

# Economic Vulnerability of Farming

## Thematic Group - 2<sup>nd</sup> meeting


The second meeting of the Thematic Group (TG) enabled members to share approaches, including proposals for addressing the economic vulnerability of farming developed by members between the 1<sup>st</sup> and 2<sup>nd</sup> meetings. The meeting also considered the pathways (including the role of the CAP) for addressing the economic vulnerability of farming.

### Insights into addressing economic vulnerability



**Alistair Prior, EU CAP Network**, summarised the outcomes of the 1<sup>st</sup> TG meeting and the work carried out since then on the development of proposals by TG members to address the economic vulnerability of agriculture. The meeting began with presentations from four TG members, outlining various approaches to addressing economic vulnerability.

 **Paola Grossi, Asnacodi, Italy**, offered an overview of European Agricultural Fund for Rural Development (EAFRD) -funded mutual funds in Italy. There are 14 such funds operating across Italy, with some 20,000 farmers who have joined and are benefitting from the mutual fund. Fund management is transparent, with funds operating within the availability of the capital gathered from farmers, EAFRD or retained by fund managers from previous years. Mutual funds enable farmers to have guarantees for their business (those not managed by insurance companies), and to share good practices to better manage risk and monitor environmental resources. Under mutual funds, farmers are also obliged to respect good agricultural practices, including compliance with national and regional regulations. Paola also outlined that the effectiveness of such funds depends on the amount of capital collected by the mutual fund for damage compensation and the bureaucracy associated with the application of EU regulations.

 **Lukasz Czech, AgroWe, Poland**, gave an overview of crop production in Poland, saying that the crop chain is focused on livestock, vegetable and fruit production. This production structure leads to liquidity problems related to fire accidents, animal disease and export issues. Although insurance in general is not very popular amongst Polish farmers, higher interest is shown for crop insurance, due to its public support from the Common Agricultural Policy (CAP). There is also increasing interest in drought insurance due to the high chances of receiving drought assistance from the State, despite its high costs and the uncertainty of payments.

### Event Information

**Date:** 08 April 2025

**Location:** Brussels

**Organisers:** CAP Implementation Contact Point

**Participants:** 36 TG members from 20 Member States (MS), including Managing Authorities (MAs), Paying Agencies (PAs), National Networks (NNs), research, advisory services, NGOs, farming and insurance, and the European Commission.

**Outcomes:** Exchange of experiences on drivers for and responses to the economic vulnerability of farming.

**Web page:** [https://eu-cap-network.ec.europa.eu/events/2nd-meeting-thematic-group-economic-vulnerability-farming\\_en](https://eu-cap-network.ec.europa.eu/events/2nd-meeting-thematic-group-economic-vulnerability-farming_en)

Bank assurance has been steadily increasing and gaining popularity as a strategic tool for delivering insurance products, particularly those complementing credit services. In addition, in Poland the low interest rates attract farmers to agri-value chain financing. Finally, the Agricultural Social Insurance Fund (KRUS) compensates agricultural work accidents, with 7 835 payments made in 2024.

 **Frank Pisters, VAB, Netherlands**, outlined the value of community-based learning through study clubs, where farmers come together on-farm to discuss strategic, technical, economic and financial issues. Study clubs were originally established through public advisory systems, and today continue to be driven by advisors. Study clubs enable farmers to hear directly from their peers, which means that participants are up to date with the latest developments, which may in turn accelerate sustainability in their businesses. Frank highlighted an example in which an arable farming study club meets every two weeks to discuss financial results and benchmarking.





Benchmarking is believed to be an important topic, as it has enabled farmers to learn their strengths and weaknesses, discuss results, and identify the causes of differences and the adjustments needed to improve business operations. Ultimately, trust is key to the success of study clubs, ensuring farm businesses are less vulnerable and more resilient.

**Niccolo Ciulli, Eurocommerce, offered** a supply chain perspective on the various types of remuneration schemes in addressing economic vulnerability. Remuneration schemes are agreements between farmers, retailer/sellers and others in the supply chain, aimed at improving the position of farmers. Niccolo highlighted the role of sustainability agreements, where farmers (including co-operatives and producer organisations) receive better remuneration (e.g. bonuses or compensation) for additional sustainability efforts. Such actions often come in the form of assurance or schemes that demonstrate that farmers are operating beyond legal requirements. For consumers, such actions are then made evident on the front of pack labelling. Examples highlighted included 'One Way to Planetproof', 'Better for nature' and 'Tuottajalle KIITOS'. Tripartite contracts were also highlighted as a means of fostering long term commitments throughout the value chain.



## Pathways - Proposals for addressing the economic vulnerability

Each of the four proposals developed by TG members was outlined to the wider group before then being refined and explored in four breakout groups. They were later presented to all participants.

## Diversify to thrive: strengthening farm resilience and income through tailored support.



The proposal focused on diversification through the CAP as a key tool for enhancing resilience, future proofing businesses and addressing issues such as market volatility and climate-related risks. The group recognised that farmers often struggle with limited resources such as time, budget, energy, and access to reliable information or advice. One way to strengthen resilience is through the development of niche products, tapping into new markets, so as to create opportunities to expand revenue streams and mitigate risks. Digitalisation and artificial intelligence (AI) were also viewed as instrumental in improving time management and optimising resources for diversification. Support through the CAP offers businesses the various tools needed, e.g. peer learning, advisory services, innovation support and investments. Integrated approaches, such as a diversification support package, were suggested. Furthermore, targeted financial incentives could also play a pivotal role in encouraging small and medium-sized farmers to diversify, despite the inherent risks associated with such decisions.

## Reducing farm income vulnerability by enhancing participation in risk management tools through lower transaction costs.

The proposal centred on a key issue of high transaction costs associated with Risk Management (RM) tools, particularly administrative costs, which significantly hinder small farms from accessing insurance. Since such costs are largely fixed, they disproportionately impact smaller farms. The suggested solution is to improve transparency in insurance contracts, clearly distinguishing between the risk and administrative components of premiums. In addressing bureaucratic barriers, a shift to European Agricultural Guarantee Fund (EAGF) within the CAP for RM tools was suggested, as it offers a simpler and more coherent framework compared to EAFRD. Member State support through national funds was highlighted as a more flexible option, as they often support farmers through cooperatives or producer organisations, enabling joint insurance schemes and offering guarantees that improve farmers' access to these tools, particularly small farmers.



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





### Erasmus style approach for education / sharing good practices and business solutions.

Discussions 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 was proposed to take them out of their comfort zones and enable them to learn from successful examples abroad, such as in the Netherlands, France, and Germany. Exposure to such models would inspire new ideas and build trust.

The group suggested leveraging existing tools such as the Erasmus+ exchange program, which could facilitate learning on the field and foster international collaboration. However, challenges need to be tackled, such as language barriers, and farmers' reluctance to spend time away from their own businesses.

The Group also highlighted the importance of identifying specific knowledge asks or offers, including insights into technical marketing issues or soft skills centred on cultural adaptation and dialogue. Using cooperatives to support targeted exchanges could help ensure participants return with valuable knowledge to benefit their communities. Initiatives such as these would also highlight the possibilities in agriculture and make the sector more attractive to younger age groups. To ensure the proposal's effectiveness, it should be harmonised across the EU and managed at the EU level.

### Targeted strategies to address financial, digital and bureaucratic barriers.

The fourth group focused on improving communication and collaboration between farmers, administration and policy makers. A proposed solution was the establishment of an implementation and dialogue forum to foster effective exchanges that address pressing and complex issues related to the economic vulnerability of farming. To improve coordination, it was suggested that existing tools such as CAP networks be used, with National Networks (NNs) organising annual national dialogues in each Member State, serving as strategic forums to address topics such as plant protection agents, income improvement for farms, and policy development. These dialogues would involve diverse stakeholders, including small-scale farmers, policy makers at various levels, advisory services, research institutions, agricultural schools, administrative agencies and private companies. Their input and perspectives would be summarised to guide policymaking and improve economic outcomes.

Success would rely on incentivising farmer participation by promoting networking opportunities and adopting the appropriate formats (online and in-person) to maximise participation.

### Pathways - role of the CAP in addressing economic vulnerability



**Carina Folkelsen, EU CAP Network, provided** insights from an EU CAP network survey aimed at understanding how Managing Authorities in MS are addressing economic vulnerability in agriculture.

The survey indicated increased input and energy costs, climate change impacts, policy shifts and trade-related vulnerabilities as key challenges over the past five years. Looking ahead, MAs expect climate change, market volatility, generational renewal, labour shortages, access to finance, and digitalisation to be emerging threats to farm resilience. All respondents have incorporated measures in their CAP Strategic Plans to address economic vulnerability, using a mix of income support, targeted sectoral programmes and risk management tools.



Risk management featured prominently, with almost all respondents programming for insurance schemes and mutual funds. However, interest in these from farmers varies, with national aid remaining the preferred approach in some countries.

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MAs also offered new ideas, such as integrating AI and digital technologies for better risk prediction and preparedness, tools to address high input costs and interest rates, support for small farm consolidation, and measures to facilitate farm transfers and generational renewal. They also highlighted instruments outside the CAP that better suit national needs and are more responsive to unforeseen events, e.g. compensation for disease outbreaks, crisis support, credit guarantee schemes.



It was clear from the discussions throughout the meeting that the emphasis of any future work should be built on current approaches. TG members were clear that a future CAP should include an explicit, coherent and ambitious framework. Future policy should focus on building business resilience, boosting risk management with better co-ordinated, targeted and utilised mechanisms to ensure farm businesses (including new entrants and young people) can sufficiently address economic vulnerability. Members believed that any such framework also needed to take cognisance of the interdependencies between publicly and privately funded initiatives to ensure that the CAP was adding value.

## Prioritising your Suggestions for Future CAP



## Next Steps

At the end of the meeting, participants were provided with an overview of the Thematic Group's forthcoming outputs and forthcoming relevant EU CAP Network activities.