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Food & Farming

Focus on Jobs and Growth

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JOBS AND GROWTH IN AN EVOLVING CONTEXT

Farming and food are “big business” in the EU – even though they involve players both large and small.

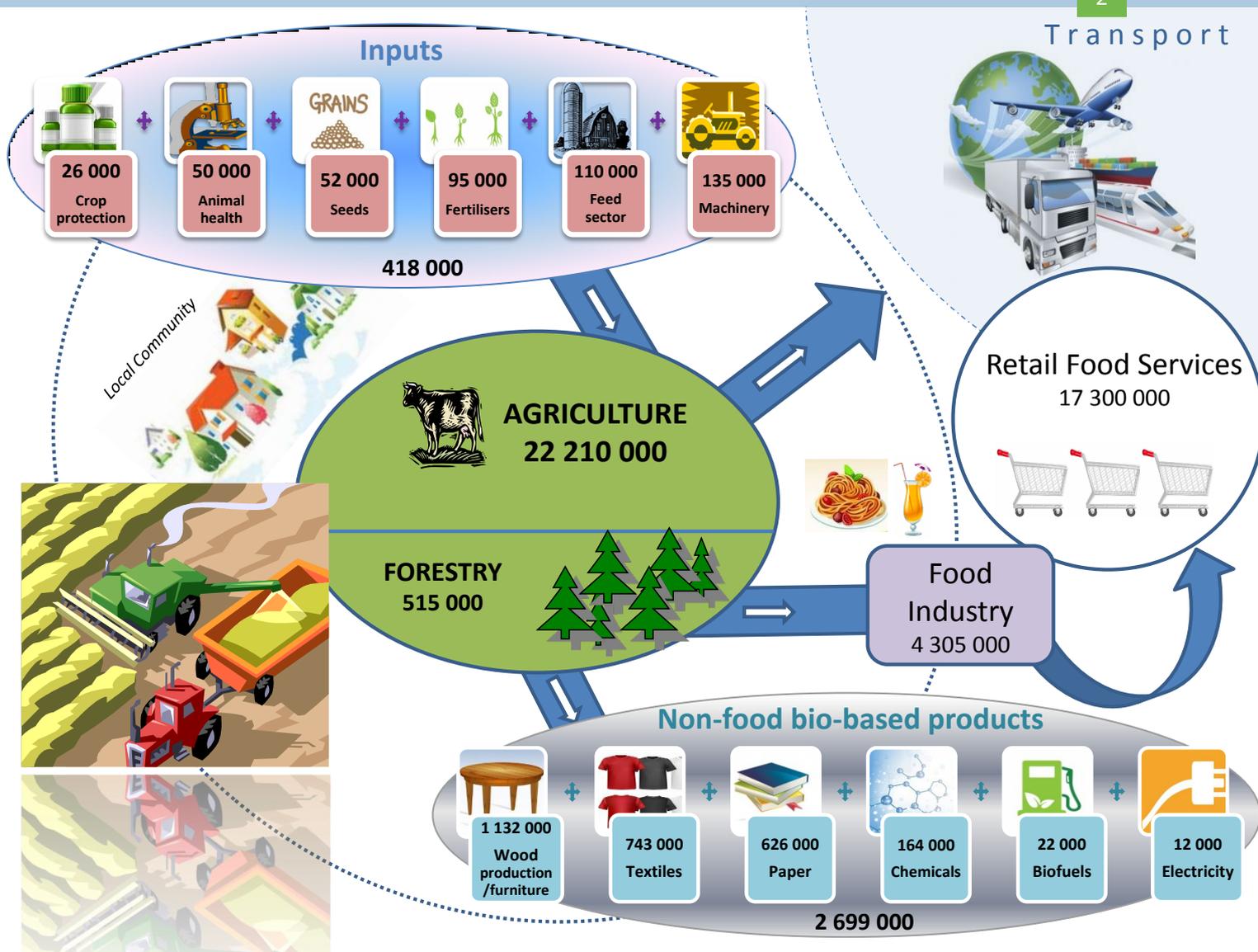
On the one hand, agriculture itself is restructuring and slowly taking a lower share of total employment in the EU – as new knowledge and smart techniques make farm workers more productive, and as older farmers retire. On the other hand, almost 11 million farms still provide work for roughly 22 million people and this source of employment has been a vital refuge for many during the recent economic crisis. Furthermore, together with food processing, food retail and food services, agriculture makes up a sector providing nearly 44 million jobs in the EU. This sector is a world-beater, achieving annual exports worth over EUR 120 billion and constantly cementing the EU’s reputation as the home of the world’s finest food and drink. Agriculture is also the sole or main buyer of products from important upstream sectors (in 2011 the EU farm machinery sector alone employed roughly 135 000 people directly) and has a strong and positive economic imprint on various other, local rural businesses.

Where there are opportunities to create jobs and lift economic growth, the EU’s citizens want to see this go hand in hand with attentive care for our natural environment and the climate: growth should as far as possible be **“green” and climate-smart growth**. Quite apart from providing essential general benefits to the population, such an approach is especially important for farming and forestry (of which the latter employs around 515 000 people directly) as they cannot continue without fertile soil, clean water and a healthy level of biodiversity. But the economic rewards of sound stewardship of our environment go further than that.

The drive to raise resource efficiency and cut greenhouse gas emissions with the help of new technologies and techniques can not only lower costs but also open up new market opportunities, creating new jobs. There is potential to double the use of biomass (which includes wastes, residues etc. from farming and forestry) by 2030 – to produce energy and advanced synthetic materials. Finally, caring for attractive landscapes supports the tourism and recreation sectors. One third of the EU’s farmland is considered as being of “high nature value”, and this is one of the reasons why tourists flock to the European countryside in large numbers. In 2013, 41 % of tourist bed places were in rural areas.

Employment and growth in rural areas as a whole need to be based on the right mix of **population, growth, skills and infrastructure**. In this regard, there are reasons for optimism. Many rural areas have used the magnetic pull of nature, peace and quiet and improved amenities to achieve a net influx of population from towns and cities. Employment rates are pulling out of the trough of 2009-2011¹ even though they are still slightly behind those of urban areas. And social ties are often stronger in the countryside – which in some cases makes it easier to launch common initiatives and shared endeavours. On the other hand, there are also clouds on the horizon. In some Member States, the countryside has lost 10 % of its population in the last five years; in 2012, only 6.6 % of adults aged 25-64 from rural areas in the EU participated in education or training, compared with 11 % in urban areas; and in the same year only 12 % of rural households had next-generation access to broadband – meanwhile, the digital divide between urban and rural areas endures.

¹ The employment rate in EU rural areas rose from 62.5 % in 2011 to 64.3 % in 2014 (Eurostat).



Sources: JRC, *The Bioeconomy in the EU in numbers, 2015*; Eurostat, *Structural Business Statistics, 2015*; Eurostat, *Farm Structure Survey, 2013 (provisional)*. In the case of input figures: industry sources. * Full- and part-time jobs.

THE MENU OF RELEVANT CAP TOOLS

The EU's Common Agricultural Policy (CAP) offers a varied toolkit which helps agriculture, the food sector and rural areas as a whole to create jobs and lift growth, even if the tools concerned also have other functions.

Annual direct payments to farmers provide a basic protection of farm income against the particular shocks (e.g. price- and weather-related) to which agriculture is exposed. This helps to avoid excessive loss of viable jobs and output – within the farm sector and the many sectors which depend on it. However, as these payments are for the most part not linked to particular production choices, they leave farmers free to respond to signals from the market about what consumers want. Furthermore, the payments are conditional partly on farmers' care for soil, water, biodiversity and landscapes, and are offered at higher rates to young farmers setting up for the first time.

The CAP still contains **market instruments** to sup-

plement the stabilising effect of direct payments in times of crisis. These tools are employed far less than in previous decades but they can be useful in softening the impact of major disturbances such as food safety scares or trade bans. Of at least equal importance are the CAP's various rules governing the smooth functioning of agricultural markets. These have widened in scope over the years to include, for example, EU-level quality labelling schemes under which farmers and food producers can build consumer recognition for products that come from specific places (in the case of so-called "Geographical Indications") or that are made in specific ways.

Further important tools for taking up the "jobs and growth challenge" lie in **rural development programmes (RDPs)**, operated for seven-year periods by either EU Member States or regions. RDPs offer various types of support – adapted to national, regional and local needs on the basis of EU-level priorities and models – for which farmers, other rural businesses and

many other types of beneficiary then apply. They are funded from EU-level, national and regional budgets and private sources.

The categories of support available through RDPs cover a wide range of issues which are relevant to employment and growth. Funding is available to get rural businesses started in the first place – both within the farm sector (for young farmers) and outside it – as well as to develop them further through investments. The investments could have a green aspect to them – in the case of buying resource-efficient equipment. The green growth agenda is also addressed by area-based payments which compensate farmers and foresters for voluntary eco-friendly land management practices (going well beyond basic standards). In addition, RDPs can fund training, the use of one-to-one advice and the development of innovative technologies and techniques. Support for local rural service delivery and small-scale infrastructure covers not only physical but also “digital” needs. And programmes have a strong flavour of encouraging people to work together – e.g. in product quality schemes, or under strategies drawn up through the LEADER method of “bottom-up” local development.

Finally, in order to pull in as much private funding as possible for much-needed investments in farming and rural areas, the Commission is working with the European Investment Bank to develop **suitable financial instruments**, such as loan guarantee funds (which give banks the security they need in order to offer credit at lower interest rates and with less demanding conditions attached). Funding for such instruments can be provided through RDPs or from other sources.

Links to other policies

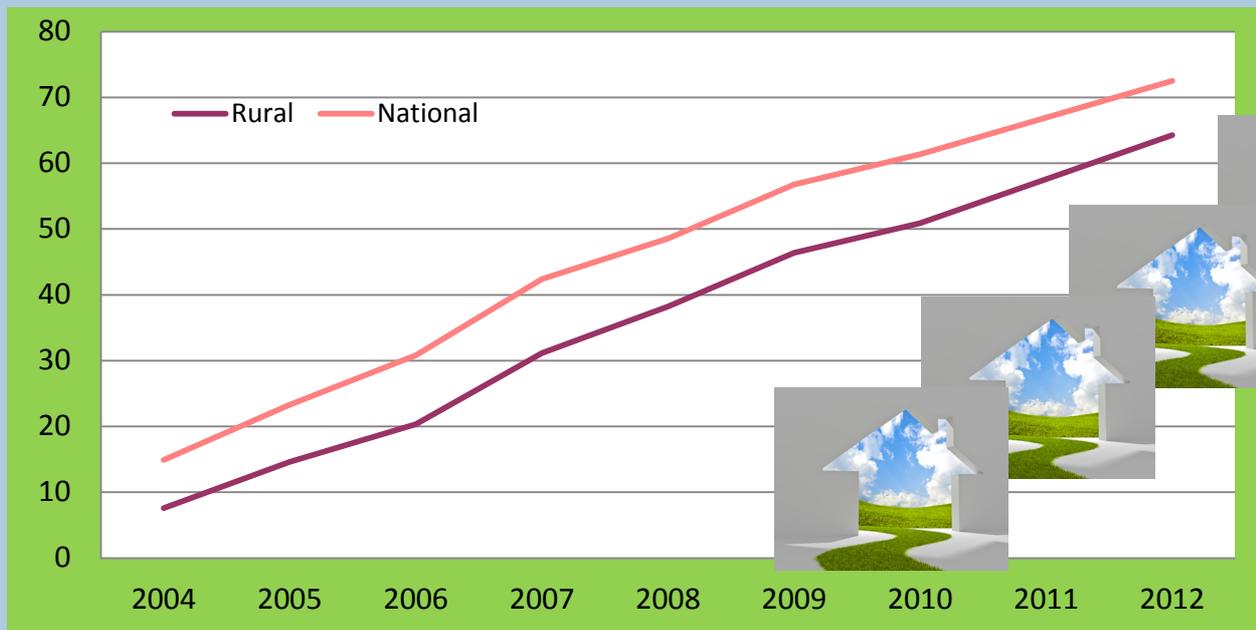
Many EU policies besides the CAP create jobs and lift growth, and the CAP operates in close co-ordination with some of these.

For example, the European Agricultural Fund for Rural Development (EAFRD) – which channels EU funding for rural development policy – is officially one of the European Structural and Investment Funds (ESIFs), along with the European Fund for Regional Development, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund.

This family of EU funds – which have a total EU budget of EUR 454 billion for the period 2014 to 2020 – have an explicit mission to work together for the sake of “promoting sustainable and quality employment and supporting labour mobility”, among other objectives. Although each of them operates in a distinctive way – and in some cases, in particular types of geographical area – they are also bound together by an overarching EU strategy and certain common rules. For the period 2014 to 2020, each EU Member State has been required to show how it will use the ESIFs together effectively, like a strong rope made up of several cords.



Percentage of households with subscription to broadband connection in rural areas and at national level in the EU-27, 2004-2012



Source: European Commission, Digital Agenda Scoreboard, 2013.

THE TOOLS AT WORK IN PRACTICE

Are the tools of the CAP being used effectively to help forge a positive future in terms of jobs and growth? There are plentiful indications that they are, even if the range and weight of other forces acting on the economic situation makes it difficult to present a simple picture.

With the help of rural development grant of EUR 500 000 a co-operative of farmers in the Bolzano region of Italy responded to difficulties in their local milk market by **developing an organic brand of processed meat** covering sausages, goulash and Bolognese ragù. As a result, the farmers raised their sales and achieved a price increase of 30 %.

In the **agricultural sector itself**, direct payments made up an average of 46 % of farm income between 2005 and 2013, with large variations between Member States and types of farming. This contribution to income has helped to pay for on-farm improvements and to sustain jobs. At the same time, the flow of new entrants into the sector with new ideas should be strengthened by the portion of direct payments targeted specifically at young farmers – worth at least EUR 2.6 billion from 2014-2020 – as well as by planned start-up grants for more than 170 000 young farmers

through RDPs. And an intended 340 000 farm modernisation projects funded through RDPs² should help to raise output and efficiency and access new markets.

This influence from the CAP is important in itself, but the overall economic ripples grow stronger rather than weaker when they reach the **food industry and other sectors which depend on the continuation of farming**. It is surely a sign of “doing something right” that the EU has moved to being a net exporter of food and drink products since 2009, posting an annual export growth of nearly 9 % over the last 10 years. This performance has its roots largely in farmers’ greater responsiveness to market signals. Linked to that is a steady increase in use of quality labelling schemes – set out in CAP legislation – as food producers respond to the evidence that involvement in these can raise

² Figures in this brochure concerning planned achievements through rural development programmes are based on the sum of relevant targets set for 2014-2020 in all programmes.

Some key rural development targets 2014-2020

- † 170 000 young farmers receiving start-up grants
- ‡ 340 000 farm modernisation projects
- © 140 000 additional farmers participating in quality schemes
- ★ 60 000 non-agricultural start-ups
- 📡 19 million rural inhabitants with access to new or improved information technology services and infrastructure (including broadband infrastructure)
- 🎓 3.9 million training places

profits: over 3 000 product names have now been registered as EU geographical indications. In 2014-2020, RDPs will help around 140 000 additional farmers to become involved in these and other quality schemes.

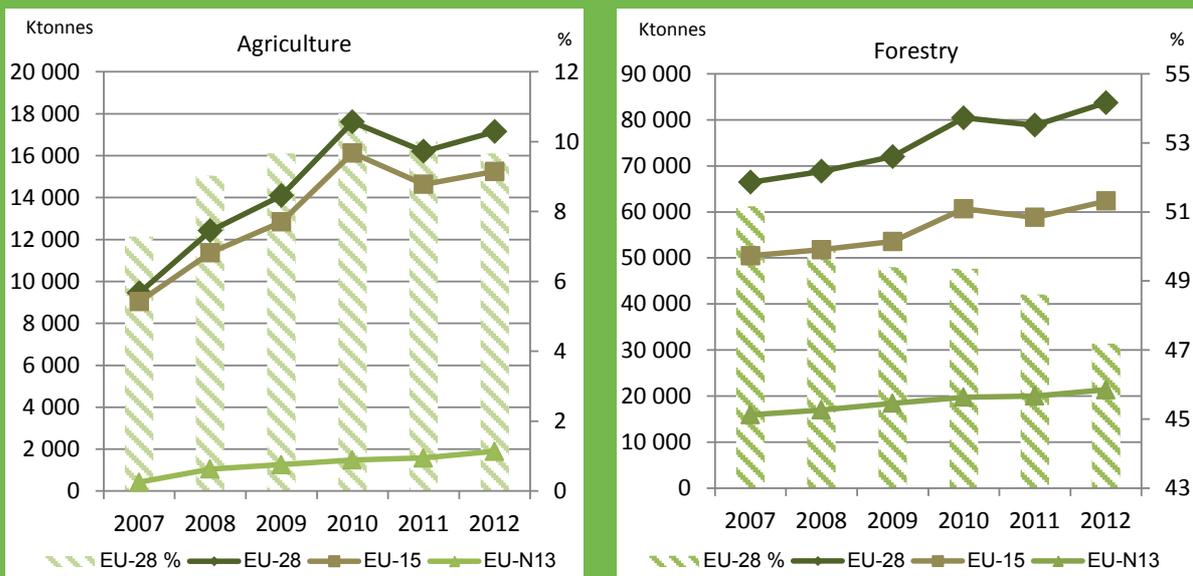
With regard to **green growth**, it is good news that some of the stresses on the EU's natural resources – resources which are essential for jobs and growth in the countryside – have been abating, even if much remains to be done: among other things, nitrogen and phosphorus surpluses have been decreasing. Organic farming has been literally gaining ground in the EU, expanding in terms of area by 48 % from 2006 to 2012. Through the new RDPs, overall 17 % of EU farmland

will be under funded contracts to care for the biodiversity and landscapes which help to underpin the rural tourism and leisure sectors. The farm sector is already responding to opportunities in renewable energy production by contributing a growing share of the EU's total output of such energy – 10 % in 2012, complementing the 47 % from forestry. Planned public spending in RDPs on renewable energy and energy efficiency combined is EUR 2.4 billion. And as part of the broader resource efficiency agenda, farmers will receive grants to install more water-efficient equipment on 10 % of the irrigated area of the territories concerned.

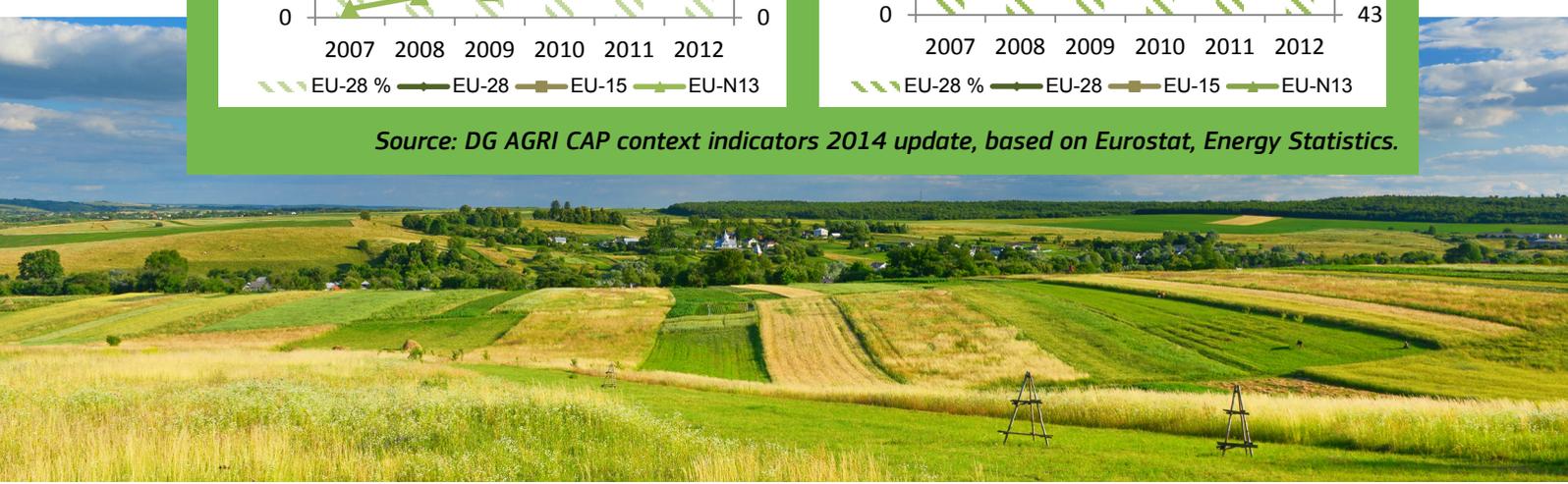
Concerning **jobs and growth in rural areas as a whole**, Member States and regions will use their RDPs to help launch an estimated 60 000 non-agricultural start-ups in the years ahead. More significant as an economic motor will be the provision of new or improved information technology services and infrastructure (including broadband infrastructure) to 19 million people in the countryside. This will be complemented by a planned 60 000 projects to improve other basic rural services. Local development strategies under the LEADER approach – which frequently create new work places – will cover 51 % of the EU's rural population. Finally, support for 3.9 million training places will help rural inhabitants sharpen and update their skills for the jobs of today and tomorrow.

A group of forest owners in Romania received a rural development grant of approximately EUR 350 000 towards the acquisition of specialised equipment for harvesting, transporting and processing timber as well as applying more **sustainable forestry methods**. The project created 25 local full-time jobs, mainly for young people in their 20s and 30s, in an area with few employment opportunities.

Production of renewable energy from agriculture and forestry and as a share of the total production of renewable energy, 2007-2012



Source: DG AGRI CAP context indicators 2014 update, based on Eurostat, Energy Statistics.





WHERE NEXT?

What should we conclude concerning the future? The CAP is not just about jobs and growth: it also has important environmental and social dimensions – keeping our landscapes green and our rural areas vibrant. Does the analysis in this brief raise any general messages about next steps, or perhaps specific questions?

First, it makes sense to **look at farming as the crucial link in supply chains** which sustain so many jobs and so much economic output: when it comes to employment and growth, any vision which does not reach beyond the farm gate will be short-sighted. But what does this mean in practice? How do we ensure a fair slice of the cake for producers in the food supply chain, to the benefit of all, including consumers? Consumers are also winners when producers get a fair share – without producers, you do not have a product.

Secondly, the **green growth agenda** is highly relevant to farming, forestry and the rural areas in which they are embedded (our unique European farming landscapes are a rich kaleidoscope of green). Are we making the most of the opportunities available? It would be possible to focus certain types of support – especially finance for investments – more sharply on projects which have an environmental as well as economic component. Is this desirable? At the same time, is there a danger that a dash for green growth might lead to unintended consequences in terms of the environment in our rural areas?

Thirdly, with regard to **jobs and growth in rural areas in more general terms**, key factors of success – such as critical mass of population – are subject to very powerful forces (e.g. the attractiveness of busy towns and cities to younger people). We should ask ourselves whether or how the CAP can harness such forces in the interests of rural Europe. Concerning the “knowledge gap” and its economic drag effect, the CAP cannot replace standard education or training in particular sectors. How can we make sure that CAP support for training builds efficiently on the provision that should already be there? And when it comes to infrastructure and services, improving broadband access is a top priority as it is a catalyst for the creation of a more jobs- and growth-friendly environment. Does that mean we should focus funding on broadband rollout in rural areas? And indeed where should it lie alongside other important priorities, such as the provision of clean water, as well as access to health and other crucial infrastructure in rural areas?

Other pertinent questions include: how do we marry the priority to generate more jobs and growth in the sector with the need to increase the efficiency and competitiveness of existing holdings? And what role should public policy play in trade and exports in the context of a highly favourable global demand for EU produce?

Answering these questions will help the CAP continue to make a telling contribution in the years ahead to employment and growth in rural areas and the broader agri-food sector as a whole, without calling into question the achievement of other objectives.

"The investment that the CAP provides for EU agriculture and the wider rural economy is an important stimulus for growth and jobs all the way up and down the food chain. By ensuring the steady supply of safe and sustainably-produced food, farmers are providing the materials for the agri-food sector to process and add value, and create jobs in the broader rural economy."

Phil Hogan, European Commissioner for Agriculture & Rural Development



This, and two other publications, were prepared for the "EU Agricultural Outlook Conference" taking place in Brussels on 1-2 December 2015.

#EU_AgriOutlook

More information on the Conference and links to the publications are available at http://ec.europa.eu/agriculture/events/2015-outlook-conference_en.htm



Food & Farming: Focus on Land



Food & Farming: Focus on Jobs and Growth



Food & Farming: Focus on Market Safety Nets

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