A STUDY OF CHANGES IN RENT PAYMENT AND THEIR IMPACT ON NET INCOME ON FIELDCROPS FARMS IN BULGARIA

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Abstract

The last two decades have seen an increase in rent payments from tenant farms. High rent prices are affecting farm profits and net income. More resources are leaving the farm to compensate for rented farmland, which reduces profits and slows down farm investment opportunities. The purpose of this study is to analyse and evaluate changes in the cost of rental payments on the formation of net farm income. The object of the study is farms specialised in the fieldcrops sector. On the basis of FADN data and using economic and statistical methods, it assesses how the increase in rent payments affects the profits and net income of farms. The results are derived based on the average farm and the median farm in terms of economic size. The net income of small farms is more dependent on rent payments. As the economic size of farms increases, this dependence decreases. There is a strong correlation between net farm income and rent payments. Increasing rent expenditure increases the dependence of net farm income on subsidies.

Keywords: rent payment, fieldcrops farm, farm net income, farm subsidies, FADN analysis.

Introduction

With Bulgaria's accession as a full member of the European Union (EU), significant transformations have started in the agricultural sector - there have been changes in farm specialisation and increased agricultural production (Ivanov et al. 2021), gross investments increased (Turlakova, Slavova, Ivanova, Genov 2015), average farm size increased (MZH 2021), the level of subsidisation through the Common Agricultural Policy (CAP) has become an important driver for maintaining the competitiveness of agricultural structures (Bachev 2023) and agricultural sectors (Ivanov 2021), (Bachev 2021). Farm productivity studies find that factor productivity is rising (Ivanov et al. 2021), farms with cereals and oilseeds contributing most to this increase. Farms specialised in fieldcrops have emerged as a structural determinant of Bulgarian agriculture - their number is increasing, they use most of the agricultural land, produce not only for domestic consumption but also for export. Grain and oilseed production has become a defining sector with significant export potential given: the production of a significant amount of output relative to domestic consumption; the increase in demand for this output in international markets; the competitive cost of production; the favourable conditions for growing these crops in the country, etc.

Previous studies by the author have found that changes in the demand for external factors of production on farms in Bulgaria show remarkable dynamics, (Kirechev 2022) especially in terms

of land demand. Demand for agricultural land in Bulgaria has increased significantly, which has had an impact on the price of renting it - the rent (Stanimirova 2024) (Mihailova 2022). The efficient use of land as a factor of production in agriculture has given rise to complex social land relations (Yovchevska et al. 2021), (Yovchevska, Mihailova, & Koteva 2022), which also affects the economic functioning of farms. In this sense, the main thesis of the study is that the rapid increase in rent payments increases the consumption of cash resources on farms (creating rising costs) and forces them to make ever larger payments to landowners, which limits their profits and net farm income. Maintaining net farm income is becoming increasingly dependent on public support under the Common Agricultural Policy. Although they do not directly support rent expenditure, subsidies allow farms to maintain their income. These circumstances apply to a large extent to arable crop farms, where the level of agricultural land rent is the highest compared to other sectors of agricultural activity. Hence the aim of the study: to analyse and evaluate changes in the costs of rent payments on the formation of net income and the role of subsidies and other income support for fieldcrops farms in Bulgaria. This may provide a basis for rational suggestions to farm managers and policymakers.

The object of the study is the average fieldcrops farm in Bulgaria compared to the average fieldcrops farm in the EU. For the purpose of a more in-depth assessment, the study also includes an analysis of farms according to their economic size, grouping four types of farms.

For the purposes of the study, fieldcrops farms are farms included in the statistical observation in the European Union, where more than 2/3 of the production is from cereals, oilseeds and protein crops.

Methodological approach

The methodology of the study is aimed at assessing the impact of rent expenses incurred by fieldcrops farms in Bulgaria on the formation of net income by examining several indicators using the methods of dynamic analysis:

- changes in farm costs, farm net income and profit;
- changes in cost for rent payment;
- changes in the structure of farm net income;
- changes in the structure of costs for rent payment.

The analysis and evaluation are complemented by an examination of the dependence of farm net income on changes in rent costs and the impact of income support from CAP (as public support). In this context, correlation and regression analysis are used to estimate changes in farm net income as follows:

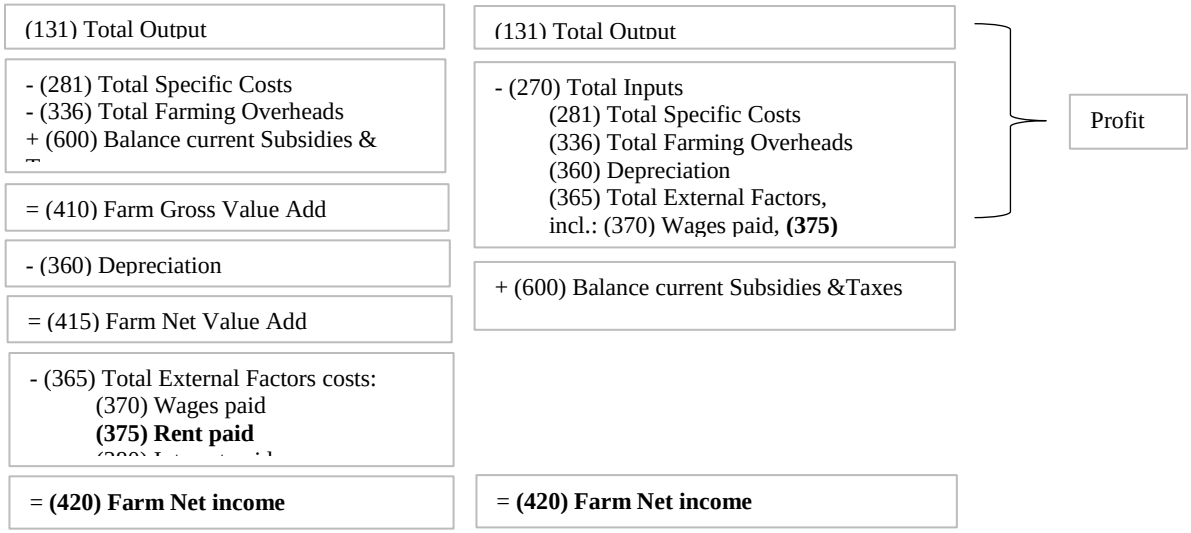
- Correlations of farm net income (measured with rent costs included in its calculation) with rent cost and balance of subsidies and taxes;

– Correlations of farm net income (measured without rent costs included in its calculation) with rent costs and balance of subsidies and taxes.

For the purpose of the analysis and evaluation, a comparison of the average Bulgarian fieldcrops farm with the average EU farm is made. The comparisons make it possible to assess the proportions by which the observed indicators change in Bulgaria compared to the EU countries.

The methods of analysis used are: comparisons; analysis of time series; changes in structure; correlation and regression analyses. The period of analysis is 2007-2022. The data source for the analysis is FADN (Farm Accountancy Data Network). On the basis of FADN, the following scheme for the formation of net income and profit is adopted, which also indicates the place of rent costs in them (Fig. 1).

Figure 1. Formation of net income and position of rent cost



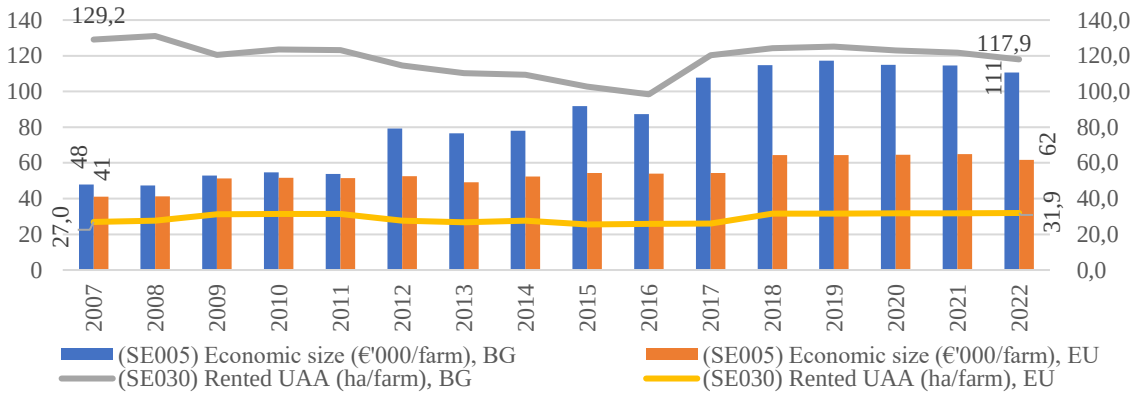
Based on the arable farm data, some of the indicators have been adapted for the purposes of the analysis and assessment, being calculated on a per unit land category or per farm basis.

Results

In the period since Bulgaria's accession to the European Union, agricultural farms have developed very dynamically. As a consequence of structural changes in the fieldcrops sector in the period 2007-2022, the economic size of the average farm growing field crops increased 2.3 times (average annual growth of 5.8%), while the average European farm changed its size at a much lower rate - only 1.1 times (average annual growth of 0.5%) (Fig. 2). Over the period analysed, according to the Bulgarian Ministry of Agriculture (MZH 2021), the arable land under rotation and mainly fieldcrops increased by 13.1% from 3.05 million hectares in 2007 to 3.45 million hectares in 2022. The structural changes have also had an impact on the number of farms in Bulgaria, with fieldcrops farms increasing from 16.6 thousand (2007) to 24.9 thousand (2022), a 1.5-times increase (average annual growth of 2.7%). Over the same period, the number of European farms in the sector

declined from 1.14 million (2007) to 0.93 million (2022). These changes have not had a significant impact on the utilised agricultural area of farms, which plays a crucial role in production. In the average Bulgarian farm, the utilised agricultural area with small fluctuations is around 136-137 ha/farm, while in the average European fieldcrops farm it is increasing by only 7% and is at 47-51 ha/farm. The arable land in the average Bulgarian farm varies from 133.1 ha/farm (2007) to 137.0 ha/farm (2022) and in the average European farm from 44.7 ha/farm (2007) to 47.7 ha/farm (2022). The level of occupied land in the average Bulgarian farm decreases from 129.2 ha/farm (2007) to 117.9 ha/farm (2022) and in the average European fieldcrops farm increases from 27.0 ha/farm (2007) to 31.9 ha/farm (2022) (Fig. 1).

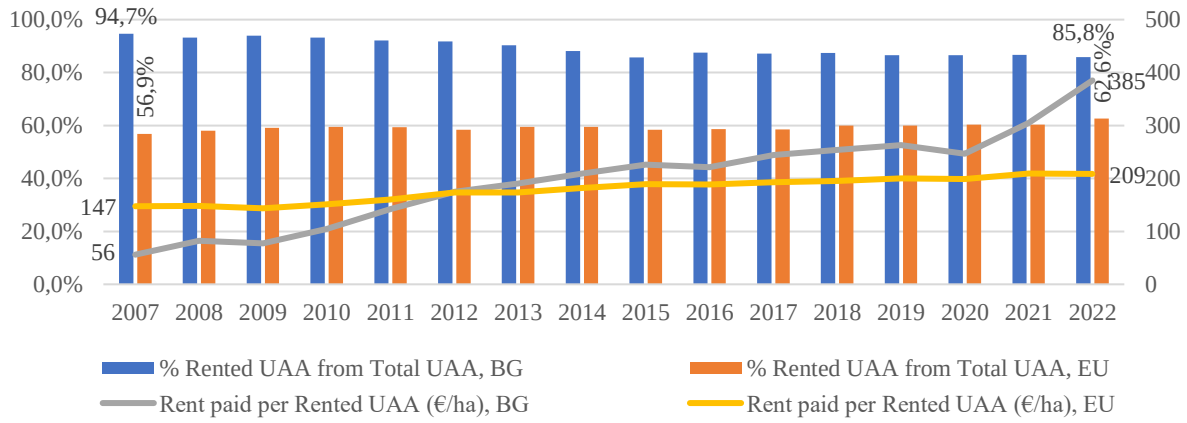
Figure 2. Economic size and rented utilized agricultural area (UAA) (ha/farm), fieldcrops farms, BG and EU, 2007-2022



Source: FADN.

The decrease in rented land at the relatively constant level of used land and the increase in arable land with the country can be explained by the fact that some farms increase land ownership through land investment and rent less arable land. In the average Bulgarian fieldcrops farm, crop production is largely organised on the basis of rented land. The level of rented land is presented in Fig. 3.

Figure 3. Share of rented UAA from total UAA and rent paid (ha/farm), fieldcrops farms, BG and EU, 2007-2022

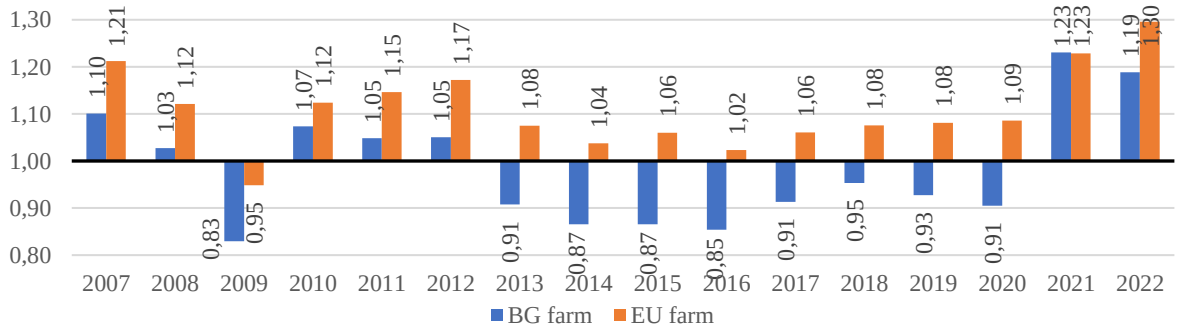


Source: FADN and own calculation.

The rent costs in the analysed farms increased 6.3 times (13.0% per annum on average) - from 7.2 thousand €/farm to 4.5 thousand €/farm (2007) to 45.4 thousand €/farm (2007). The rent paid per hectare of rented land is increasing 6.9 times (13.7% per year on average) from 56 €/ha (2007) to 385 €/ha (2022), which is a serious challenge for the formation of net income of fieldcrops farms. Over the period analysed, the dynamics of rent expenditure on the average European farm is significantly more stable. The data in Fig. 2 shows that despite the differences in the economic size of farms in Bulgaria and the EU, after 2012 the rent paid per hectare in Bulgaria is very rapidly outpacing that of farms in the EU, being almost 1.85 times higher in 2022.

In the period from 2007 to 2022, the economic performance of agricultural farms in Bulgaria is in significant dynamics. The changes show the rapid pace at which Bulgarian farms are catching up with EU average farm productivity. Unfortunately, there are significant differences in the Total output/Total farm costs ratio (See Fig. 4). For the whole period analysed, EU farms have an excess of gross output over costs, i.e., there is an ability of the agricultural sector to generate positive profitability (given that the difference between gross output and gross inputs determines profit, the index indicates the ability of farms to make a profit, which is an indicator for assessing profitability). Bulgarian farms only realise an excess of gross income over gross expenditure in the period up to 2012 (excluding 2009) and in 2021 and 2022, with the index below 1 from 2013 to 2020. This demonstrates the inability of Bulgarian farms over the last decade to cover costs, leading to the generation of production losses from their production, but at the same time it is evidence of their heavy dependence on public support (including subsidies, tax refunds, state aid and other forms of public financial support). A number of studies have demonstrated the dependence of Bulgarian farms on subsidies for the formation of net income (Ivanov, et al., 2020), including author's previous studies (Kirechev 2021a), (Kirechev 2021b). Similar observations exist for other countries in the European Union (Korthals 2023), (European Commission 2021). This poses a serious challenge for the Bulgarian agricultural sector to increase the efficiency of its revenues and costs.

Figure 4. Ratio (SE131) Total output / (270) Total input, fieldcrops farms, BG farm and EU farm, 2007-2022



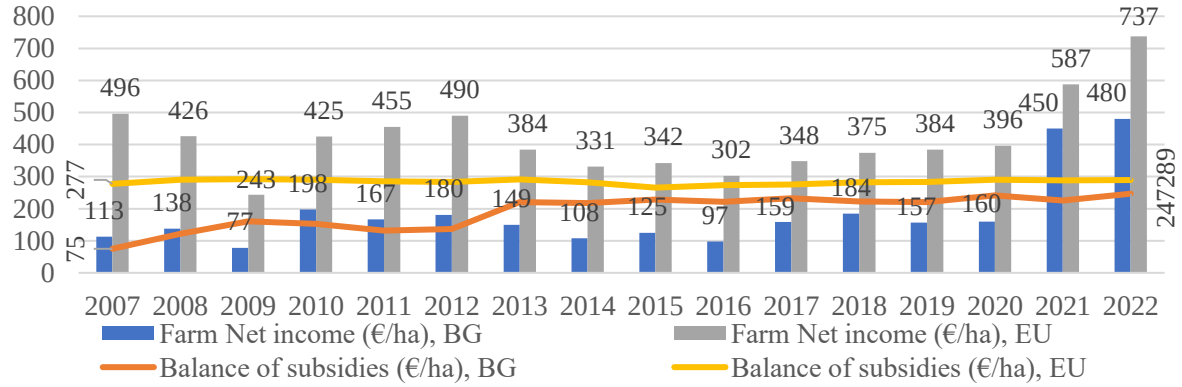
Source: FADN and own calculation.

Public support is the significant factor in the formation of positive net income in Bulgarian fieldcrops farms in most of the period analysed, while the average European fieldcrops farms make

a profit throughout the period (except in 2009) and the balance of subsidies and taxes complements their profit to form net income. Comparatively, the average Bulgarian fieldcrops farm generates more farm net income and public support (in value, €/farm), but this is more a consequence of the larger size of fieldcrops farms in Bulgaria.

Measured on a per hectare UAA basis, it is noticeable that in terms of income Bulgarian fieldcrops farms catch up with the average European fieldcrops farm but cannot reach it in terms of net income, but in terms of public support the values of the two types of farms are almost similar. The changes in the composition of net income and the balance of current subsidies and taxes in Bulgarian and EU fieldcrops farms is presented in Fig. 5.

Figure 5. (420) Farm Net income (€/ha) and (600) Balance current subsidies & taxes (€/ha), fieldcrops farms, BG farm and EU farm, 2007-2022



Source: FADN.

The share of farm net income based on total output and based on total inputs in both - Bulgarian and EU farms fluctuated over the years of the period analysed. Bulgarian fieldcrops farms have lower values in the indicator than European fieldcrops farms. On Bulgarian fieldcrops farms, the share of farm net income based on output increases from 28.5% (2007) to 32.7% (2022), and the share of farm net income based on total inputs increases from 31.4% (2007) to 38.9% (2022). This share is higher in the average European fieldcrops farm, with the share of farm net income based on output decreasing from 40.0% (2007) to 38.0% (2022) and the share of farm net income based on total inputs increasing marginally, from 48.5% (2007) to 49.2% (2022).

Bulgarian farms are becoming increasingly dependent on input costs, in particular on rent costs. In an attempt to assess the impact of rent costs and public support on profit and farm net income, are identified changes in profit without subsidies and rent paid (€/farm), changes in profit without subsidies (€/farm) and changes in net income without rent costs on Bulgarian and EU farms. It is interesting to note that profit without subsidies on Bulgarian farms in a significant number of years (2009, 2014-2020) is negative, i.e., farms need subsidies to make a profit. In an attempt to estimate the impact of rent costs on profit, it is also calculated without subsidies and rents. In this variant, only 2009 shows a negative value, i.e., the impact of rent expenditure is significant on profit formation in certain years. As for farm net income, if farms did not pay rent costs, farm net income would be extremely positive over the entire period of analysis. Compared to the EU average farm,

all the indicators examined have extremely positive values, indicating that they can generate profits and farm net income without subsidies, and rent expenditure does not have a negative impact.

The analysis of the changes in the structure of rent costs in relation to selected economic indicators show their increasing influence in the fieldcrops farms in Bulgaria, and the relatively less pressure they exert on the average farm in the EU (Table 1). The calculations show that the share of rent costs in the average Bulgarian fieldcrops farm reaches almost ¼ of total production and total costs in Bulgaria, whereas in the average EU fieldcrops farm this level is below 10%. In the structure of input costs, rent costs in the average Bulgarian fieldcrops farm exceed 2/3 of the total (in comparison, in the average European farm rent costs are about ½ of input costs). Compared to production costs, rent costs in the average Bulgarian fieldcrops farm reach 53%, i.e., more than half of the farm inputs compensate for rent (compared to only 12.7% in the EU average). Compared to subsidies, by 2018 (excluding 2012) subsidies exceed rent costs, and from 2019 to 2022 subsidies do not cover rent costs (with the same indicator in the EU average farm at 30-45%). This demonstrates that farms are exporting significant resources to landowners that public support cannot compensate for. Rising rent costs reduce farm net income, making it difficult to reproduce capital.

Table 1. Share of rent costs in relation to selected farm economic indicators, in %

Year	BG farm					EU farm				
	Share of Rent paid/Total output	Share of Rent paid/Total Inputs	Share of Rent paid/Total external factors	Share of Rent paid/Balance current subsidies & taxes	Share of Rent paid/(Total Specific Cost + Farming Overhead)	Share of Rent paid/Total output	Share of Rent paid/Total Inputs	Share of Rent paid/Total external factors	Share of Rent paid/Balance current subsidies & taxes	Share of Rent paid/(Total Specific Cost + Farming Overhead)
2007	13,4%	14,8%	49,0%	70,9%	24,7%	6,7%	8,2%	38,5%	30,2%	13,0%
2010	15,5%	16,6%	53,0%	63,7%	30,1%	7,6%	8,5%	42,3%	30,9%	13,5%
2015	25,7%	22,2%	64,2%	84,9%	43,2%	8,5%	9,0%	46,5%	41,5%	14,0%
2020	26,8%	24,3%	64,0%	88,5%	49,4%	9,1%	9,9%	48,3%	41,4%	15,3%
2022	22,5%	26,8%	69,4%	133,9%	53,0%	6,7%	8,7%	49,0%	45,2%	12,7%

Source: FADN and own calculation.

Measuring the relationship between net farm income and rent payments on fieldcrops farms in Bulgaria and shows a moderate relationship. The measured correlation coefficient of the average farm in Bulgaria is 0.72 and the coefficient of determination R^2 is 0.51 (0.53 and 0.29 for the EU average farm, respectively). There is a strong correlation of the impact of rent expenditure on the formation of net farm income. As regards the relationship between net income and subsidies, the degree of correlation is moderate, with a correlation coefficient in Bulgarian farms of 0.44 (with a coefficient of determination of 0.20) (for the average European farm the values are 0.46 and 0.22 respectively), i.e., the variation in rent expenditure does not have a direct correlation with subsidies, insofar as subsidies support income rather than covering costs.

In an attempt to estimate the impact of rent costs on farm net income, the impact of rent paid and balance of subsidies and taxes on farm net income formation is analysed using multiple regression.

The model looks for the relationship between farm net income (excluding rent paid) on rent paid (with a minus sign given that it is an expense and reduces income) and balance of subsidies and taxes (with a plus sign given that it increases income), at 95% confidence. The results show that: 1) In the average Bulgarian fieldcrops farm there is a very strong dependence of income on rent payments and subsidies, with a correlation coefficient of 0.93 and a coefficient of determination of 0.86. That is, in the average Bulgarian fieldcrops farm, as rent payments increase, the receipt of subsidies is important for income formation. The impact of rent expenditure on net income is much larger. 2) In the average EU fieldcrops farm, the dependence of income on rent payments and subsidies is significant, with a correlation coefficient of 0.66 and a coefficient of determination of 0.44. That is, EU farm income is significantly less affected by rent and subsidy costs. To the extent that subsidies significantly exceed rent costs, it can be inferred that rent expenditure is not a significant factor whose variation has a significant impact on net income.

An important focus for the analysis of the impact of rent payments on income formation is the study of farm size dependence, which would allow assessing the extent to which rent payments change income for different farm sizes. For the purposes of the assessment, when comparing changes from 2007 to 2022, fieldcrops farms are grouped into four groups, and the main results showing the role of rent payments are as follows:

1) *Small farms (2000-25000€)*. The economic size (in €000/farm) increases from 6.5 to 12.0 (1.85 times, 4.2% annual average). Rent paid per unit of rented land increased from 46 to 237 €/farm (5.15 times, 11.5% annual average. The share of paid rent in external factor costs changes from 27.3% to 65.1% (2.38 times). The net income increases from 2851 €/farm to 12339 €/farm (4.33 times, 10.3% annual average). Subsidies increase from 1147 €/farm to 6967 €/farm (6.07 times, 12.8% annual average).

2) *Medium farms (25000-100000 euros)*. The economic size (in 1000 euros/farm) decreased from 54.2 to 52.2 (0.3% on average per year). Rent paid increased from 6370 euros/farm to 15006 euros/farm (2.36 times, 5.9% on average per year). The rent paid per unit of leased land increased from 40 to 268 euros/farm (6.72 times, 13.5% on average per year). The share of rent paid in external factor costs changes from 48.7% to 66.8% (1.37 times, 2.1% on average per year). Net income increases from 22647 euros/farm to 32,639 euros/farm (1.44 times, 2.5% on average per year). Subsidies have increased from 11,438 euros/farm to 22276 euros/farm (1.95 times, 4.5% on average per year).

3) *Large farms (100,000-500,000€)*. The economic size (in €000/farm) increases from 242.6 to 271.2 (12%, 0.7% on average per year. Rent paid increases from 38453 €/farm to 107804 €/farm (2.80 times, 7.1% on average per year). The rent paid per unit of leased land increases from 53 to 346 €/farm (6.55 times, 13.3% on average per year. The share of rent paid in in external factor costs changes from 49.4% to 69.0% (1.40 times, 2.3% on average per year). Net income increases from €64023/farm to €131429/farm (2.05 times, 4.9% on average per year). Subsidies increase from €55474/farm to €76614/farm (1.38 times, 2.2% on average per year). Profit (excluding

subsidies and rent payments) increases significantly from €46497/farm to €162593/farm (3.5 times, 8.7% on average per year).

4) *Very large farms (over €500,000)*. The economic size (in €000/farm) increases from 760.6 to 1105.6 (45%, 2.5% on average per year. Rent paid per unit of leased land increases from 74 to 451 €/farm (6.13 times, 12.8% on average per year. The share of the rent paid in in external factor costs changes from 54.4% to 70.2% (1.29 times, 1.7% on average per year). Net income increases from €249302/farm to €665706/farm (2.67 times, 6.8% on average per year). Subsidies increase from €154227/farm to €288452/farm (1.87 times, 4.3% on average per year). Profit (excluding subsidies and rent payments) increases significantly from €227792/farm to €896,767/farm (3.94 times, 9.6% on average per year).

The data show a number of trends that determine the development of fieldcrops farms in Bulgaria according to their economic size. There is an increase in the average size as a result of increasing concentration in the sector. As the economic size of farms increases, the land occupied and its relative share in the total land occupied decreases. Larger farms pay a higher rent on rented land, which determines the increasing costs of rent. Rent is taking an increasing share of total factor costs. This reduces the capacity of farms to reinvest more in asset renewal and slows down capital reproduction. Small farms are more resilient to farm net income generation mainly because of the higher relative amount of public support. Small farms show a better ability to make a profit, while medium-sized farms restructure, which uses up more of their profits. As the economic size of farms increases, the cost of rent puts more pressure on farm profits and cannot be compensated for in terms of subsidies, leading to capital outflows. In the structure of farms in the fieldcrops sector, there is an increase in the degree of concentration and an increase in the number of all categories of farms.

To assess the impact of rent payments on farms of different sizes, dependence was assessed by correlation and regression analysis, examining the dependence of profit on rent payments, the dependence of net income on rent payments, and the relationship of income to subsidies. Additionally, multiple regression analysis was performed between net farm income (excluding rent payments) on rent (with a minus sign given that it is a cost and reduces income) and subsidies (with a plus sign given that it increases income), at 95% confidence. The results of the analysis are presented in a Table 2.

Table 2. Comparisons in the performance of the fieldcrops farm by size

Indicator:	Small farms (2-25K)	Medium farm (25-100K)	Large farm 100-500K)	Very large farm (Above 100K)
Correlation Profit (without Subsidies) with Rent Paid	0.56	0.12	0.35	0.26
Correlation Profit (without Subsidies and Rent Paid) with Rent Paid	0.72	0.40	0.63	0.62
Correlation Net Income (without Rent paid) with Rent Paid	0.87	0.57	0.65	0.72
Correlation Farm Net Income on Rent Paid	0.83	0.32	0.38	0.39

Regression of farm Net Income on Rent Paid, determination (R^2)	0.68	0.10	0.14	0.15
Correlation Farm Net Income on Balance of Subsidies	0.89	0.12	0.19	0.20
Regression of farm Net Income on Balance of Subsidies, determination (R^2)	0.80	0.16	0.04	0.04
Multiple regression of Farm Net Income (without Rant paid) from (-) Rant paid and (+) Balance of current Subsidies & Taxes, by Size				
Multiple R	0.92	0.58	0.66	0.77
R Square	0.85	0.34	0.43	0.59
Significance F, Confidence level - 95%	3,75E-06	0,066186	0,024085	0,002892

Source: FADN and own calculation.

The results show that on the smallest farms the correlation between profit (with and without subsidies) and the amount of rents paid is more significant. They also show a stronger correlation between net farm income and rents paid. The importance of subsidies for income formation is strong, which determines the need to maintain their viability with the help of public support. Medium-sized farms show a weak correlation between the indicators, with a stronger dependence of net farm income on rents. As the economic size of farms increases, the dependence of profits and farm net income on rents paid gradually increases, but is maintained at a low level of correlation. Large farms show a significant dependence in terms of their profit on rent paid. Given that the rent paid per unit of land rented is the highest, it becomes very critical for them to maintain profits at a high level of rent payments, which would make it difficult for them to invest profit-financed activities.

The multiple regression of allows to determine the simultaneous impact of rent payments and subsidies on income much more accurately. Small farms exhibit a very strong dependence on their net farm income, mainly because of higher public support and lower levels of rent payments. Medium farms have the lowest sensitivity of net income to rents and subsidies. On larger farms, the dependence of net farm income on rent payments and subsidies increases - they are less dependent on subsidies, and because of their large size can benefit from economies of scale.

Discussion

The results of the analysis and evaluation of the impact of rent payments on profit formation and net farm income showed several circumstances. The rate of change in rents paid to farms outpaced the rate of increase in gross output and gross inputs. Farm incomes are highly dependent on public support, as gross output barely covers gross inputs (except in 2021 and 2022, which were extremely favourable for farms given high output prices). The external factors costs increased significantly, mostly on account of rents, while the cost of hired labour increased at a much lower rate. Net farm income is increasing, but is highly dependent on subsidies until 2020. Farm profits are growing at a relatively slow pace. The relationship between net farm income and rent paid is moderate, but subsidies are important for the realisation of net income. There is a strong correlation between net income (excluding rents paid) and the joint impact of rent payments and subsidies.

Analysis of the data showed that on small farms, rent paid per hectare are smaller and their impact on net income is more limited. The relationship between net income and subsidies is stronger on these farms. As the economic size of farms increases, the impact of rent payments (which increase) decreases. The relative amount of support also decreases. Increasing costs of rent largely reduce net income on farms in Bulgaria and they are becoming increasingly dependent on public support to generate farm net income. To be effective, Bulgarian fieldcrops farms need public support. This poses serious challenges for them, given that public income support under the CAP is becoming increasingly targeted (e.g., for "greening") and direct income support payments are expected to be progressively reduced and targeted at critical sectors. This calls for a rethink of farm expenditure policies, towards expanding investment in resource-saving technologies and containing the rate of change in external factor costs - especially rent costs, which proportionately reduce net farm income.

Conclusion

To conclude the analysis, several important directions for development can be made: 1) Farm managers should pay increasing attention to the amount of rent paid for renting land. Rising rent costs limit their farm net income and profit, which implies an increasing share of profit that will leave the farm to reward rented land. The high rent costs will inevitably slow the turnover of fixed capital, given smaller residual profits for reinvestment. Along these lines, there has also been a gradual reduction in the level of rent payments in 2023 and 2024 after the strong years 2021 and 2022 for agriculture. 2) Subsidies will continue to have a strong impact on the level of net income. While smaller farms are more flexible and able to generate net income than larger ones, they need more public support. Larger farms pay increasingly larger rents and, although they earn in larger volumes, they are still sensitive to subsidies, especially to finance their investments. It is logical that in the future subsidies should be targeted at farms that need them more. A similar approach is proposed in the European Commission's September 2024 evaluation report (Strohschneider 2024), which clearly states that income support should be better targeted at active farmers who need it most, in order to avoid negative consequences such as the impact of land and rent prices that make agricultural production more expensive. 3) In the coming years, farms will need more net income to cover their investments in the transition to sustainability, which implies tighter control by them on costs that reduce profits. This requires stabilising the amount of rent paid, given that farms will need higher costs in the future to pay for more skilled hired labour and to sustain their investment.

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