



Can a rural renaissance be a reality?

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Abstract

This article explores the factors contributing to and consequences of rural depopulation. The important economic and non-economic contribution of the agricultural sector to rural communities is discussed. It is argued that the role of agriculture is often underappreciated and misrepresented in public discourse, in particular in the climate change debate, leading to a 'recognition gap' which is damaging to the reputation of the sector, especially among potential new entrants. Farmers need to be positioned to avail themselves of the opportunities presented by the green economy and the transition to a low-carbon food system. This transition will be costly in terms of direct, indirect and opportunity costs, which will be mostly borne by farmers. Policy will need to be targeted to address these costs, support farmers in this transition and position rural communities to prosper in the coming generations.

Keywords

Rural depopulation, Agricultural policy, Generational renewal

Introduction

Rural depopulation is a growing phenomenon globally and is a major challenge for the EU in particular. In 2011, 40% of European rural regions were experiencing depopulation, and the trend was particularly strong in Eastern Europe and remote parts of Southern Europe. Rural regions currently account for 28% of Europe's population, but this share is projected to decline. By 2050, the population of Europe's urban regions is expected to increase by 24.1 million people, while by contrast, the population of predominantly rural regions is projected to fall by 7.9 million (ESPON 2020, 2). The shrinkage of rural communities is

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inextricably linked with the fortunes of the agricultural sector. The consolidation and intensification of farm holdings has reduced the numbers employed in farming and, as a consequence, the number of rural residents, while challenges associated with the agricultural sector make it less attractive to young people and, as such, contribute to an ageing and declining population in rural areas.

This article explores the factors contributing to rural depopulation. In particular, the role of agriculture is examined and issues around generational renewal and opportunities for economic development are discussed. The article considers the role of public policy in arresting the decline of rural areas and advancing the economic prospects of agriculture.

Contributors to and consequences of rural depopulation

Rural shrinkage, measured as a decline in population, is a demographic, economic and social trend being experienced in many EU member states. Rural shrinkage has serious consequences for both urban and rural areas due to the exacerbation of disparities across regions, leading to a deepening of the rural–urban divide.

A number of factors can explain the growing trend of rural depopulation. First, the long-term industrial restructuring of economies away from agriculture and traditional extraction industries, and the recent globalisation of manufacturing have contributed to a bipolarisation of economic development. This has resulted in the growth of urban areas contiguous with a decline in rural regions. Second, the modernisation of agriculture in developed economies, through increased economies of scale, mechanisation and automation, has led to a decline in the numbers employed in agriculture and its ancillary industries. Third, these demographic trends have contributed to a vicious circle of decreased demand for, and as a consequence supply of, critical services in rural areas, leading to poor connectivity, suboptimal infrastructure and reduced access to essential public services. Together these factors have conspired to lower the appeal of rural areas as places to live and work, leading to selective job-related out-migration from rural to urban regions, particularly among younger and better-educated workers, resulting in persistent slow-leak depopulation, divestment and a negative natural population balance (ESPON 2020).

The out-migration of young, educated people from rural areas has contributed to a growing gap in employment rates and income levels between rural and urban areas. On average, incomes are higher in urban areas than in rural ones, and the rural–urban income gap has increased by approximately 19% over the past decade (Eurofound 2023). Furthermore, there is evidence of a digital divide between rural and urban areas, with rural residents being less likely to have digital skills or own a computer, and more likely to have slower Internet connections than those in urban areas (ESPON 2020).

Rural regions tend to have a higher dependency on smaller enterprises, with the average share of employment by these businesses being about 10% higher in rural areas, at

38% on average (ESPON 2020). The loss of skills and talent from rural regions negatively impacts the innovation capacity of small and medium-sized enterprises and limits their ability to drive economic growth and provide employment.

While a number of factors have contributed to the rural–urban divide, the transformation of agriculture and family farming is one clear contributor. The following section considers the important role of agriculture in supporting prosperous rural communities and economies, and the challenges facing the agricultural sector in remaining economically viable and attractive to young people.

The important (but often underestimated) role of agriculture in rural regions

The agricultural sector makes an important contribution to the EU economy. According to Eurostat (2023), the EU's agricultural industry created an estimated gross value added of €220.7 billion in 2022, accounting for 1.4% of the EU's GDP, and supported some 9.5 million jobs on farms and a further almost 4 million in food production. There were 9.1 million agricultural holdings in the EU in 2020; however, the number of farms in the EU decreased by about 37% in the relatively short period between 2005 and 2020. This corresponded to a loss of 5.3 million farms across the member states (Eurostat 2022), the vast majority of which (about 87%) were small farms of less than five hectares in size.

The contribution of the sector should not only be measured in terms of the output value, but also the inputs purchased by farmers, predominantly in local rural markets, as well as the jobs supported in the ancillary industries. Agriculture is widely understood to have a significant multiplier effect, which is important to rural areas. EU Monitor (2021) estimates that for every euro spent, the agricultural sector creates an additional €0.76 for the EU economy. Hennessy et al. (2018) demonstrated that the economic impact of the Irish beef sector, due to its low import content and indigenously owned businesses, exceeds that of many other sectors in the Irish economy, meaning that an increase in output in the beef sector generates relatively more economic activity than a comparable increase in other industrial sectors.

The unrelenting pressure to produce food at low prices while adhering to high environmental standards has presented economic challenges for the farming sector. Only through farm consolidation and exploitation of the economies of scale has it been possible for farmers to maintain or increase incomes. While the European Commission's (2021) *EU Farm Economics Overview* shows that farm income in the EU grew in the decade to 2018, significant differences were observed across member states and farming systems. Analysing the gap between farm and non-farm incomes is complex and scholars agree that a simple comparison of mean incomes, given the wide heterogeneity in the distributions, is not particularly helpful. A recent review and analysis by Marino et al. (2023), which considered the full distribution of incomes, found that income disparity between farm and non-farm households differs at the two ends of the income-distribution spectrum. Interestingly, they found that farm households in the lowest income quartile

are worse off than non-farm households in the same quartile, whilst farm households in the highest quartile are better off than their non-farm counterparts. In simple terms when farm households are poor they are poorer than non-farm households, but when they are rich, they are richer. Furthermore, in Central and Eastern European countries, such as Poland and Romania, the study found that farm households are worse off across all quartiles of distribution. The complexity of farm income distributions and spatial patterns speaks to the challenges of developing effective and targeted income-support policies.

Beyond the economic impact, the multifunctional role of agriculture is also understood and acknowledged in European policy. In addition to their economic role, farmers contribute to the wider societal sustainability of rural regions, many of which are in decline. Their presence is vital to the social fabric and cultural capital of such regions. Farmers are guardians of public goods, protecting the environment and ecosystem services through the preservation of the landscape and unique heritage features such as stone walls, hedgerows and traditional dwellings, all of which positively contribute to the rural landscape and thus support rural tourism.

Despite the economic and social importance of agriculture, it has become a much maligned sector. In the context of rural shrinkage, Lamont (2018) coined the concept of the ‘recognition gap’, which refers to the subjective experiences of individuals and groups who feel that their cultural identities are not valued or recognised in particular social contexts. Lamont argues that the marginalisation of and the apparent income and social inequalities which affect rural communities have left them with a recognition gap. One can observe that this recognition gap is particularly experienced by farmers: as society and the economy become more urbanised there is less appreciation of the role of farmers, not just as the producers of food but also as the custodians of our natural capital and our traditional heritage. This recognition gap is manifested in the way that farmers are often portrayed in the media as being less educated and less sophisticated than urban dwellers.

One could also argue that this recognition gap has been exacerbated in the context of climate change, as certain sectors of society and the media have engaged in a ‘blame game’, portraying farmers as the culprits responsible for global warming. While the contribution of food production to greenhouse gas emissions is scientifically proven and well understood, the apportionment of blame and shame is unhelpful. This leads to the marginalisation of farmers and a deep feeling of exclusion, as has been evident in the recent and widespread farmer protests across the EU. The reality is that more efficient and lower-carbon food production is required to feed the world’s growing population and, as such, farmers will be important stakeholders who should be supported, financially and socially, rather than ostracised in the transition to a more sustainable food system.

In summary then, the challenges facing rural areas are manifold: first, the trend towards rural depopulation is leading to a deterioration in service provision and connectivity, making rural areas less attractive places to live; second, the race for ‘cheap food’ is squeezing incomes on farms, fuelling consolidation and leading to an economic bipolarisation in the sector; and third, the portrayal of farmers as the culprits in the

climate-change crisis is damaging to the sector. Together these issues are negatively impacting young people's perception of farming as an occupation and inhibiting new entrants to the sector.

Young farmers

Clearly, a sustainable future for farming requires an inflow of young farmers. Demographic trends, however, reveal an ageing pattern among the European farming population: according to a European Commission report (2017, 1) just 5.6% of farmers are younger than 35 years of age, while almost one-third are older than 65. The 'greying' of the farming population presents grave concerns for the long-term sustainability of farms and has generated great interest among the academic community, with many studies produced on farm succession.

For example, Coopmans et al. (2021) conducted an in-depth analysis of generational renewal on farms across 11 European regions. They observed that the conceptual phases of the generational renewal process were identification of a successor, the succession process and farm development. They found that many policy interventions target the latter two phases and, as such, may be too late in their interventions. They argue that creating more positive attitudes towards farming, and appreciation for farmers, could encourage young people to consider farming, thus supporting the first phase, that of successor identification. The study also found that the Young Farmer Payment was not considered a significant motivator in succession decisions as it is paid too late in the process—rather it provides financial support to a farmer after the entry decision has been made. In another interesting study, Conway et al. (2019) argue that generational renewal policy often only focuses on young farmers getting into the sector and overlooks the need to support older farmers as they leave. They argue that support is also required for exiting farmers, many of whom defer retirement not for economic reasons but due to the fear of a loss of identity.

In summary then, policymakers face many challenges and opportunities in revising agricultural and rural policy to ensure long-term sustainability and to position the sector and community to best exploit the opportunities that may arise in the years ahead.

Choices for policymakers

There are a number of emerging opportunities which rural regions and farmers in particular may be able to exploit if targeted and effective policy supports are implemented. First, the emergence of the green economy presents a growth opportunity for both rural areas suffering from depopulation and the agricultural sector. Rural regions offer a natural advantage and can support the overall transition of the wider economy to a 'greener' future. These areas and farmers can become the economic centres for environmental initiatives such as the management of ecosystem services, the application of circular-economy principles to recycling agricultural waste, the generation of renewable energy and biomass, the provision of carbon sinks and the promotion of locally produced products (ESPON 2020).

In parallel to the emergence of the green economy, the digital economy also presents opportunities for rural regions. The digital transition and the prevalence of remote working have the potential to turn back the tide of rural depopulation, making rural areas more attractive places to work and, in turn, making farming more attractive to young people. To fully exploit the opportunities presented by the digital economy, policy development should support better deployment of broadband networks in all European regions, as well as boosting digital literacy and the accessibility and inclusiveness of digital tools.

Climate change may also present an opportunity. Farmers want to be, and can be, solution providers to the climate crisis, but they need to be supported to achieve this. Turning the current public narrative from blame to saviour would do much to improve the position of farmers in society and the perceptions of prospective young farmers. Policymakers need to help shape the public discourse to empower farmers to present a more positive position on climate change.

The demands for a low-carbon, more sustainable food system are well articulated and widely accepted. While this presents an opportunity for European farmers, the transition to such a system will be costly. Farmers will have to invest in new technologies and practices and change their farm systems from intensive to low input or organic. These transitions will incur direct, indirect and opportunity costs for farmers. The question many are asking, and which I posed in my presentation to the European People's Party conference on the European Farmers' Deal in September 2023, is who will pay?

While it is widely accepted that EU citizens want more environmentally friendly food, recent experiences of a high food price environment following the Ukraine war suggest that there is very little 'appetite' for higher food prices. In 2022–3 politicians came under extreme pressure from consumer groups to challenge the high prices charged by food retailers, which in some member states led to state intervention in food pricing. This suggests that consumers are not willing and/or able to pay for more costly low-carbon food. The analysis of farm incomes presented above suggests that only a few farmers, those in the highest income quartile, can afford to absorb the higher costs of production. As such, publicly funded support is essential for a 'just transition'.

The funding model for a just transition will have to take centre stage in the Common Agricultural Policy (CAP) during the next programming period. More targeted payments linked to the transition to a low-carbon food system are essential. The funding of a just transition for farmers will likely require a new and more generous funding model. However, some reallocation of existing CAP funds should also be considered. The analysis of farm incomes presented above, and the apparent bipolarisation therein, suggests that farmers depend on direct payments to varying degrees. Poorly targeted direct payments, which are not linked to total or relative income levels, are ineffective and a poor use of scarce financial resources. Directing such limited resources to environmental outputs would be justified—indeed the 'repurposing' of CAP payments was also a recommendation in the recent Institute for European Environmental Policy report (Baldock and Bradley 2023).

Final thoughts

Through decades of industrialisation, consolidation and automation, rural areas and the agricultural sector have continued to lose their populations and, in particular, their young people. However, the emergence of sustainability awareness, the green economy and the need for reconnection with natural capital may present new opportunities, or a renaissance, for rural areas. In order to be in the best position to take advantage of these opportunities and to turn the public narrative on farming from negative to positive, policy interventions are required. While the complexity of the problems and the variety of the issues across member states mean that there is no silver bullet solution, this article has presented some ideas for consideration and future discussion.

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