FICHE

AGRICULTURE ECONOMIC CHALLENGES

Farmers' incomes, productivity and investment

- The agriculture sector is facing severe headwinds. Farmers' incomes have stagnated, and according to the European Commission forecasts they are bound to drop by a staggering 14% (in real terms) in the next decade, taking into account the European Commission initial Common Agriculture Policy reform proposals.
- Productivity is also on the way down, by 10% on capital and input productivity; only labour productivity is increasing as a result of lower employment in agriculture.
- The sector faces increased international competition and without significant productivity gains exports of agri-food products will suffer.
- One of the key problems is lack of investment, in particular on investment that boost productivity and leads to increased farmers' incomes; on top of that the adoption of new technologies is slow, and the EU is lagging behind its main competitors in smart and precision farming, using digital and other new technologies, which reduce the environmental footprint whilst increasing productivity and incomes.
- The new Common Agriculture policy should be an opportunity to support farmers willing to make the transition towards smart agriculture, by providing incentives to invest in smart farming in both pillars: in the "eco-scheme" chapter of the first pillar, and devoting a wring fenced share of the second pillar to support these double-performance new type of investments.

The resilience of the sector to cope with market and climatic crisis

- Agriculture faces a repetition of crisis, including sustained very low prices, high volatility and extreme climatic events, but the Common Agriculture Policy is not adequately tooled to provide adequate responses and increase the resilience of the sector.
- To build on the recent progress made to support income stabilization tools and climatic insurance, the new Common Agriculture Policy should integrate a new Crisis Fund with a two-fold mission: to quickly finance, in the event of a crisis, exceptional market measures and intervention measures, as well as to automatically take over risk management measures of the income stabilization tools, as soon as indicators have reached pre-defined thresholds.
- The new Crisis Fund should replace the current reserve fund, which is not really operational, building on its 400 million euros allocation to reach 1.5 billion euros (either by a single initial financial allocation or by recourse to annually un-used and recovered funds).