The economic impact of the CAP reform and potential future policy developments on typical organic farms in the EU


Introduction: The increasing emphasis of the CAP on environmental sensitive agricultural systems and surplus reduction has lead to an increased focus on organic farming and its consideration in policy measures. The EU project “Organic farming and the CAP” evaluates CAP and other policy measures with respect to their effect on organic farming in the EU. Therefore, the effects of various policy scenarios on the profitability of organic arable and dairy farms in selected EU countries were investigated.

Material and Methods: Case studies of typical organic arable and dairy farms in DE, DK, UK and IT were conducted following the concept of the „International Farm Comparison Network (FAL)“ (Deblitz et al. 1998). In a group discussion process in panels of 4-8 farmers typical farms are defined and potential farm development strategies are discussed. Using the simulation model TIPI-CAL® (Hemme et al. 1997) the economic development of these model farms is simulated for future years. Modelling results are corrected and confirmed by these panels in a three-stage feed back process, assuring high data quality. The impact of EU-wide policy scenarios on economic performance of these typical farms is demonstrated. A liberalisation scenario and two positive scenarios (one demand-driven, one policy-driven) are compared with a baseline scenario (Agenda 2000). Panels are confronted with these results and adoption of farm management strategies are discussed for the different policy scenarios.

Results and Discussion: Size, structure, productivity, achieved output prices and policy surrounding of typical dairy and arable farms in differ widely among the selected countries. With respect to national differences especially productivity and the contribution of payments to total farm profit seem to be of importance. Farm family labour remuneration is highly variant not only among countries, but also between farm types within a country. Farm development strategies envisaged by organic farmers are related to diversification, value addition, and growth. Organic dairy farms tend to consider growth strategies more than organic arable farms do. However, diversification strategies are also important. Arable farms in turn are much more flexible and, therefore, more likely to diversify production and invest into valued adding strategies such as processing and marketing. The effects of policy scenarios on profitability of typical farms is similar in all countries. However, the choice of adoption strategy of farmers in the different countries vary significantly. This seems to be mainly due to the current national market situation.

Conclusions: The present methodology benefits the consideration of non-monetary issues in the simulation process of farm strategy and policy modelling of farms. The effect of agricultural policy measures on organic farms can be demonstrated effectively, providing also a farmer based reasoning of farm development and adoption strategies.