

A red tractor is parked on a grassy field in a mountainous landscape. The tractor is the central focus, with its large rear wheel and cabin visible. In the background, there are green trees and snow-capped mountains under a clear blue sky. Another tractor is partially visible in the distance to the left.

Thematic Group on Economic Vulnerability of Farming

Members Report
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Disclaimer

This paper has been developed with the involvement of members of the EU CAP Network Thematic Group (TG) on [Economic Vulnerability of Farming](#) from several Member states as part of the work carried out by the CAP Implementation Contact Point during the two TG meetings. The information and views set out in this document do not necessarily reflect the opinion of the European Commission.

1. Introduction

This document has been developed by members of the Thematic Group on Economic Vulnerability of Farming with support from the EU CAP Network's CAP Implementation Contact Point.

The Thematic Group (TG) explored various issues associated with the economic vulnerability of farming, including risk management. Members also considered how challenges can be overcome by farm businesses, debating how the CAP currently addresses, or could better address, economic vulnerabilities.

Input for this report is based on a series of formal and informal discussions throughout the TG's work. TG members focused their discussions on the following areas:

- Preparedness and preventative actions
- Insurance and mutual funds
- Cooperation
- Supporting environment

In each focus area, members debated ideas and suggestions for addressing the economic vulnerability of farming before developing a single proposal. The following (in no particular order) reflects the outcomes of these discussions, which TG members hope will inform how policy and practice can better address the economic vulnerability of farming.



2. Preparedness and preventative actions

Discussions focused on the need to refocus current CAP mechanisms to better support farm businesses in becoming more resilient.

The group suggested that the next CAP could focus on new tools to tackle market volatility and increased input costs alongside lasting policy measures, standards and requirements for supportive payments and incentives, to farming in vulnerable rural areas. These tools could also signal the introduction of an equitable sharing of costs throughout the value chain, with EU oversight helping ensure fair returns for all stakeholders, particularly producers.

The potential for alternative business models for food production was highlighted, specifically the role of community-supported agriculture in boosting resilience through direct sales to local markets.

Members suggested the need for appropriate EU and national reserves for crisis interventions, coupled with longer-term financing of farm businesses from outside the CAP (approx. 20 years). They also indicated that effective risk management actions require a better understanding of farmers' attitudes towards them, suggesting that a study could be commissioned to explore this.

Suggested actions to help farmers manage risk and reduce their exposure to shocks:

- Supporting investments for risk management tools, e.g. hail nets and anti-frost irrigation.
- Supporting income insurance systems.
- Adapt relevant legislation (e.g. Geographical Indications (GIs), labelling and processing standards) to include enhanced and tailored opportunities for vulnerable farms.
- Provision of advice on the use and application of risk management tools by farm businesses.
- Incentivising and supporting cooperation (in all its forms) between producers, particularly small producers and/or producers in disadvantaged areas.
- Training and financial support for young people that enables them to set up their own businesses.
- Increased investments in young farmers.
- Agri-environment-climate measures (AECM) strengthen the climate resilience of small farms in areas of natural constraint.
- Specialised top-up payments to income support for disadvantaged areas.
- Investment in shorter supply chain development aimed at farm businesses.
- Increase funding opportunities centred on risk management (Regulation 2021/2115 Article 73, particularly for climatic risk factors, which are usually quite expensive, with specialised options for farms in highly vulnerable areas.
- Reduce administrative burden and streamline processes to make them more efficient, approachable and accessible.
- Control/Mediation mechanisms for dealing with unfair trading practices on the national level to help strengthen farmers' position in the value chain (e.g. [Fairnessbüro](#) (AT)).
- Harmonise market standards to enable fair competition on the market.



Group proposal – Diversify to thrive: strengthening farm resilience and income through tailored support

The proposal focuses on diversification through the CAP to enhance resilience, future-proof businesses and address issues such as market volatility and climate-related risks.

Diversification is a key building block for improving farm income and economic resilience. However, not all farms are equally positioned to diversify as various factors, such as location, production system, business sector or labour management/available labour, can make this challenging or even impossible.

Improved and diversified incomes enable farmers to take informed risks and adapt their businesses, thereby offering increased resilience and improved mental health for business owners and their families. Diversification enables opportunities to increase business development opportunities through leadership, innovation and investment. In addition, diversification can help ensure that the farm business remains attractive to the next generation.

Farm diversification contributes to making rural areas, particularly remote and island areas, more attractive for living and working, including for young people, offering benefits to the wider rural economy, such as employment and career opportunities. These benefits can help increase public expenditure on key infrastructure and services.

Diversification enables farmers to improve their position in the value chain, add value to their products, and collaborate with other businesses to increase market access. Diversification, particularly through food, leisure, tourism and hospitality, may also help wider society appreciate the societal, environmental and economic importance of farm businesses.

The CAP could support diversification on small farms and in disadvantaged areas in several ways, most notably through specialised investment support, tailored advice, peer learning and measures to enable and support cooperation. EIP Operational Groups may offer opportunities for clusters of farm businesses to test ideas and approaches to diversification. Working with local partnerships, such as LEADER, may also create additional opportunities that support or generate investment in farm diversification.



3. Insurance and mutual funds

Members felt that further work was required to ensure the appropriate frameworks and structures were in place to facilitate the uptake of insurance by farm businesses, particularly insurance systems that are not provided by the market.

Members recommended a comprehensive evaluation of various European insurance schemes, examining in particular: how insurance schemes meet the needs of farmers; why insurance cannot meet the needs of certain crops; the nature and extent of the barriers hindering the adoption of insurance schemes supported by the CAP; and the relevance of costs related to commissions paid to brokers and agents, as well as other administrative expenses.

An EU wide legal framework should enable the provision of supported insurance premiums (excluding ad-hoc insurance payments) while also ensuring coherence between private insurance and public aid. Any framework should be flexible enough to allow Member States to use national funds or CAP funds for any public aid.

The development of an EU wide basic price protection system with the aim of applying a generalised scheme functioning, like the income stabilisation tool, should also be considered.

At EU level, members also discussed the need to create a defined process for covering damages caused by extreme events. They emphasised the importance of improving the efficiency of EU agricultural insurance markets to increase the availability and uptake of insurance products, which could lower the systematic risk for insurers.

Any structures for insurance should be ready to use, easily repeatable and standardised across the EU. They should be built on lessons learned from existing mutual and income stabilisation tools to develop new, standardised models.

Suggested initiatives included the development of a general income stabilisation tool for commodities (based on existing statistics)

and the promotion of mutual and income stabilisation tools and initiatives to drive innovation in the insurance sector (e.g. improved data use). Members also highlighted opportunities to use artificial intelligence in the insurance process and the adoption of more open rules in the CAP that enable Member States to tailor approaches according to different needs and requirements.

Members suggested various approaches specifically for the CAP, including: alignment of state aid rules with CAP rules on risk management; linking investments through the CAP with insurance so that the initiative stays with the farmers to be more resilient and adapt to climate change; having sufficient funding to support the uptake of risk management tools; and facilitate the participation of farmers in insurance for low risk and value by improving access and transparency of relevant products. Develop and promote affordable crop and livestock insurance to protect against climate risks and price volatility.

To improve risk management, it will also be important to explore data-driven solutions, such as weather forecasting and pest monitoring, which can reduce the costs of data collection. Additionally, examining successful case studies from countries with similar agricultural challenges will help identify integrated risk management strategies that cover weather-related risks, plant diseases and income fluctuations.

A comprehensive approach should include a proper assessment of farm income vulnerability and an evaluation of the effectiveness of different risk management tools in addressing this issue. Understanding how various instruments impact farmers' income stability will provide valuable insights for improving policy design and ensuring that support mechanisms effectively mitigate economic risks.

Group proposal – Reducing farm income vulnerability by enhancing participation in risk management tools through lower transaction costs

This proposal aims to identify approaches to reduce the high transaction costs associated with the use of risk management tools (e.g. insurance, mutual funds and income stabilisation) that limit their accessibility, especially for small farmers, and propose ways to support these approaches.

The expected benefits associated with the proposed policy approaches include a reduction in transaction costs, making risk management solutions more affordable. This, in turn, is expected to lead to greater participation by small farmers in risk management programmes and enhanced resilience to climate-related weather events, plant diseases and income shocks.

The CAP can play a role by providing better financial support for risk management tools, which include targeting a reduction in transaction costs, simplifying access to these tools and aligning state rules across Member States to ensure a consistent approach to reducing transaction costs for farmers.

There is also significant scope for the CAP to promote and support innovation in the insurance sector particularly through improving data use coupled with appropriate data infrastructure and systems that enable secure exchange and increase the availability of high-quality data collected either by private companies or by the public sector (e.g. weather, phenology and yield data).



Suggested policy approaches:

- Reduce search costs for farmers.
- Improve information provision to farmers about the value of insurance to their business.
- Include information on available products in advisory services.
- Further develop digitisation in insurance marketing.
- Link insurance marketing with other products or services, such as credit or machinery.
- Commission limitation/transparency for brokerage fee for premium-subsidised insurance.
- State reinsurance.
- Collection and publication of statistics about insurance schemes.
- National approaches for insurance schemes (as opposed to sub-national).
- Digitisation and harmonisation of the insurance process (farmer - insurance company - public authorities).
- Explore and support data-driven solutions, such as weather forecasting and pest monitoring, which can reduce the costs of data collection.
- Encourage data use from smart farming by insurance companies, and promote cooperation between insurance companies and those that generate and possess data (e.g. machinery manufacturers).
- Improve data exchange among insurance companies.
- Harness digitisation for loss assessment and claim settlement.

There is also huge potential for mutual funds, which are not widely utilised across the EU despite available CAP support. Collaborations between mutual fund managers and insurance companies can significantly reduce damage assessment costs by streamlining the process for both weather-related events and disease risks. Additionally, income stabilisation tools are valuable resources for managing income fluctuations. These tools benefit from strong links between producer organisations and mutual funds, as producer organisations effectively share data on farm revenues.

Actors that should be involved include EU institutions (CAP implementation bodies), private entities (e.g. insurance companies, mutual fund providers and cooperatives), technology providers for data monitoring (i.e. weather, plant disease and market monitoring), and research institutes (academic and policy research institutions evaluating risk management tools for different risks).

To successfully implement this proposal, several factors must be considered. Adequate funding will be needed to test new approaches and develop tailored solutions that address different types of risks. Additionally, aligning CAP rules with national regulations and addressing regional differences, such as varying climate conditions, will require careful coordination.

While there may be initial development and implementation costs, these will be outweighed by the long-term benefits, such as increased farmer participation and improved economic stability. From a policy perspective, a financial assessment of the potential budget for subsidised tools should be conducted in relation to their intended applications.

It is important to further discuss and collect successful examples of transaction cost reduction to identify promising policy approaches, particularly in relation to how different countries manage support for mutual funds and other risk management tools.

Understanding best practices in subsidy design and implementation will help identify effective strategies for improving accessibility and efficiency while minimising administrative burdens.



4. Cooperation

Various suggestions were offered on how cooperation can address the economic vulnerability of farming.

Farmers benefited from being in a cooperative by utilising risk management tools, gaining market insights and improved decision-making with their peers. Sharing resources is also fundamental to the functioning of cooperatives, such as access to new technology, information and training.

The group highlighted various approaches (e.g. [CONFIDESA](#)) in which cooperation can address various needs of businesses. These included:

- › collective contracts to cover damage caused by adverse climatic events;
- › managing mutual funds for damage caused by various factors;
- › supporting digitalisation and innovation in risk management;
- › studying prevention strategies to manage risk and impact;
- › working with all stakeholders to facilitate access to EU funding, such as insurance companies, intermediaries and public agencies; and
- › enabling access to new technology and information/training.

Members acknowledged that farmers needed to be aware of the benefits of cooperation and the capacity to engage with others in joint activities. Businesses needed support to adopt a cooperation model that suits them. Business incubators were suggested as a potential solution, with CAP funding supporting various activities therein. The group also suggested the development of an EU framework to promote financing for the scaling up of farms through cooperation.

The importance of leadership within cooperatives was also emphasised. Boards of cooperatives provide needed expertise, enabling farmers to make informed decisions and access markets more efficiently. One example provided was a small cooperative of 20 farmers in the Dutch dairy sector who sell their produce collectively.

Members suggested the formation of a network of certified agribusiness coaches at EU level for cooperation supported under the CAP. This could combine financial support, expert guidance and collaborative learning with annual innovation vouchers (EUR 5 000-15 000 per farm group) redeemable for various activities, including:

- › tailored coaching sessions;
- › access to a digital agri-toolkit with contract templates, return on investment calculators for automation tech, which are often software-based tools designed to help businesses assess the financial benefits of automation, and trademark registration guides; and
- › participation in regional 'innovation sprints' to prototype solutions like cooperative-owned processing facilities to retain a larger share of the financial value generated within the supply chain.

This approach could be inspired by existing models like [EISMEA](#) and [BlueInvest](#), which are tailored to support business models, intellectual property, target markets and supply chains.

Under a structured coaching initiative, a network of certified agribusiness coaches could provide targeted support to farms and cooperatives, focusing on:

- › business model innovation, e.g. diversification, value-added products and circular economy integration;
- › intellectual property (IP) strategy, e.g. brand protection, GIs and patenting for agri-tech solutions;
- › supply chain optimisation, e.g. short-chain development, digital traceability tools and buyer negotiation tactics; and
- › market intelligence, e.g. consumer trend analysis, export compliance and e-commerce integration.

Coaches would be recruited from pools of business coaches, agronomists, legal experts in IP and supply chain managers, with mandatory training on EU agricultural policy frameworks.

By addressing both immediate financial pressures (through vouchers) and structural weaknesses (via IP/commercial coaching), the programme could help reduce farmers' reliance on direct subsidies while improving their capacity to navigate digital and market shifts through collective actions.



Group proposal - Erasmus style approach for education/sharing good practices and business solutions

Members developed a proposal focused on resilience and the involvement of young farmers, with particular attention to the challenges of making cooperatives more attractive. Currently, many young farmers lack knowledge about cooperation and do not show interest in working together. To address this, it is essential that they are taken out of their comfort zones, enabling them to learn from successful examples elsewhere and see how other farmers operate.

This proposal is inspired by Erasmus+, the work of the national cooperative ward in the Netherlands and the Dutch national board for cooperatives, which finances training for its members.

Adaptation of the Erasmus approach will help address the economic vulnerability of farming through increasing the knowledge and capacity of farm businesses. This approach will involve relevant professional skills and expertise, as well as learnings from other Member States on how cooperatives can become more competitive. The overall aim is to change the mentality and perceptions about cooperatives and the farming sector in general, thereby increasing cooperation between farmers.

This initiative may not be attractive for the CAP, given that Horizon Europe or the [Union of Skills strategy](#) are more appropriate for this proposal. That said, there is still a fundamental role for the CAP in supporting cooperatives and cooperation more broadly through investments, marketing support, etc. There is also a wider role for National Networks to disseminate knowledge and good practices on how to run cooperatives effectively.

This type of initiative could require collaboration at the EU and Member State levels, along with key industry organisations and cooperatives from a range of farming sectors, universities and advisors, while the [National Networks](#) and the EU CAP Network should play a key coordinating role. Preparatory work will rely on identifying needs across Member States, as well as identifying advanced cooperatives to organise any exchanges.

Success will rely on potential participants engaging with and hosting the initiative. As with all forms of transnational work, this initiative will need to consider how best to manage the language barrier to ensure inclusivity.

Further Reading

- › [Dutch council for cooperatives](#)
- › [LEADFARM5.0 project](#)
- › EU-wide [exchange schemes for young farmers](#)
- › [COOPID – Farmer techniques to grow a profitable business in the bioeconomy](#)



5. Supporting environment

The group acknowledged that much is being done in the current CAP to help address economic vulnerability, but there were clearly areas that could be further developed: These include:

- promotion of, and greater use of, peer-to-peer approaches, building on the successes of examples such as stable schools or [Arbeitskreise](#);
- mentoring, particularly for smaller, more vulnerable farms, to enable them to make their production more efficient;
- development of new forms of advisory service that also focus on diversification and market expansion in areas such as agri-tourism and direct sales;
- more effective flow of information from governments to local cooperatives, farm advisors and social media;
- supporting workforce development in smaller farms through targeted agricultural training programmes for small farms and the appropriate use of local languages in an easily accessible format; and

- development of networking platforms to enable advisors and policymakers to have meaningful exchanges on key issues important for them, learning from the work of others, such as [modern AKIS](#) and the '[Speeding-Up-Innovations](#)' series in Austria.

Members felt that the CAP should continue to provide the means to:

- encourage precision farming and the use of technology to optimise resource use and improve productivity;
- support organic farming, regenerative agriculture and water-efficient irrigation systems; and
- expand digital tools for farm management, weather forecasting and market access.

Members considered that there was a need for the CAP to consider how best to provide tax incentives and ease credit access for farm businesses, including the provision of easy-to-access grants for vulnerable farms that don't require extensive paperwork. Related to the latter point, members called for streamlined application processes, including pre-filled forms, simplified eligibility criteria and appropriate advisory support.

Group proposal - targeted strategies to address financial, digital and bureaucratic barriers

The proposal aims to enhance communication and collaboration among key stakeholders by establishing a forum that fosters dialogue and exchange between farmers or rural communities, technical levels in government (e.g. programming, accreditation and auditing), policymakers and politicians, thereby facilitating direct engagement in addressing priority issues for smaller farms. The format should feature issues or topics that are particularly relevant to smaller and more vulnerable farms as part of the wider Agricultural Knowledge and Innovation System (AKIS). Issues or topics may include:

- subsidies and targeted financial aid, as well as improving access to CAP funding;
- alternative income strategies for disadvantaged farm sites;
- collecting and exchanging relevant data, from farms to the policy level; and
- digitalisation and possible applications, including mountainous regions where digitalisation is more challenging.

Forums may take the form of annual national dialogues or strategic forums. Irrespective of timing or structure, such dialogues will enable participants to provide input and perspectives on any given topic or issue, including small-scale farmers, policymakers at various levels, advisory services, research institutions, agricultural schools, administrative agencies and private companies.

For example, farmers may offer business insights into relevant issues/practices; researchers may reflect on the adaptation and improvement of approaches to practical or policy-related issues; and governments may consider their own approaches with respect to policy development and implementation. Ultimately, the goal would be for their inputs and perspectives to guide policymaking and improve economic outcomes for farmers.

Success will largely depend on National Networks and others providing appropriate levels of resources (e.g. human, financial and in-kind) coupled with clear connections to AKIS coordination bodies and Monitoring Committees for the CAP. Success will also rely on incentivising farmer participation by promoting networking opportunities and adopting the appropriate formats (online and in-person) to maximise participation.



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