

# The contribution of research to agricultural policy in Europe

Presentation to 10th anniversary BAE-AIEAA webinar series

28 January 2022

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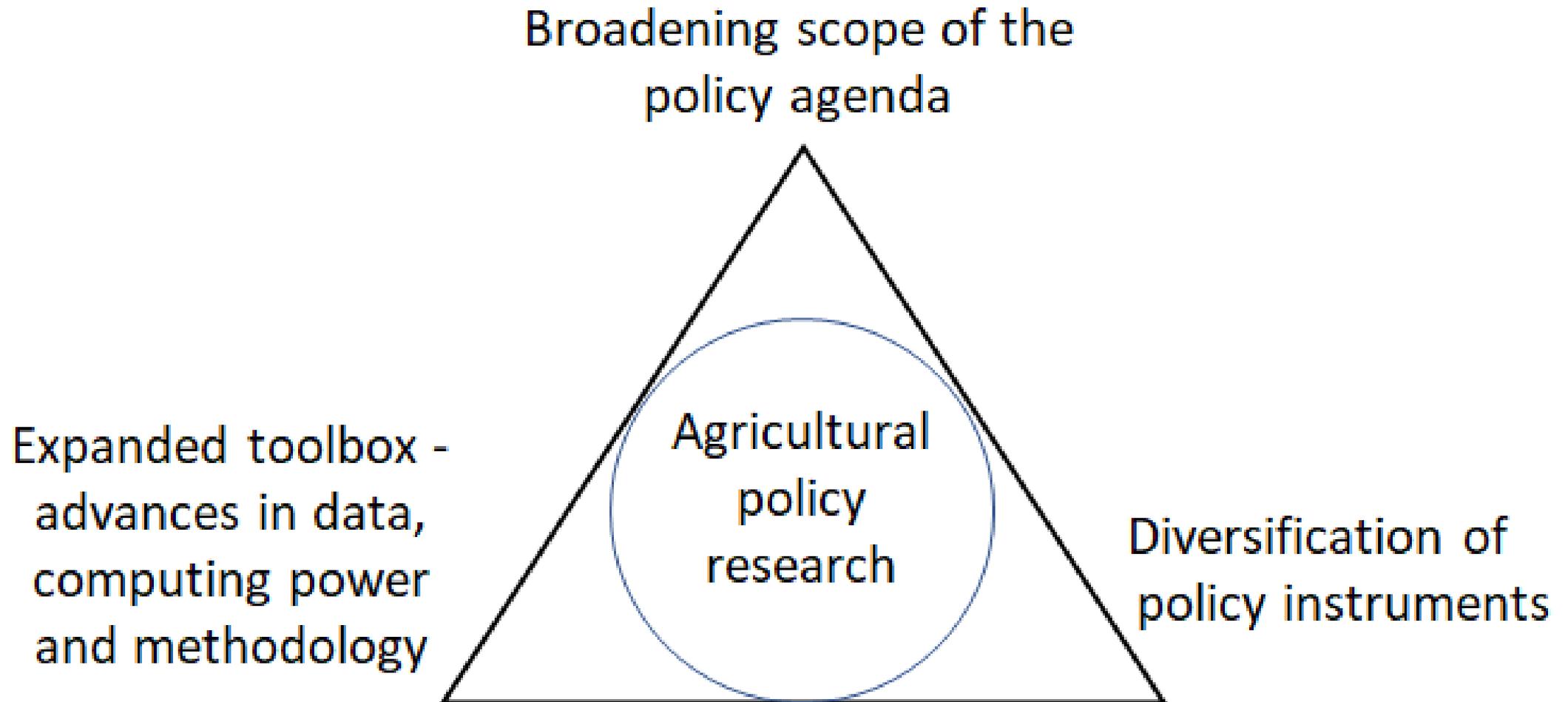
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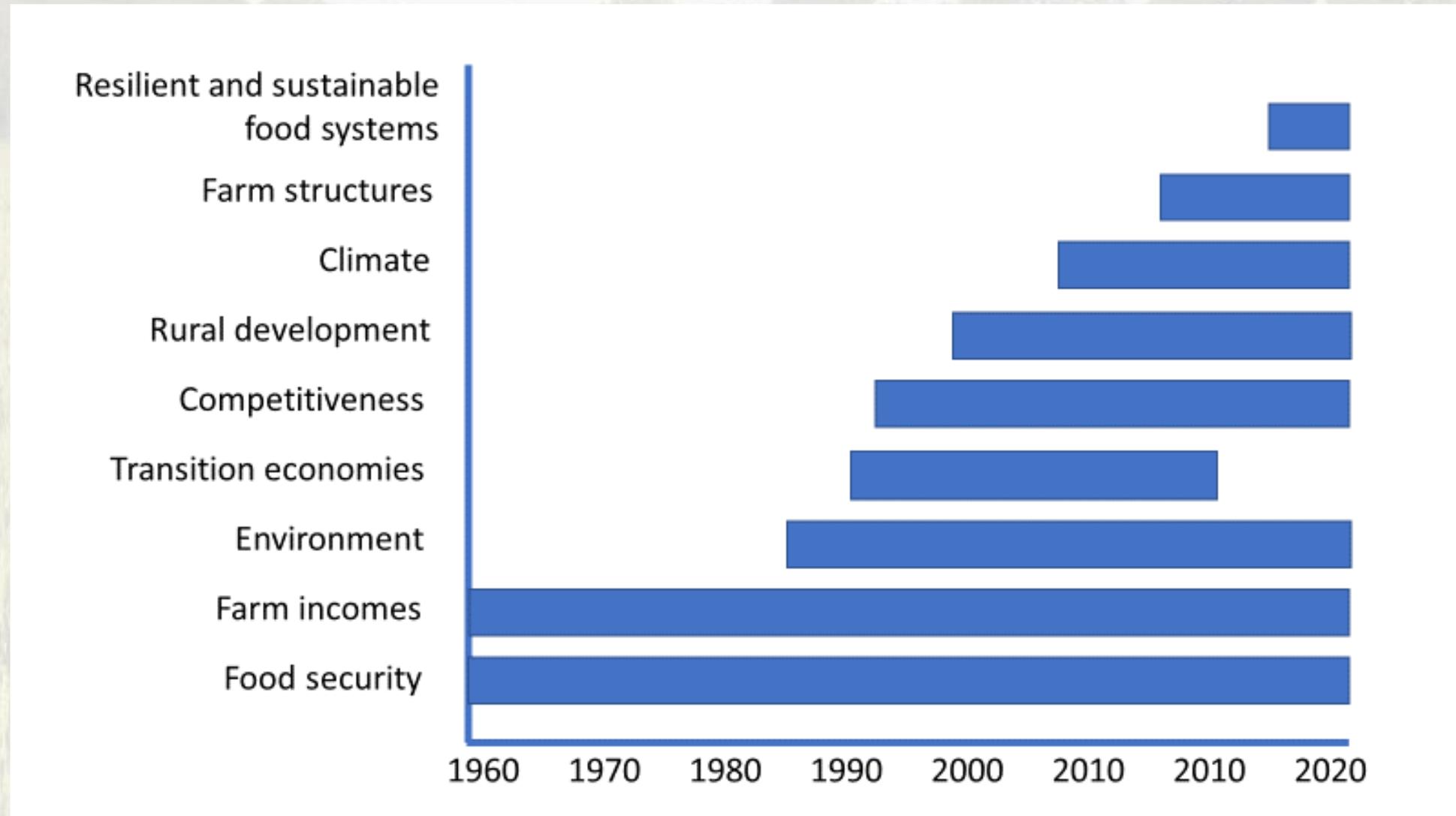
# Outline of presentation

- Presentation summarises the paper Matthews (2021). The contribution of research to agricultural policy in Europe. *Bio-based and Applied Economics* 10(3): 185-205. doi: 10.36253/bae-12322
- Survey of some key themes in agricultural policy research in Europe in recent decades
- Examines drivers of changes in the research agenda
- Two in-depth case studies
  - Direct payments
  - Agri-environment-climate measures
- Concluding remarks
  
- NOT a systematic but a narrative review (see Fusco 2021)

# Major influences on European agricultural policy research



# Overview of changes in research priorities over time



# Food security

- ‘Ensuring food supplies at reasonable prices’ set as one of the CAP objectives in the Treaty of Rome
- National level food security has not been an issue even since before the CAP came into being in 1961, though individual households can experience food insecurity
- Yet food security remains a prominent theme in policy debates, although with very different framings (Candel et al, 2014)
- Received further impetus in the wake of the COVID-19 pandemic, despite the remarkable resilience of food supply chains
  - Commission contingency plan for ensuring food supply and food security in times of crisis
  - Revived literature on the conditions for resilient food systems

# Farm incomes

- ‘Ensuring a fair standard of living for the farming community’ is also a Treaty objective
- Income issues refer to the level, stability and distribution of income
- Research has focused on whether there is indeed an income gap between farm and non-farm incomes and the extent to which this reflects agriculture-specific characteristics is a matter of definition and measurement
- Research focusing on household income and controlling for both observable and unobservable characteristics suggests sector-specific issues relating to working in agriculture are not an important explanatory factor (Marino, Rocchi, and Severini, 2021)
  - Farm household income includes significant support payments under CAP as well as return on substantial farm assets including land

# Farmers' income compared to wages in rest of economy

Jobs and growth in rural areas - (EU27) - European Union 27 (excluding UK)

Selected Member State: European Unio

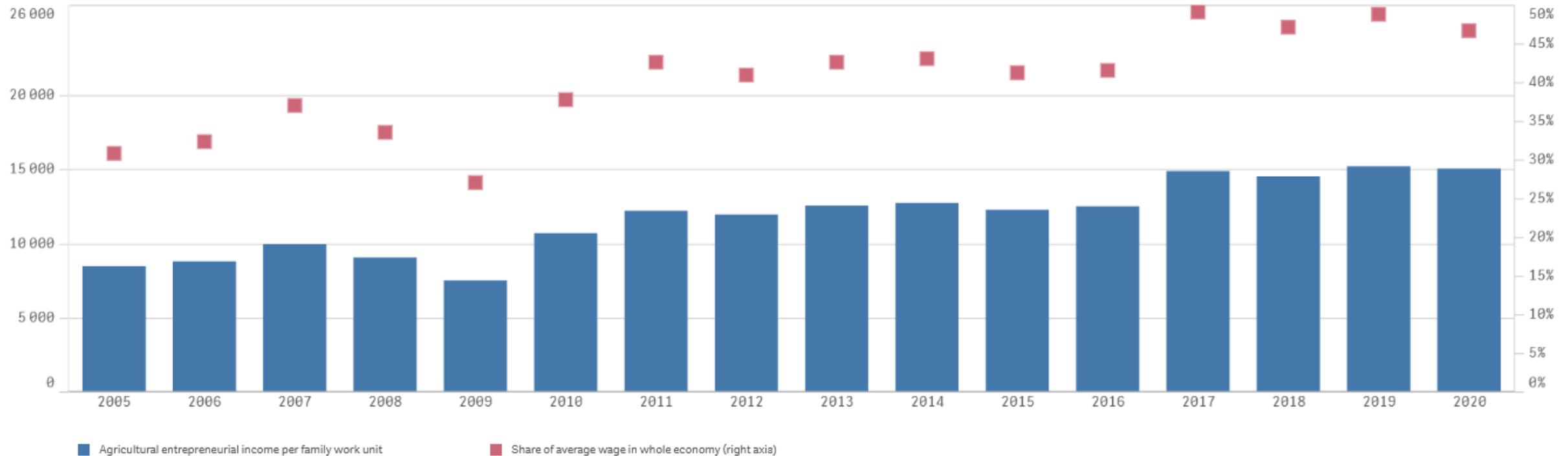
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Info

Re-set Selections

Farmers' income compared to wages in the rest of the economy

UR/family work unit, real terms)



# Farm structure concerns

- Interest goes back to the early CAP and the Mansholt Plan to drastically reduce the farm population to release land to enable remaining farms to grow to a viable size
- Explicit support for the family farm as the 'bedrock' of the European model of agriculture
- Successive enlargements introduced much greater heterogeneity in farm structures
- Growing political interest in farm structure (land grabbing, disappearance of family farms, opposition to 'mega' farms, generational renewal) reflected in new wave of research

# Resilient and sustainable food system

- Increased understanding that food systems are contributing to multiple and inter-related challenges - poor diets, poor health outcomes, food waste, biodiversity loss, environmental degradation, resource scarcity, inequality and climate change
- The food systems perspective draws attention to the interactions, including synergies and trade-offs, between different policy domains and levels of government.
- A strong normative element in this literature.
- New research questions !

# Direct payments

- Direct payments as a policy instrument have generated much research
- How equally are they distributed, how dependent are farmers on this support?
- Do they have production effects; are they capitalised into land values?
  - Range of capitalisation effect large but low, reflecting particular institutional features
- Do they impact on productivity growth?
- How do they influence the process of farm structural change?

# Agri-environment-climate (AECM) interventions

- Distinguished from income support instruments by its focus on environmental outcomes, its voluntarism, its contractual nature, and its use of an objective mechanism to establish payment levels
- How (ecologically) effective have these measures been?
- Voluntary schemes – what factors determine participation?
  - Adoption studies initially focused on factors such as farm structure or farmers' socio-demographic characteristics. More recent work has investigated the influence of behavioural factors such as farmers' motivations and attitudes, the role of social capital and farmer's networks, as well as the role played in diffusion by whether one's neighbours have adopted the practices
- How to design AECM contracts for maximum effectiveness?

# Expanded toolbox

- Data.
  - Agricultural policy research is hugely dependent on data availability and access to data, some improvements are apparent
- Models
  - Agricultural policy researchers have put a huge investment into developing models as laboratories for policy simulations
  - JRC funding has allowed greater stability in model development
  - The shape of the future – modular models?
- Experimental methods and behavioural insights
  - Experimental economics: a new methodology to establish cause-effect relationships
  - Behavioural economics explores the implications of observing how farmers and consumers actually make decisions rather than assuming that they are rational, self-interested, utility-maximising individuals.

# Looking to the future

- The growing breadth of policy research brings with it a growing need for interdisciplinary collaboration.
- Has research had any impact on practical agricultural policy?
- The paradox of agricultural economics: a thriving science for a shrinking sector (Hanf, 1997).
  
- Access the full paper
- Matthews (2021). The contribution of research to agricultural policy in Europe. *Bio-based and Applied Economics* 10(3): 185-205. doi: 10.36253/bae-12322