agricultural sector, narrowly defined to include primary production only, accounts for only 1.4% of GDP and about 4% of total employment. However, if the sector is defined broadly to include production and agri-food businesses, the sector's contribution to GDP quadruples to 6%. In addition, the agriculture sector can perform important social protection functions by providing income-generating activities for poor or vulnerable rural households, which can lead to improvements in household consumption, food security and the accumulation of durable assets. And as around half of the EU’s land is farmed, agriculture is also key in ensuring that its practices contribute to the sustainable development of a rich variety of landscapes and habitats.

In the EU, some EU Member States have experienced a relatively successful structural transformation: migration from rural to urban areas, while agricultural labour productivity increased, so that remaining rural inhabitants were able to sustain their
livelihoods and rural poverty declined. On the other hand, in several other states, rural poverty persists, while agriculture is lagging behind and unable to support rural incomes.

The basic approach is a regression analysis on an EU-wide data panel. The panel data set (Eurostat) contains data on production, employment, incomes and poverty. Individual countries (or groups of countries) gain access to the CAP in different years, with different levels of resource transfers, and, given the flexibility allowed under the CAP, with different implementation modalities. During the workshop, team members presented very preliminary initial results in order to obtain feedback from the participants.

The absolute differences in poverty in the EU are stark. However, agricultural jobs and income helped reduce poverty between 2009 and 2013, in contrast to non-agricultural jobs and earnings. On average, agriculture and areas of poverty are not correlated. And while very small farms tend to concentrate in areas of high poverty, so do very large farms. CAP payments, on average, find their way to poorer areas.

CAP expenditures are positively correlated with regional GDP growth. However, the findings measure “gross effects”, without taking into account the negative effects of taxation for financing of these expenditures. The growth effect is stronger for “non-distortionary” CAP support (which includes both pillar 2 payments and decoupled pillar 1 payments). In the Old Member States (OMS), where Pillar 1 historically was mostly in the form of coupled payments, which can be seen as “distortionary” for production decisions by farmers, the Pillar 2 effects are stronger. In the New Member States (NMS), where Pillar 1 is mostly decoupled, there is little difference between the Pillars.

In the OMS, no significant impact of CAP payments on productivity is found. However, in the NMS, there is a strong positive impact of CAP payments on productivity. This is possibly because in the NMS most payments are decoupled (Pillar 1 and 2) and thus less distortionary. The working hypothesis is that the decoupling of CAP contributed to positive effect on agricultural productivity. In the OMS, the CAP payments tend to reduce outflow of labour of agriculture. Only the non-distortionary subsidies (Pillar 1 decoupled and Pillar 2) have a significant effect. The initial results of the study suggest the following hypothesis: non-distortionary policies (decoupled payments in Pillar 1 and investment support in Pillar 2) performed better than coupled payments. The policy implications flowing from this hypothesis are to (i) continue the reform shift from coupled payments to decoupled payments (Pillar 1) and to rural development (Pillar 2); and (ii) target payments better to poverty reduction and job creation, by “capping” the CAP payments.

4.1.5. Links with upstream sectors

Tiffanie STEPHANI, Fertilizers Europe

Mineral fertilizers, agricultural machineries and plant protection products are all inputs giving European farmers the tools and the means to produce quality food for Europe and beyond, while optimizing their production processes. Hence it is crucial for European policy-making to have a consistent and predictable regulatory framework; a requirement which is not given today. In the future, the impacts of EU rules on both upstream (manufacturers) and downstream (farmers, contractors, farming practices…) must also be considered during all stages of the European decision-making.
The farming, forestry and related industries create today around 400,000 jobs in the EU. The fertilizer sector alone counts around 93,000 jobs (incl. entire supply-chain). Today, mineral fertilizers represent 80% of the market of plant nutrition (in value). Fertilizers do not only represent a cost for farmers, but also a return on investment as it boosts yields and quality of the crops (e.g. building the protein content which is essential for backing quality of wheat).

The industry of agricultural machineries counts about 4,500 manufacturers in the EU, with a turnover of 26 billion EUR and the largest number of employment within the upstream sectors and producing 450 different machine types. It is a leading industry in Europe, but it is more and more confronted with higher regulatory compliance costs.

The plant protection industry, creating 26,000 jobs in the EU, is confronted with a very challenging regulatory framework, and expects a 22.6% increase in costs until 2019.

A modernized CAP must maintain agricultural productivity growth, by enabling farmers to invest again, and foster environmental performance of the agricultural sector as a whole.

4.1.6. Links with downstream sectors

Daniel AZEVEDO, Copa-Cogeca

Copa represents over 23 million farmers and their family members whilst Cogeca represents the interests of 22,000 agricultural cooperatives. They have almost 66 member organisations from the EU Member States.

- The EU agri-food chain, as a driver of the EU economy:
  - delivering 40 million jobs in the EU,
  - representing 3.7% of EU GDP,
  - world's number one exporter of agricultural and food products amounting to €130 billion, **Net exporter (surplus)- €20 billion**
  - adding value to primary products.
- Farmers are literally the backbone of our society. Producing under the highest quality standards worldwide they are not only the first producers of food, they play a crucial role in preserving our natural resources, creating jobs and keeping our cultural traditions alive.

Therefore agriculture needs innovation to provide concrete solutions, but above all, farmers need to access latest technology in order to compete in dynamic markets and reach ambitious targets.

4.1.7. Q&A - panel discussion - wrap up of the 1st session

- Should CAP support focus on jobs or growth in farming (given that jobs and growth can evolve in opposite directions in terms of numbers and/or of geographical location)?
- Is high job-intensity always linked with small size farms and low competitiveness?
- CAP has different roles to play in different parts of the EU.
- Some questions on figures (e.g. bioeconomy).
4.2. Session 2: Poverty, inequalities and territorial cohesion

Chair: Jared GREENVILLE

4.2.1. Income inequality and poverty - the overall (EU) perspective and the case of Swedish agriculture

Martin NORDIN, Associate professor - Researcher, AgriFood Economics Centre, Swedish University of Agricultural Sciences (SLU) and Lund University, Sweden

Income inequality has increased largely since the 1970s. High-skilled sectors and high-skilled labour has experienced large increases in incomes. To understand the problems facing the agricultural sector (and rural areas) an overall perspective is important.

According to an EU-wide Gini coefficient the inequality literature focuses mainly on within-country inequality. Much less research has been done on between-country income inequality. An EU-wide Gini coefficient should include both the within- and the between-country income inequality. Studies show that EU-wide income inequality is comparable to income inequality in the US. Recent changes EU inequality is caused by a decrease in between-country income inequality. UK is an exception where within-inequality has continued to increase.

In the case of Swedish agriculture study, longitudinal register data were used to evaluate the dynamics of earnings of Swedish farm households from 1997 to 2012. The results indicate that, from a standard of living perspective, farm households do well, but from a return to skills perspective, farming is still a low paid occupation. Nevertheless, farm earnings increase faster than earnings in the general population. Also, poverty (at-risk-of-poverty rate) in Swedish agriculture has decreased with around 50%.

In the future, inequality is probably going to keep increasing in EU as global competition continues to increase – Pressing down wages of low skilled labour in EU to a large extent affecting labour in rural areas. To tackle this problem we have to continue up-skilling the labour force in Europe, complemented with redistributed policies to help groups that fall behind (the rural poor). It may suggest that the EU subsidies (CAP) should have a broader redistributive role in ensuring incomes in rural areas and not mainly targeting the agricultural population. At least, CAP should be a means-tested income support targeting poverty in agriculture

4.2.2. Social exclusion in rural Europe

Mark SHUCKSMITH, Director of Newcastle Institute for Social Renewal Newcastle University, United-Kingdom

Social exclusion is more than just the lack of a job. Four systems of social inclusion/exclusion are distinguished:

- Market relations, e.g. labour markets, product markets, housing markets
- Bureaucratic relations, or state administrative systems
- Associative relations, based on shared interests, philanthropy, charity
- Communal relations, based on shared identity (family, friends)

while social exclusion means being disadvantaged by all four systems.
Multi-dimensional, dynamic processes of social exclusion are taken place in their localised contexts. Social exclusion may have different dimensions related to social class, gender, ethnicity and age. Concerning young people, youth unemployment has increased dramatically in the economic crisis. Young people are twice as likely to be unemployed (5.69 million youth are unemployed which represents 23.5% of youth labour force and 40% of youth in work are on temporary contracts). In rural areas of many MSs the youth unemployment rate is higher. Youth transition is a core concept. The world into which young people grow has changed, offering increasing precarity and less stability and support from traditional institutions (church and family) and requiring engagement instead with labour markets and welfare state. Studies highlighted uncertainties/risks facing young people in rural Europe and their lack of support and guidance. Fundamentally there is an issue of accountability to young people in rural areas and their rights as citizens, as young people in rural areas feel ignored by those in authority and they are poorly involved in decisions making.

Rural contexts require different and diverse responses. Policies must address the processes underlying growing inequality, which operate at multiple scales. Young people are essential to the future sustainability of rural communities. CAP, Regional, Employment or Youth Policies are a real opportunity to address poverty and social exclusion in rural areas of Europe, as well as to realise the growth potential of rural areas.

4.2.3. Land, livestock, crops and people: understanding income disparities across Europe

Joao Pedro WAGNER DE AZEVEDO, The World Bank

EU Member States are currently at very different levels of economic development. As a result, there is no EU Member State as unequal as the EU as whole. As a consequence, if an absolute EU poverty line was adopted, poverty rates among Member States would be extremely different. Although EU Member State have already recovered their GDP per capita losses, anchored relative poverty rates today are still higher than pre-crisis values.

Preliminary findings showed that the increase in regional agricultural activities is correlated with lower regional poverty rates; there are many possible explanations for this: higher relative poverty rates in urban areas, demand-driven agricultural activities in relatively wealthy areas or more investment in efficient agricultural production techniques in relatively wealthy areas. However, these results are nonlinear suggesting that from a poverty perspective, labour use per holding and average plot size are not always positively associated with higher poverty at the local level and also that scale effects with diminishing returns exist as number of labour units per holding and holding size increases.

Spatial patterns of labour intensity and average holding size are quite different across Member States and the polarizations do not seem to be in terms of new and old Member States. There is also heterogeneity on the relationship across choices of crops and livestock and poverty and this relationship also varies by Member State. Regions with more individuals in diversifying households have greater poverty reduction. However, territories with higher farm holdings specialization have higher poverty reduction.

Patterns in terms of number of beneficiaries are similar to the amount of payments, with Pilar 1 decoupled and Pilar 2 showing a strong alignment with the poorest territories. When jointly analysed, Pilar 2 results remain significant in terms of outreach to the
poorest NUT3 regions of the Europe. Overall CAP payments are linked to territories with higher poverty reduction (and particular Pilar 1) and, CAP payments reduced absolute poverty when pillars considered together.

4.2.4. Territorial cohesion through the lenses of the CAP and rural areas,

Katarzyna ZAWALINSKA, Polish Academy of Sciences Institute of Rural and Agricultural Development, Warsaw, Poland

Territorial cohesion is about ensuring harmonious, sustainable and polycentric development and making the most of the inherent features of different territories. Territorial development of rural areas is driven by global trends especially migrations which determine: demographics (aging, depopulation), labour markets (balance) and public services (provision). So, territorial imbalances are due to a vicious circle of these three factors. There is a high correlation between the type of rural areas and their development, which means that the worse demography and the less developed areas are the more persistently agrarian function remains.

In the case of Poland, demographic issues, labour market balance and education contribute strongly to the socio-economic development of rural areas. Low levels of deagrarization of local economy and strong agricultural sector are linked to a low socio-economic development. In general, interregional disparities remain and intra-regional disparities grow; East-West differences remain consistently and rural areas are still mostly mono-functional.

Progress in CAP contribution to territorial cohesion was mentioned as well as remaining challenges for the CAP to become more oriented towards territorial cohesion. In order to answer to these challenges, the CAP should:
- have a more multi-sectoral approach
- adopt more a territorial than a regional approach
- extend its scope to beneficiaries other than farmers
- trigger higher cooperation for the use of funds by promoting joint projects and supporting conglomerates of rural territories which play a role of core/hub/town.

4.2.5. Resilience of rural communities

Ika DARNHOFER, Institute of Agricultural and Forestry Economics, Dept. of Economics and Social Sciences, Univ. of Natural Resources and Life Sciences, Vienna, Austria

While there are a number of different definitions of ‘resilience’, what they have in common is the emphasis on the ability to cope with (unexpected) change. Depending on the context approaches to resilience may emphasise ‘bouncing back’ to the state before the shock (e.g. in disaster management), and/or emphasise ‘bouncing forward’, i.e. taking advantage of the new opportunities as they arise. Thus ‘resilience thinking’ fundamentally differs from a ‘planning’ approach which assumes that the future is predictable and thus allows focusing on optimising and efficiency (i.e. a ‘command and control’ approach). Resilience thinking builds on understanding the words as complex, uncertain, ambiguous; and thus emphasises flexibility and adaptability.

Assuming that in many rural communities farmers and their families play an important role, the resilience of rural communities is closely linked to the resilience of farms.
Building on the assumption that the future is not predictable (and thus it is not clear what will work), it would be important to promote (1) place-based approaches (i.e. territorial rather than sectoral) as well as (2) heterogeneity (i.e. diversity of farm development pathways). This is in contrast with current approaches (e.g. in the types of investments that can be funded, the type of research that is promoted, the type of advice that is offered) that tend to have a strong sectoral approach and a one-sided emphasis on intensification and scale increase. While this ‘classical modernisation’ will work well for some regions and some farms (and should remain one of the options), it would be desirable to identify ways that promote more diversity. This includes both structures (e.g. make funds available for open-ended processes and ‘venture’ capital”; ensure that partners in an investment/project are not just farmers -see LEADER I-) as well as offer a different type of support (i.e. from ‘knowledge transfer’ to knowledge co-creation; from extension agents to facilitators and coaches).

4.2.1. Q&A - panel discussion - wrap up of the 1st session

✓ What is the responsibility of CAP concerning social objectives? Shall it fill the gap of (inexistent or) insufficient social policies? (this is linked to the question of articulation of the CAP with other national and EU employment and social policies)
✓ What is the economic contract in the EU on mobility?
✓ Where is the coordination mechanism for social policy? Importance of Community-Led Local Development
✓ Improve territorial targeting.

4.3. Session 3: Conclusions

Chair: Mario MILOUCHEV, DG AGRI - Director, Directorate E- Rural Development Programmes I and Pre-accession assistance

- DG AGRI, Flavio COTURNI, Head of Unit (HoU) C1 - Policy perspectives
- DG REGIO, Lewis DIJKSTRA, Deputy HoU Unit B1 - Policy Development and Economic Analysis
- DG TRADE, Benjamin VALLIN, Policy Assistant, Unit D3 - Agriculture, Sanitary and Phytosanitary Market Access, Biotechnology
- DG EMPLOYMENT, Stefan DE KEERSMAECKER, Deputy HoU Unit F1 - European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD)
- DG GROW, Jarek ŚWIERCZYNA, Legal and Policy Assistant, Unit D3 - Biotechnology and Food Supply Chain
- DG RTD, Dyanne BENNINK, Deputy HoU Unit F3 - Agri-Food Chain
- DG ENERGY, Giulio VOLPI, Policy Officer, Unit C.1: Renewables and Carbon capture and storage policy

Commission representatives highlighted focus areas of EU policies/programmes, as well as linkages with agriculture and rural areas: human capital, education, youth, cohesion, smart specialisation, harnessing globalisation, digitalisation, innovation, bio-economy, renewable energy, forest … All agreed on the need to avoid overlaps and enhance synergies across EU action.
5. **CONCLUSIONS BY RAPPORTEUR PRESENTED AT THE “CAP HAVE YOUR SAY” PUBLIC CONFERENCE ON 7 JULY 2017**

Alan MATTHEWS, Professor, Trinity College, Dublin, Ireland

The final workshop of the four addressed socio-economic issues and ways to strengthen the socio-economic fabric of rural areas including generational renewal. Europe’s rural areas are a wonderful tapestry of varying landscapes, climates and traditions. Many rural areas, particularly those in the vicinity of larger urban centres, are performing well with growing populations and a vibrant economic base. But many rural regions, particularly in more outlying districts away from urban centres or in difficult terrain such as islands or mountainous areas, face a variety of demographic, economic and infrastructural challenges. Viable rural communities are necessary to ensure the sustainability of the vast majority of EU territory.

Against this background, policy seeks to promote inclusive growth in rural areas, to improve access to services and to infrastructure, and to reduce inequalities between territories and between groups. Many of these issues were discussed in September 2016 by participants at the Cork 2.0 rural development conference that agreed the Declaration on “A better life in rural areas”.

Primary agriculture remains an important source of both value added and employment in many rural regions. A presentation from the Joint Research Centre at the workshop examined the drivers for the future EU bioeconomy. The importance of the primary sector is declining, due to significant productivity gains of labour and capital and the relative decline in farm prices. However, the agricultural sector also supports employment and economic activity in other sectors through its purchases of inputs, through the value added to its production in the downstream food processing sector, and through the multiplier effects of the spending of farm households.

Other workshop papers presented methodologies based on input-output analysis and social accounting matrices which enable us to quantify the importance of these linkages. One of the insights of this work is that backward purchases are more important for wealth generation than forward linkages, which seems to be driven by the large diversified purchases by agriculture which has ripple effects throughout the economy.

Another insight is the importance of employment linked to trade and exports of agrifood products. Here one presentation discussed the growing importance of global value chains in structuring the route to market for food products. Global value chains can provide broader opportunities for producers, but there is an important policy question how best to exploit these opportunities.

A World Bank presentation at the workshop summarised recent empirical work assessing the impact of past CAP agricultural and rural policies on GDP growth and job creation. Preliminary findings were presented which found a positive relationship between CAP expenditure and regional GDP growth, but it was noted this is the result of a partial analysis without taking into account the negative effects of taxation for financing of those expenditures. The growth effect is stronger for non-distortionary CAP support (including both Pillar 2 payments and decoupled Pillar 1 payments). No significant effect of CAP expenditure was found on agricultural productivity in the older Member States but there was a strong positive impact of CAP payments on productivity in the newer Member States. On the other hand, CAP payments were found to have reduced the labour outflow from agriculture in the older Member States, with a stronger effect for hired labour. The
researchers could not find any significant effect of CAP payments on agricultural employment in the newer Member States, which may be due to the skewed distribution of payments in some of these countries, or the existence of extensive underemployment. Work is ongoing to confirm these conclusions.

The second half of the workshop focused on poverty, inequalities and territorial cohesion, where the key questions were how to make the CAP more equal and more inclusive. The starting point is the presumption that “agriculture remains important for employment and poverty reduction” in rural areas and for inclusive growth. This is based partly on the evidence that poverty is relatively higher in more rural, agriculturally oriented regions, at least in eastern Europe and the Mediterranean countries.

Preliminary World Bank analysis found some evidence that regions with more individuals in diversifying households have experienced greater poverty reduction, but also that territories with higher farm holdings specialisation experienced higher poverty reduction. This work found that CAP payments are going disproportionately to those areas with the greatest levels of absolute poverty, and that over the period 2009 to 2013 agricultural jobs and income helped reduce poverty across the EU.

The discussion on territorial cohesion at the workshop raised a number of issues. The territorial development of rural areas is driven by global trends, especially migration, which determines demographics (ageing, depopulation), labour markets (balance) and public services (provision). The CAP can try to influence these trends through support to young people in rural areas, assistance for diversification and rural renewal. An important issue is the significance of scale in monitoring cohesion trends and in identifying areas at risk. While one view was that the key issue was how rural areas could retain young people and attract high skill, high productive, high earning individuals, another view was based on the “life cycle hypothesis”, namely, that it was natural that young people would leave rural areas but that older and retired people might find it attractive to return to these areas. These different visions of rural development suggest rather divergent rural policies.

Another workshop theme was the importance of the quality and not just quantity of jobs in agriculture and rural areas. The key issue here is investment in human capital. Evidence was presented from Sweden that agricultural household earnings are rising relative to the general population. While there is still a gap, it is getting smaller, suggesting the conclusion that agriculture in Sweden is moving from a sector with relatively poor human capital endowments to becoming a high-skill sector.

The transition of young people into farming was explored in another workshop presentation. Succession is more likely on larger, more viable farms or where pluriactivity offers a stable future. Parents on family farms speak of a painful dilemma: they wish to hand on the farm to their children, but worry that this condemns their children to a life of poverty and struggle. Schemes to support and assist new entrants to farming are of crucial importance. Access to land and access to credit are the biggest constraints.

However, there is a paradox that while entry into farming remains attractive to young people, the status of paid jobs in both agriculture and the food industry is very low. Increasingly, these jobs are undertaken by immigrants, with the risk of poor working conditions and exploitation. Poor quality jobs are associated with social exclusion. The discussion highlighted the different dimensions of social exclusion – social class, gender, ethnicity, age.
Regarding the nature of skills training required, the final workshop paper argued the case for training for resilience which requires a different paradigm to the conventional training for productive efficiency. Resilience values redundant resources, the importance of keeping options open, understanding that change is not predictable, and the importance of soft knowledge. The EIP operational group concept was seen as a good model on which to build. This also suggested a different approach to farm advisory activity, moving away from the ‘knowledge transfer’ model to one based more on coaching and facilitation.

An important question underlying the theme of the workshop is whether the pursuit of greater productive efficiency and a more competitive European agriculture is compatible with using agriculture, or the agri-food complex more widely, to drive greater employment growth in rural areas? Is productivity growth in agriculture at the expense of jobs? This echoes the wider debate in the broader society whether accelerating technological change in robotics, artificial intelligence and big data is job destroying or job creating.

The challenge to retain people in farming is how best to promote productive jobs that offer the prospect of comparable returns to other economic activities. Focused policies designed to overcome market barriers which hold back rural and farming businesses and which encourage higher value-added production which can earn premium prices from consumers (including better access to credit, more support for quality schemes and better organisation through producer groups) will contribute to sustainable jobs in the farm sector and in rural areas. This workshop contributed to the knowledge base needed to design these policies.