RESILIENCE IN AGRICULTURE: HOW CAN CAP DIRECT PAYMENTS IMPACT IT?

Agnė Žičkienė
Lithuanian Institute of Agrarian Economics
RESILIENCE OF THE AGRICULTURAL SECTOR

The capacity of the sector to withstand or recover from various (market, competitive, environmental, etc.) shocks, if necessary by undergoing adaptive changes to its economic structures, social and institutional arrangements, so as to maintain its core performances and functionalities within a given time period.

Adapted from Martin and Sunley, 2015.
CORE PERFORMANCES AND FUNCTIONALITIES OF THE AGRICULTURAL SECTOR

- Production of food and other bio-based resources (such as fuels and fibers);
- Provision of income for farmers and farm workers.
FACTORS, DETERMINING RESILIENCE OF THE AGRICULTURAL SECTOR

- Economic
  - Macroeconomic indicators
  - Production structure
  - Infrastructure

- Ecologic
  - Diversity
  - CO₂ emissions

- Human
  - Education level
  - Attitudes

- Social
  - Connectivity (cross-sectoral)
  - Social norms, values, customs

- Political
  - Legislative frameworks
  - Support programs

Dimensions

State level

Sector level

Farm level

SYSTEM

RESILIENCE OF AGRICULTURAL SECTOR
**The Commission proposal for the multiannual financial framework (MFF) 2021-2027**

€365 billion for the CAP (in current prices) (28.5% of the overall EU budget):

- €265.2 billion is for direct payments (EAGF),
- €20 billion for market support measures (EAGF),
- €78.8 billion is for rural development (EAFRD).
MODEL OF POTENTIAL CAP DP IMPACT ON THE RESILIENCE OF AGRICULTURAL SECTOR
<table>
<thead>
<tr>
<th>Behavior</th>
<th>Effect on resilience</th>
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<tr>
<td><strong>Risk management</strong></td>
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<tr>
<td>Positive</td>
<td>Overcrowds motivation to obtain crop/animal insurance.</td>
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<td>Encourages production of supported produce rather than that preferred by the market.</td>
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<td>Negative</td>
<td>Encourages decreasing production diversity</td>
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<td>Reinforces the attitude shift of responsibility for one’s own farm’s success from the farmer to the state.</td>
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<td>Encourages economically inefficient investment (e.g. acquisition of agricultural machines and technique that are too powerful for the particular farm and cannot be fully exploited; acquisition instead of renting or sharing, etc.).</td>
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<td>Encourages decrease of agricultural production</td>
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<td>Encourages investment and increase of production capacity</td>
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<td>Encourages/allows using qualified certified seed (instead of cheaper and less reliable uncertified one)</td>
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<td>Allows saving up for emergency fund.</td>
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<td><strong>Cooperation</strong></td>
<td>Does not encourage cooperation/collaboration.</td>
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<td><strong>Innovation</strong></td>
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<td>Improves capabilities to use new technologies, new farm management methods, etc.</td>
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<td>Encourages satisfaction of status quo, inhibits motivation to look for alternative, more profitable farming or off-farm activities.</td>
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<td><strong>Sustainable resource management</strong></td>
<td>Encourages preservation of soil quality. Promotes preservation of landscape and bio-diversity.</td>
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THE SURVEY OF DIRECT PAYMENTS’ IMPACT ON FARMERS’ BEHAVIOR (PRELIMINARY RESULTS)

QUESTION: IF THERE WERE NO DP, HOW IT WOULD IMPACT YOUR ACTIVITIES?

STATEMENT: IF THERE WERE NO DP, I WOULD BE FORCED TO TRY OUT NEW FARMING AND/OR SALE METHODS IN ORDER NOT TO GO BANKRUPT.

STATEMENT: IF DP WERE MUCH SMALLER, I’D COOPERATE WITH OTHER FARMERS MUCH MORE (IN PRODUCTION, PROCESSING, SALES, ETC.).

STATEMENT: IF THERE WERE NO DP, I WOULD GROW MORE SORTS OF CROPS/ANIMALS.
CONCLUSIONS

- Resilience of agriculture depends on two groups of factors: system’s features and behavior.
- CAP direct payments (DP) influence both. A particular influence is exerted on behavior at the micro level.
- The impact is double-sided, both positive and negative.
- The preliminary results of a survey on DP impact on Lithuanian farmers’ behavior confirm that DP have an effect on their production and other farming decisions as well as their overall decision as to start and/or continue agricultural activities.
THANK YOU!