

Are environmental subsidies large enough to promote the uptake of organic farming? An empirical analysis of the EU-15 agriculture

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Organic farming

- Despite the introduction of a number of reforms aimed at promoting a sustainable agriculture in the EU, the uptake of organic farming has been evolving at a slow pace.
- The highest uptake of organic farming in EU-15 is found in Austria (20%), Sweden (20%) and Finland (11%), whilst in the remaining countries this rate reaches, at most, 5%.

Organic farming

- Low conversion rates can be explained by
 - production and income losses to farmers due to lower yields
 - interplay between support measures under the CAP could also prevent farmers from conversion.

Aim

- Evaluate empirically whether the magnitude of Pillar Two subsidies is fairly enough to encourage the adoption of organic farming in the EU-15 agriculture
- Determine the range of variation of subsidies needed in order to speed up the pace of uptake of organic farming in different European countries

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- Farm Accountancy Data Network is used to estimate profit functions for farmers in EU-15 during the period 2004-2011.
- Computing the profit gap between conventional and organic farming allows us to estimate the minimum subsidy that farmers should get in order to convert.
- We could also calculate how much subsidies to organic farming could be reduced/increased if we would eliminate or decrease market support under Pillar One.

Value of the Results

- Whether the magnitude of CAP subsidies has been enough to compensate farmers income losses when converting to organic farming remains a key unanswered question.....
- This paper will shed light on the main causes of low conversion rates