



Increasing farm income and resilience through imaginative and targeted RDP programming

Workshop highlights

Introduction

The [ENRD Workshop on Farm Resilience](#) discussed how the Rural Development Programmes (RDPs) can foster farm resilience, generate and stabilise farm income, and reinforce existing initiatives. In particular, it aimed at:

- exploring how RDP Measures on risk management, advisory services, knowledge transfer, investments, innovation, diversification, and their strategic combination can empower farmers to risk-proof their businesses;
- looking at tools and approaches to business development and risk management in view of the sequential economic crises, increasing market volatility, and climate change.

Event information

Title: Increasing farm income and resilience through imaginative and targeted RDP programming

Date: 29 March 2017

Location: Brussels, Belgium

Organisers: DG AGRI/ENRD Contact Point (CP)

Participants: 62 representatives of Managing Authorities (MAs); Paying Agencies (PAs); Advisory Services; National Rural Networks (NRNs); farmers' organisations; European Commission; ENRD CP

Outcomes: Practically oriented inputs and workshop discussions

THE NEED FOR 'FARM RESILIENCE'

Over the past years, farmers have increasingly been confronted with economic and environmental risks bringing uncertainty for the future development of their businesses. [Jose Manuel Hernandez](#) (DG AGRI, Unit F.1.) presented some key contextual factors affecting the farming sector such as: i) a decreasing trend in real income in EU-28; ii) low-price environment; iii) high farm income volatility; iv) increasing farm losses related to climate events. These factors outline the need to enhance farm resilience and income generation. In this context, the farming sector could take advantage of some of the opportunities offered by the Rural Development policy by:

- ▶ diversifying into **new sectors** (e.g. bio-economy, renewable energy);
- ▶ investing in **smart farming** and **new technologies**;
- ▶ exploiting the potential of the **new consumption patterns** (e.g. organic farming, animal welfare);
- ▶ strengthening **rural-urban linkages** (e.g. short supply chains, institutional purchasing).

RISK MANAGEMENT

The morning session of the event saw a presentation of a 'risk-management tool' supported under RDP Measure 17 'Risk Management' (M17 provides planned finance for around 675 000 holdings throughout the EU). [Christian Vincentini](#) (DG AGRI, Unit F.1.) presented an overview of the main challenges in its implementation and the new modifications proposed by the upcoming Omnibus Regulation.⁽¹⁾

Main challenges in the implementation of M17

- EU Member States (MS) are not keen on keeping money aside just to react in the case a risk happens;
- There is a lack of reliable data necessary to calculate farm income under the Income Stabilisation Tool (IST) scheme;
- The IST must currently cover all sectors, which may discourage some MS from implementing it. A tool that allows targeting specific sectors may be preferred;
- The threshold of over 30% drop in the average farmer's annual income in the IST and in the average annual production in the case of mutual funds and the insurance premium is perceived as being too high;
- MS are concerned with building up deficits with risk-management tools where the state is behind the tool and with selection criteria and application procedures where the state is the final beneficiary.

(1) The so-called 'Omnibus' Regulation forms an integral part of the mid-term review of the Multi-Annual Financial Framework (MFF) 2014-2020. It consists of an ambitious revision of the general and sectorial financial rules aiming at increasing simplification and flexibility.

The novelties in the Omnibus Regulation

Sectorial Income Stabilisation Tool (IST)

IST targets farmers in specific agricultural sectors. Main differences between the general IST and the sectorial IST:

- the sectorial IST targets farmers of a specific sector;
- a sound justification of the reasons behind the implementation of the tool should be provided;
- the sectorial IST is activated by a drop of **over 20%** in the farmer's average annual income rather than over 30% as is the case with the general IST.



The new tool will be notified as an 'Amber Box scheme⁽²⁾ to the WTO. **This has no implications for MAs' daily work.**

(2) According to the WTO terminology, support measures considered to distort production and trade (with some exceptions) fall into the Amber Box. The use of this type of support by WTO members is limited.

Other Schemes

- For all schemes involving the set-up of mutual funds, the provision forbidding the **contribution of public funds to the initial capital stock of the mutual fund is deleted.**

Examples from MS

-  [France](#): Approach to M17.1 & 17.2, Emma Dousset (Managing Authority)
-  [Hungary](#): Approach to M17.3, David Mezei (Managing Authority)

STRATEGIC PLANNING OF AND INVESTMENTS IN FARM RESILIENCE

Strategic investment is a key element for improving farm resilience. Smart investments in strategic areas such as short supply chains, smart farming and renewable energy can help farmers to generate sufficient income to overcome periods of crisis. Another important factor for strategic investments is a good understanding of the market. Conducting and applying market research enables farmers to make more strategic decisions on investments.

Succeeding in the milk crisis through strategic investments and business management strategies



“Every farm has the potential to grow through smart investments. This allows to scale up operations and access new markets.”

Michael Dörr,
Farmer (Ceres Award winner), DE

Market research as a basis for investments strategies



“Good information is a must for designing adequate Measure packages that support the needs of farmers.”

Désirée Handke,
DLZ Agrarmagazin, DE

PANEL DISCUSSION - FARM BUSINESS STRATEGIES FOR INCOME GENERATION AND FARM RESILIENCE – THE ROLE OF THE EAFRD

The panel included Martin Scheele (DG AGRI, Head of Unit F.1.), David Mezei (HU Managing Authority), Michael Kuegler (EUFRRAS), Paulo Gouveia (COPA-COGECA), Jannes Maes (CEJA). The following table summarises the main points of the discussion.

The best methods for developing farm income and capacities while maintaining competitiveness during crises

- **Farm entrepreneurship & business development:** robust business strategies to exploit market potential and reduce risks (not the same as increasing income).
- **Farm advice** based on farmers' needs and demands (related to businesses development, agricultural practices,

digitisation, use of ICT, environment, climate change, etc).

- Increase of farmers' **human capital** (vocational training or informal exchange of information).
- Investment in **physical assets**.
- Well-functioning **risk-management** tools at the EU, national and regional levels (individual or through collective actions).
- **Cooperation** for market access (through cooperatives to scale up business).
- Practical **innovation** communicated to farmers. The role of advisory services is key to transfer knowledge and disseminate innovation.

The role of the EAFRD in farm resilience and income generation

- **The RDPs offer sufficient tools** that can be used to address the farmers' needs. MAs should combine them efficiently to respond to needs. Aspects to improve:
 - **Risk-management tools:** improve the tools for preventing systemic risks (affecting all farmers), to make them more attractive to farmers.
 - **Farm advisory services:** there are MS with very underdeveloped or fragmented advisory services. Good advisory services can help MAs to react faster to enhance farmers' knowledge when a crisis comes.
- **Better interplay between different policy options:** other EU Funds should strengthen the support they provide to rural areas based on the principle of complementarity.
- **Simplification** without undermining the quality of the policy and its effectiveness.
- **Encouragement of vocational training:** promote formal, informal and cross-border learning programmes.
- **Clearer definition of 'active farmers'** to allow better targeting of funds.

ADVISORY SERVICES AND KNOWLEDGE TRANSFER

Farmers need access to knowledge and advice to design sustainable strategies in order to cope with the risks they face in their individual contexts. **Advisory services** play an important role in supporting farmers to **diversify** and **scale up their businesses**. The workshop discussed three different approaches to advisory services under Measure O2 (Advisory Services) and other RDP Measures: i) [Academy and forum of diversification](#), Dr. Lofner-Meir (DE); ii) [The impact of working circles - increasing farm resilience in the lamb sector](#), Josef Erlacher (IT); iii) [Support to innovative business strategies](#), David Ashford (UK-Wales).

INNOVATIVE SOLUTIONS TO INCREASE FARM INCOME

The Operational Groups (OGs) of the European Innovation Partnership (EIP-AGRI) are a new RDP-supported tool to foster innovative solutions for farming activities. Connecting researchers and farmers can result in new practices and technologies to enhance the resilience of many farms. This multi-actor approach may generate innovative solutions to implementing more **resource-efficient practices**, for instance, which could lead to increased farm income.

In addition, the use of innovative and smart solutions (for example, involving ICT and big data) enables farmers to acquire knowledge and implement more efficient actions. In this respect, **transparent market information tools** support farmers in their business decision-making, for example through online market observatories.

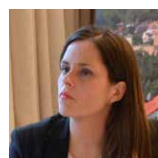
 **Increasing production efficiency through innovation**



“*Innovation is a risky business, but many of the implemented EIP projects focus on reducing risks on current activities and practices.*”

Sirpa Karjalainen, DG AGRI (Unit B.2)

 **Big data and IT applications for market observation observation**



“*The next step is to work on open data and interoperability with other systems to support farmers in decision-making.*”

Pilar Garrido,
Regional Ministry of Agriculture, ES

GROUP WORK – ‘EAFRD MEASURE PACKAGES’ FOR FARM RESILIENCE AND INCOME GENERATION

Topic	Main messages
Stabilising the dairy sector	<p>Identified Measures: M01 Knowledge transfer; M02 Advisory services; M04 Investments; M16 Cooperation; M17 Risk Management.</p> <ul style="list-style-type: none"> • Advisory services are key in the dairy sector. In Ireland and N. Ireland such support includes advice on production cost benchmarking and reduction, business and cashflow management, and forecasting. • Transparency of prices within the value chain and vertical integration between processors and farmers can also contribute to securing viable incomes in the sector. • Risk-management tools such as the Income Stabilisation Tool scheme, pasture-based risk-management schemes, capital support to small farms (up to 150 cows) can support the continuation of farming activities during a crisis.

<p>Emphasising rural-urban linkages</p>	<p>Identified Measures: M02 Advisory services; M04 Investments; M06 Farm & business development; M16 Cooperation; M19 LEADER/ CLLD, Networks.</p> <ul style="list-style-type: none"> • There are various sectors such as tourism, food markets, social farming (site visits, course 'green schools, care farming), with potential for improving rural-urban linkages. • Rural-urban linkages can be fostered through cooperation. It is possible to use selection criteria in order to promote collective projects (e.g. awarding more points to projects coming from a group of farmers). • The combined implementation of Measures is challenging due to fragmented competences and policies in Member States. One possible solution is the use of ICT to provide a one-stop shop for applications.
<p>Stimulating cooperation to increase competitiveness</p>	<p>Identified Measures: M01 Knowledge transfer; M03 Quality schemes; M09 Producer groups and organisations; M10 AECM; M16 Cooperation; M17 Risk management; M19 LEADER/CLLD.</p> <ul style="list-style-type: none"> • It is necessary to improve communication on the potential of M16 in order to enhance the understanding of stakeholders. • Collective approaches can be implemented under several Measures (e.g. M01, M10). Need to enhance flexibility in using collective approaches in other Measures. • The combined application of Measures can increase the danger of double funding (hence, the importance of the role of Paying Agencies). Examples of combined Measures include: the UK, where several Measures may be combined into a single 'scheme'; in other MS, eligibility and selection criteria may be used to encourage Measures to be used in mutually reinforcing ways.
<p>Furthering farm resilience in mountain areas</p>	<p>Identified Measures: M01 Knowledge Transfer; M02 Advisory services; M03 Quality schemes; M04 Investments; M06 Farm & business development; M07 Basic Services; M09 Producer groups and organisations; M10 AECM; M11 Organic farming; M13 ANC; M14 Animal welfare; M16 Cooperation; M17 Risk Management; M19 LEADER/CLLD.</p> <ul style="list-style-type: none"> • Continue supporting farming in mountain areas for the provision of public goods. • It is key to encourage cooperation, quality schemes, animal welfare and promotion of agricultural products to improve competitiveness. • Farms in mountain areas need integrated support (combination of different Measures). It is challenging to implement integrated support due to the timing of the calls. A proposed approach is to support the business plans of farmers in mountain areas with a lump sum (similar to the approach to young farmers).

CONCLUDING REMARKS

- **Enhance existing complementarities among policies:** as there is not one single approach to farm resilience that fits the needs of all Member States, it is necessary to improve coordination with other policies to reinforce the different elements needed for improving farm resilience (at EU, national and regional levels).
- **Implement the Rural Development policy in an intelligent and strategic way:** RDPs can help farmers to cope with environmental, climate and market crises through a wide range of tools and by combining Measures. Managing Authorities and stakeholder groups need to work together to design the right strategy that works best for farmers in the national context.
- **The Rural Development policy should be used in a preventive way before a crisis** hits and support farmers to prepare themselves for the medium and long terms. Short-term support during crises can be provided through other instruments available, which are complementary to the RDP Measures.
- **Farmers as entrepreneurs:** it is key that farmers assume a more entrepreneurial role and plan their businesses. The RDP Measures can support and empower farmers to risk-proof their businesses and build resilience through investments, risk-management tools, advice, training, innovation, cooperation, quality schemes, animal welfare, and organic farming, among others.



Helen Williams,
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