

# **Thematic Group on Unlocking the Potential of Cooperation**

## **Background Paper**

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This background paper offers a brief **overview of the importance of cooperation** in agriculture, the agri-food sector and in rural development. The paper also outlines the **role of the CAP and the various ways through which it can enable support for cooperation at Member State level.**

## 1. What is cooperation?

Cooperation can involve horizontal or vertical collaboration between different actors (farmers, public institutions, business, researchers, citizens, or other rural stakeholders) to achieve common goals. Cooperation enables farm businesses to pool resources, share knowledge, and strengthen their bargaining power by working together to improve productivity, reduce costs, and increase access to markets. Cooperation can also be the key to enhancing the vitality and viability of rural areas through stronger economic growth and increased job opportunities.

## 2. Why should farm businesses cooperate?

Over 90% of farms in the EU are small family-run businesses, with nearly two-thirds occupying less than 5 hectares. While large-scale agriculture remains the dominant provider in the EU food system, small farms make vital contributions to food production and local availability. They also play a key role in sustaining rural economies—keeping remote areas alive by maintaining services, preserving regional product identities, and offering employment where opportunities are limited.

Small farms are often seen as valuable, especially in their role as providers of public goods by preserving landscapes and biodiversity through sustainable, traditional practices. Research shows that the disappearance of small farms (the number of farms in EU-27 declined between 2003 and 2016 from about 15 to 10 million (-32%), with the decline strongest among small farms (<5 ha; -38%)) — whether due to intensification or land abandonment—has a negative impact on ecosystems, leading to the loss of biodiversity-rich agricultural landscapes and damage to pollinator habitats.

In this context cooperation among farmers can help improve their competitiveness and sustainability as it can boost competitiveness and sustainability by lowering processing and marketing costs and strengthening small farms' market presence. It also enhances their bargaining power in food supply chains through collective negotiation, helping counterbalance the dominance of processors and retailers.

Considering new entrants to farming there are several structural and socio-economic challenges affecting them. Many small farms are run by older farmers who often continue beyond retirement age, and when they exit, the land is typically abandoned or absorbed into larger farms, increasing average farm size but not necessarily opening doors for newcomers. Starting a farm is costly and risky, with access to land and capital posing major barriers. Additionally, farming is often perceived as offering a less attractive lifestyle compared to other sectors.

In the recent [Thematic Group on Economic Vulnerability of Farming \(TG\)](#) members highlighted the **lack of cooperation in all its forms between farm businesses as a key issue.**

Members particularly identified cooperation between smaller farmers as a key weakness given that cooperation is key to helping them to overcome vulnerabilities and strengthen business resilience. Cooperation between farmers can add value by knowledge sharing also for young and new farmers who often lack of experience of farming business and have lower credit score that worsen their financing terms, due to shorter track records in farming.

Members of the TG were also clear about the advantages of cooperation citing the importance of cooperation enabling farm businesses to utilise risk management tools, gain market insights and improve decision making with their peers. They also suggested that sharing resources such as access to new technology and advisory services. Information and training were also deemed fundamental to successful cooperation.

TG members also suggested that increased cooperation, diversification and preventive actions were key to ensuring that farmers, irrespective of farm size, can make their businesses more resilient, environmentally sustainable and profitable.

More broadly some of the main challenges faced by European farmers and particularly small ones and young farmers include:

#### Access to finance

Access to finance remains insufficient for farmers and agri-food SMEs (small & medium sized enterprises) resulting in smaller loan amounts and/or higher interest rates. Small farms and young farmers are particularly affected by insufficient access to financial instruments. For example, in 2022 small farms suffered EUR 38.4 billion or 61% of the agriculture financing gap for their businesses with such businesses facing

greater disadvantages, in terms of loan rejections and discouragement to apply for bank products compared to larger businesses. In the case of young farmers, more than 50% of all their applications were declined due to restrictions in bank policy, whereas the corresponding rate for older farmers is 32%. Almost 30% of those young farmers rejected for financing were also considered 'high risk' by the banks compared to 4% for older farmers.

### Imbalances in the food chain

The European food chain is impacted by significant imbalances in economic power, primarily between large retailers and food industries, which possess greater bargaining leverage than farmers and other small producers. Such imbalances can give rise to lower farmgate prices and unfair trading practices, including farmers being compelled to sell below production costs, accept unfavourable contractual terms and an inequitable distribution of economic benefits throughout the supply chain. These pressures may severely undermine the viability of small farms and SMEs, thus contributing to reduced profitability for farmers.

### Access to innovation and knowledge

Building a more sustainable and efficient food system relies heavily on agriculture transformation through the adoption of cutting-edge technologies, such as artificial intelligence, internet of things, robotics, and digital platforms. The uptake of innovative digital technologies in agriculture can bring several benefits including increased productivity, leading to higher profits and increased competitiveness; reduced inputs and production costs and optimising resource use, and reducing waste; improved working conditions; etc.

However, there are several challenges hindering the sectors adoption of innovative solutions. Many farmers, in particular senior farmers, may not be aware of the potential benefits of digitalisation and may lack the necessary skills and resources to use new technologies. Also, many rural areas, in which small-scale farmers are often located, still lack reliable and affordable high-speed broadband, hindering the adoption of digital technologies. Moreover, the cost of implementing certain digital technologies might be higher than the potential benefits, especially for small-scale farmers

## Climate change & environment

The impacts of climate change are already being felt across Europe with more extreme and more frequent weather events exposing farm businesses to significant environmental damage and economic losses. Such events require farmers to ensure their businesses are more resilient, through adaption and/or through mitigation. In this respect cooperation has a key role to play, for example through the provision of risk management tools or by supporting conservation activities such as water retention, enhancing biodiversity and improving soil health management. Collaborative initiatives can also help reduce the sector's contribution to greenhouse gas emissions at scale through collective actions such as conservation agriculture in crop cultivation.

More generally, growing public awareness of environmental issues, including biodiversity loss, climate change and the need for provision of public goods, has elevated the environmental footprint of agriculture into a significant policy concern. The importance of adopting coordinated collective actions in tackling such issues at scale is increasingly recognised.

## Business cultures & attitudes

Often, farmers are either unaware of the benefits of cooperation or lack the capacity to engage effectively in joint activities. For some, particularly in Eastern Europe, negative perceptions of cooperation persist due to historical factors. As noted by the Thematic Group (TG) on economic vulnerability, overcoming these challenges largely depends on strong leadership and the proactive nature of their peers and others in providing the necessary expertise so that farm businesses can make informed decisions and work towards a model of cooperation that suits their needs.

### 3. Cooperation and the CAP

The CAP (through CAP Strategic Plans at Member State level) provides financial and technical support for cooperation to enable producers to be more competitive and profitable. This manifests itself under [Regulation \(EU\) 2021/2115](#), where the CAP recognises the need to improve the farmers' position in the value chain, by encouraging forms of cooperation that involve and benefit farmers.

The scope of what can be funded through the CAP by Member States in their CAP Strategic Plans for cooperation is unlimited if the form of cooperation being funded achieves the specific objectives of the CAP. Emphasis is placed on the need for MS to support preparation of certain kinds of cooperation, particularly for **EIP operational groups**, **LEADER groups** and **smart-village strategies**. Other forms of cooperation can be supported by the CAP, which have a great potential to increase the competitiveness, resilience and sustainability of the agricultural sector, including:

Member States offer support for **producer cooperation**, with the aim of improving farmers' position in the food supply value chain and increase the added value of agricultural products. Member States are doing this through **sectoral interventions** (fruits and vegetable, wine, honey, olive and other sectors). Sectoral interventions encourage farmers cooperation, with support channelled only through recognised Producer's Organisations. Application of such interventions is intended to strengthen the bargaining power of farmers. Farmers and their organisations are also subject to exemptions from the EU competition law, a privilege that also encourage farmers to cooperate. Many Member States are also supporting participation in and promotion of recognised EU and national **quality schemes**, and the setting up, promotion or support of **producer groups**, **producer organisations** and **interbranch organisations**.

Some Member States are allocating resources to support **generational renewal** through cooperation, including supporting **farm partnerships** between older and younger generations of farmers, such as **retirement planning**, **farm succession or gradual transfer of assets** and **business knowledge transfer** from older farmers without successors to new entrants, among others.

Other cooperation opportunities take the form of collaborative approaches for **strengthening short supply chains** and **local markets** which have long been demonstrated to be effective tools for strengthening the rural economy with **business clusters** finding new ways **to increase sales, attract new customers, or establish**

**stronger territorial links between agriculture, tourism, cultural heritage and the wider rural economy.**

Other forms of cooperation include support for collective forms of cooperation in the **agricultural and forestry sectors**, including **processing of agricultural products, control programmes for animal diseases, climate change mitigation, climate adaptation, business competitiveness and modernisation.**

From an environmental perspective proposed cooperation actions in the current CAP centre on **sustainable management of natural resources, improving habitat connectivity, protected areas, forest fire prevention, water management and risk reduction.**

## **Further Reading**

**[Addressing the Economic challenges faced by farm businesses.](#)** EU CAP Network, Thematic Group on Economic Vulnerability of Farming (2025)

**[Biodiversity actions at scale – inspiring examples from Member States](#)** EU CAP Network, Thematic Group on Enhancing biodiversity on farmland for improved resilience (2025)

**[BRIEFING - Small farms' role in the EU food system,](#)** EPRS | European Parliamentary Research Service (2022)

**[Economic Vulnerability of Farming – Members report](#)** EU CAP Network, Thematic Group on Economic Vulnerability of Farming (2025)

**[Highlights reports & Background Paper](#)** EU CAP Network, Thematic Group on Economic Vulnerability of Farming (2025)

**[Digitalising the EU agricultural sector,](#)** European Commission (2025)

**[CAP SPECIFIC OBJECTIVES explained – Brief No 3,](#)** European Commission, DG AGRI

**[Towards a Fair Food Supply Chain,](#)** European Economic and Social Committee (2021)

**[Regulation \(EU\) 2021/2115 of the European Parliament and of the Council](#)** - establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD)

**[Farms and farmland in the European Union - statistics](#)** EUROSTAT (November 2022)

**[Pathways to profit - Experimental evidence on agricultural technology adoption,](#)** FAO (2023)

**[Factsheet - Financing gap in the agriculture and agri-food sectors in the EU,](#)** FI Compass (2023)

[The challenges facing European agriculture: Crisis or opportunity for transformation?](#), FOUNDATION ROBERT SCHUMAN (2025)

[Research for AGRI Committee - The Future of the European Farming Model: Socio-economic and territorial implications of the decline in the number of farms and farmers in the EU](#), IPOL | Policy Department for Structural and Cohesion Policies (2022)