Marginal areas in rural Europe – towards more appropriate policy support

Janet Dwyer,

Professor of Rural Policy,

CCRI

University of Gloucestershire, UK

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Characterising EU marginal areas

Rural Europe is highly diverse – *as we have already seen*

As much as one-third (by area) may be considered marginal, in economic terms:

- *recognised in the designation of Less Favoured Areas (EC Regulations 1975 -) under the Common Agricultural Policy*

- *targeted through territorial elements of EU structural policies, especially 1994-9*

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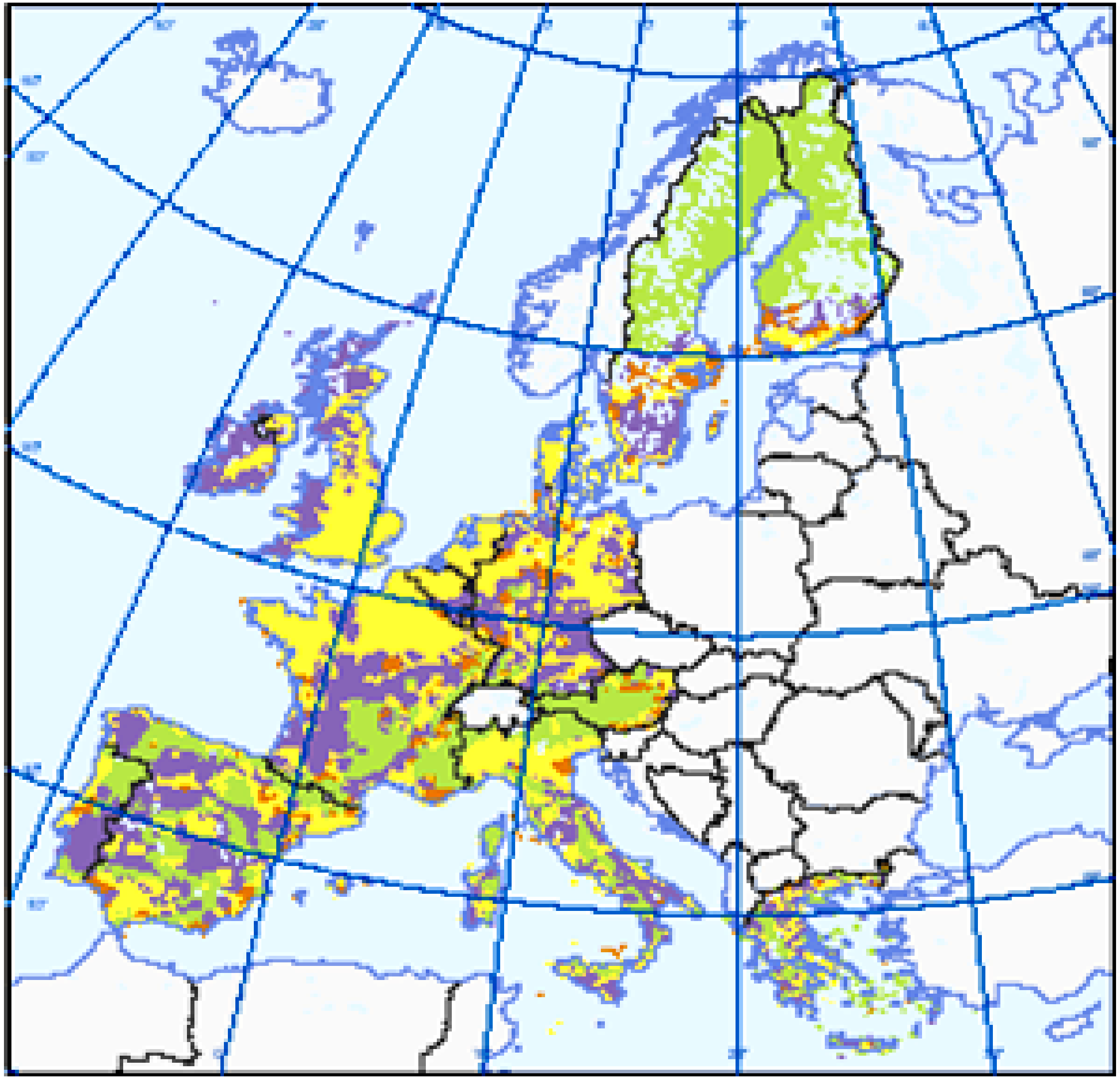
Characterising EU marginal areas: LFA, *EU-15*



Yellow = non-LFA

Green = mountain LFA

Purple = LFA areas in danger of depopulation

Brown = LFA areas with specific, other handicaps

Source: Baldock and Bennet, 2003, using EC data

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Characterising EU marginal areas

Natural constraints:

- Poor soils, limited growing season, steep slopes, harsh climates

Socio-economic constraints:

- Geographically remote, poor infrastructure and communications
- Employment and incomes: higher than average dependence upon primary sector

- ***Where combined, may » low standards of living, economic and demographic decline***

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Characterising EU marginal areas

Natural and cultural assets:

- Often rich in biodiversity, with dramatic & internationally-recognised cultural and historic landscapes – *partly preserved because of economic marginality, but dependent upon continued 'low-intensity' management*
- Critical reserves for water *(catchments, reservoirs)*, and carbon *(deep peat soils, forests)*
- Potential value for wind and hydro- power generation *(low density settlement, exposure)*

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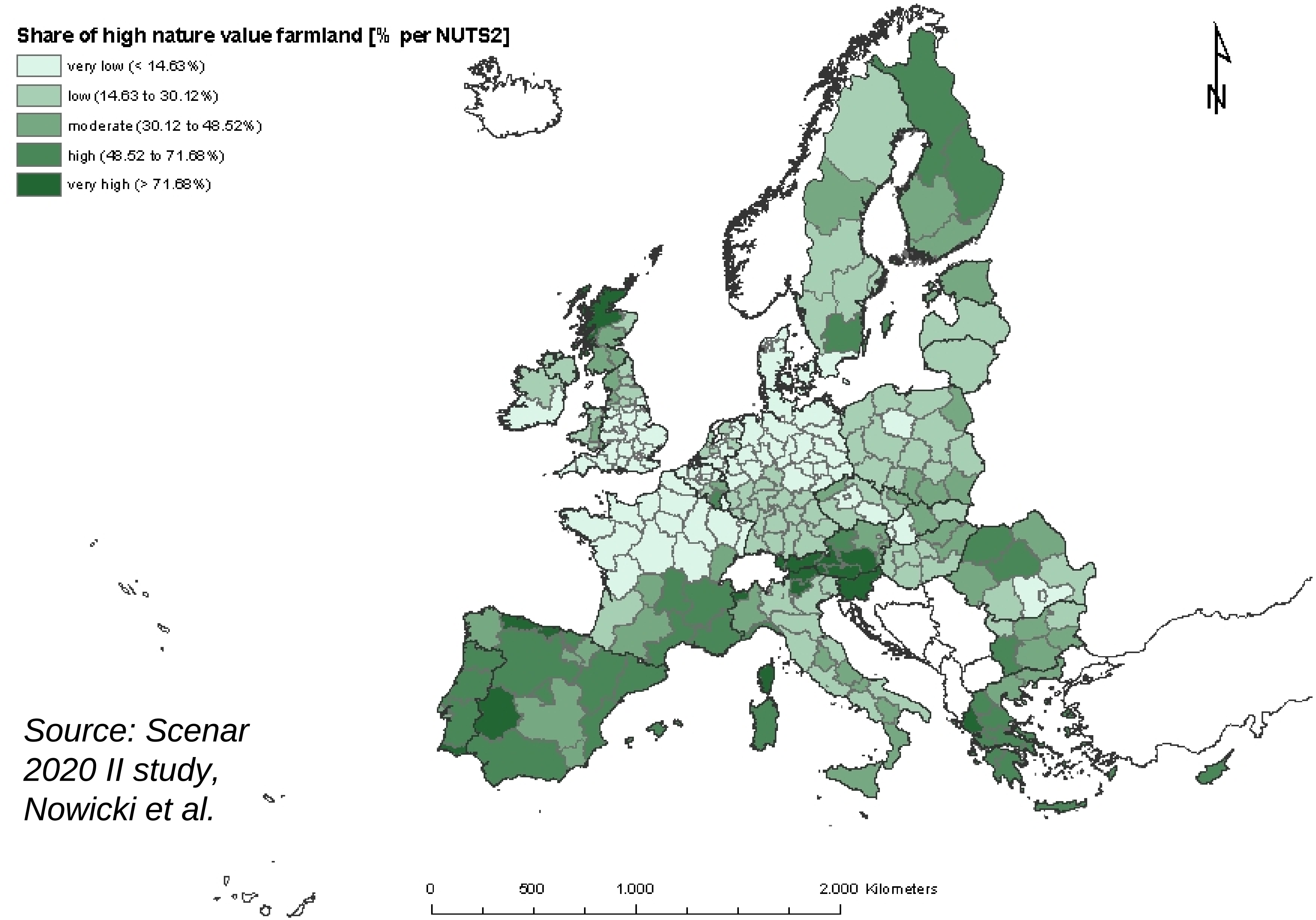
High Nature Value areas EU-27



Source: Scenar 2020 II study, Nowicki et al.

Favoured destinations

Production spaces
with a proud
heritage

Marginal farming – policy context

CAP Pillar 2 is an important source of revenue:

- *LFA / Natural Handicap payments to ‘compensate for competitive disadvantage and preserve active farming’*
- *Agri-environment support, to influence farming practices & maintain environmental value*
- *In some regions, rural economic diversification and quality of life / LEADER have been targeted….*

By contrast, these areas receive generally low shares / low intensities of Pillar 1 aid

Overall, they receive lower CAP support than economically favoured agricultural areas, and this support may be declining due to modulation

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Case study of policy impacts: the English Uplands

Very heavy dependence upon public subsidy (CAP P1 and P2), persists and remains critical to farms' viability – the balance has shifted more to Pillar 2, over time

Policy emphasis upon (agri-)environment support, but business performance and adaptation are also a key influence upon environmental outcomes

Current and past policies have contributed to farm structural change which is increasing a 'disconnect' between environment and business, farms and landscape / ecosystem services

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Dramatic agricultural landscapes, rich in biodiversity

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Farm change since 2000

>75% of farmers interviewed had enlarged the area they farm, at least 25% have more than doubled farm size, while stock numbers have dropped for the areas as a whole

> 50% farms have completely changed grazing of the moor, with at least 25% giving up hill sheep, using extensive hardy cattle or ponies only, others spreading sheep more thinly *"Having a few stock on the moor, now, it just isn't worth it – labour or stock-quality wise"*

Almost half subsidise the farm with non-farm or diversified income (tourism, contracting, most common) and **all are in agri-environment schemes**

Very few have strong supply chain linkages – they are '*price-takers*', even when stock are finished (traditional practice would be to sell as 'stores' to lowland farms), and very suspicious of direct sales or co-operation. Few have used Pillar 2 aid for competitiveness or diversification.

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Marginal HNV areas, England case study

Moor

Hill sheep, cattle, ponies:
Pure hardy breeds

Agri-environment funded stock reduction on moor, P1 decoupled so shifts to minimal usage – business focuses upon best in-bye land: intensified use

Supply ewe lambs to….

In-bye / in-take

Upland flocks – hill crossed with lowland sheep breeds. Also suckler cows

‘lowland’ DA

Biosecurity – disincentive to graze / move - buy new stock if herd culled

Dairy and lowland sheep, beef fattening, arable

NVZ 6month waste store capacity: - dairy disappearing, nowhere to send lambs over winter

The system is fragmenting in the landscape

Pillar 2 alone is insufficient to counteract Pillar 1 decline and regulatory impacts, farms are inviable without subsidy

Farmers multi-tasking, cutting costs, enlarging, farming is losing skills and careful management – ***the process is not sustainable***

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Diagnosis

- The main problem with the current policy mix is the separation of policies and farm business thinking
- Environmental schemes are not delivering their goals *because markets, regulations and CAP support trigger farm change in the opposite direction, as farmers seek to cope with major business challenges*
- An enhanced approach could add:
  - Help to develop sustainable business models - using measures for training, research, collaborative exchange, adding-value, diversification, ***but probably before that….***
  - Networking support to enable resilience planning – time and space for farming communities to discuss, recognise and plan to maintain what is important to them

Diagnosis

A more territorial policy approach could also include:

– ***enhanced financial underpinning*** - as CAP reform increases the competitive exposure of HNV marginal farms, their case for support to maintain viability, not just for additional environmental goods, increases. This could be:

  - from a new, stronger ‘Less Favoured Area’ (LFA) payment; OR
  - from new payments targeting the long-term provision of ‘Ecosystem Services’ – using a mechanism that is not the ‘income foregone’ model of agri-environment, maybe harnessing private sector finance *(water companies, energy companies, carbon offsetting);* AND / OR
  - from redistribution of CAP decoupled aid, to give a higher share to the most marginal land.

Conclusions, and learning from EU successes

- **These systems require a territorially-sensitive approach,** *to identify their potential markets and design a package of appropriate policy supports*
- We can learn from successful 'marginal' areas – analysing the ***'virtuous cycle'*** cases
- **We need to foster 'learning communities'**, *keen to identify, celebrate and maintain their distinctive assets through economic action, able to link actors and interests at local level*

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