Policy Proposal: Strengthening Small Farms through Local Value Chains and Regional Food Hubs

Introduction and problem analysis

In Europe, small farms- commonly defined as having less than 5 hectares of agricultural area- play a crucial role in food systems. They make up the vast majority of the EU's 10 million farms and contribute significantly to regional food security, biodiversity conservation, and rural employment (Rivera et al., 2020). However, despite their importance, there is no harmonized definition of "small farming" in EU policy, which hinders the effective targeting of support measures (EPRS, 2022).

The European food system is largely dominated by industrial farming and large-scale processing, which marginalizes small farms and excludes them from competitive global markets. Although small in size, in regions where they are concentrated, their contribution to regional food production is proportionally higher than that of larger farms (Rivera et al., 2020).

Despite EU initiatives under the Common Agricultural Policy (CAP), the distribution of funds continues to favor large-scale operations. As of 2020, 80% of small farms reported difficulties in securing fair prices and reaching consumers, according to the European Commission (EPRS, 2022).

In this context, four major challenges emerge:

1. **Market access**: Small farms struggle to integrate into large supply chains due to economic, logistical, and administrative barriers. Their size limits bargaining power and makes it harder to meet supermarket standards. Without access to direct consumer channels, they must often rely on intermediaries, who take a significant share of profits.

2. **Unfair pricing**: Industrial agribusinesses benefit from economies of scale and can undercut prices, pushing small farmers into unprofitable models. Ensuring fair remuneration- as highlighted in examples like Belgium- is essential for small farms to remain viable.

3. **Lack of training and access to knowledge**: Many smallholders face barriers when trying to acquire skills related to marketing, technology adoption, and navigating regulations. Continuous training opportunities, especially on climate adaptation and practical farming solutions, are often unavailable or difficult to access.

4. **Mismatch with consumer preferences**: Although consumers increasingly seek to buy locall (at markets, farms, or through community-supported schemes) direct sales still account for only 2% of fresh food transactions in Europe, while over 50% occur through supermarkets and discounters (EPRS, 2016). This disconnect reflects both infrastructural limitations and the absence of systemic support for short supply chains.
   If these challenges remain unaddressed, the decline of small farms will continue, threatening job creation, social cohesion, biodiversity, and food system resilience. Between 2005 and 2016, the EU lost 38% of farms under two hectares. This trend increases dependency on imports and

large agribusinesses, which are vulnerable to global shocks and contribute to unsustainable farming practices.
To reverse this trajectory, a new generation of policies must prioritize small-scale farming by strengthening local value chains and creating inclusive, simplified systems that improve access to markets, training, and fair prices. Regional food hubs and local food networks offer promising tools to do just that, helping realign the food system with ecological, economic, and social sustainability.

Policy proposal

To address these issues, this proposal adopts rural development practices that counter industrial food production and distribution. It advocates for the **re-territorialization** of supply chains through short food supply chains and alternative agri-food networks (AAFNs). Central to this strategy is the development and optimisation of **Regional Food Hubs (FHs)** that act as intermediaries, facilitating more efficient, fair, and locally anchored food distribution systems. Research shows that food hubs can play a transformative role in promoting innovative, short food supply chains and supporting the competitiveness of small farms by integrating logistical, social, and economic functions into a regionalized model (Berti & Mulligan, 2016).

Food Hubs address the challenge of **market access** by aggregating products from multiple farms and distributing them through diverse channels: wholesale to public institutions, direct-to-consumer sales (e.g., farm shops, e-commerce, pickup points), and farmer-led cooperative networks. Their structure helps reduce **logistical complexity** for farmers by limiting the number of intermediaries involved and streamlining access to local markets- an issue raised frequently by small-scale producers who often face excessive administrative hurdles.

A major advantage of FHs is their ability to **lower distribution costs** through shared logistics, centralized storage, and cooperative transportation systems. Small farms, which typically lack access to such infrastructure, benefit from the cost-efficiency and scalability FHs provide. By pooling resources, these hubs allow small producers to achieve a degree of **economic viability** that would be impossible in isolation. Unlike informal farmers' markets or traditional cooperatives, FHs offer structured and professionalized aggregation and distribution networks, ensuring reliability for both producers and consumers.

In tackling **unfair pricing**, FHs rely on diverse governance models- non-profits and cooperatives that reinvest in local food systems, private enterprises operating with equitable supply agreements, and public-sector hubs aligned with institutional purchasing programs. This **collective bargaining power** enables small farmers to negotiate better prices and reduce dependency on volatile wholesale markets. As illustrated in Belgium, ensuring that small farmers are **fairly remunerated** is essential to securing the long-term sustainability of the sector.

Food Hubs also serve as a **capacity-building platform**. Through access to digital tools such as marketing platforms, traceability systems, and regulatory guidance they help small producers integrate more easily into modern food systems. But beyond technical tools, **continuous training programs** should also be developed through the hubs, especially to address

knowledge gaps related to **climate change adaptation** and agroecological practices. These trainings must be practical, region-specific, and designed to match farmers' real-life conditions.

In response to changing **consumer preferences**, FHs provide expanded opportunities for direct-to-consumer sales and build **consumer trust** through transparency and traceability tools. They support farm stores, subscription-based food baskets, and e-commerce, matching growing demand for local, seasonal, and sustainable food.

Furthermore, this proposal highlights the potential of **virtual food hubs**- platforms that connect farmers and buyers without fully handling transactions or logistics. While these models can offer low-cost digital access to markets, their effectiveness depends on the type of product, user interface, and public target. In contrast, **e-business food hubs** provide more complete services, including transaction processing and logistics support. Digital food hubs have been identified as key enablers of innovation in sustainable agri-food systems, particularly by enhancing market transparency, optimizing logistics, and fostering environmental benefits (Sgroi & Marino, 2022). A flexible combination of both may be needed, depending on regional needs and product types.

Given the current lack of structured European policies on FHs, this proposal calls for a coordinated EU-wide approach that supports **both physical and digital food hubs** through funding, infrastructure, and regulatory alignment. The integration of FHs into **public-private partnerships**, as well as into national and EU procurement strategies, is vital for long-term impact.

To **prioritize small farm participation**, FHs must be required to work with **micro-enterprises**, defined by the European Commission as entities with fewer than 10 employees and under €2 million in annual turnover. This will eliminate restrictive supplier criteria and promote inclusion, particularly among the most vulnerable producers.

Unlike conventional distribution models, Food Hubs combine **economic goals with social values**. They create shared value throughout the food chain while advancing sustainability, fairness, and local resilience. Their success depends on **collaboration, knowledge-sharing, and a bottom-up approach** that centers the experiences of small farmers and communities. With the right support, FHs can become powerful engines for regional transformation, countering the dominance of industrial agriculture with a more inclusive, resilient food system.

Implementation

The successful implementation of Regional Food Hubs (RFHs) in the EU requires multiple policy adjustments and the adoption of key principles that reflect both structural reform and on-the-ground realities.
The **first policy change** concerns the redistribution and redirection of existing CAP funds. Two components need reform. First, the redistributive payment system, currently set at 10%, remains insufficient to ensure fair support for small farms. We recommend increasing it to 15–20% in the next CAP cycle. Second, degressivity and capping mechanisms must be

strengthened. While Member States can currently reduce payments over €60,000 by up to 85%, and optionally cap them at €100,000, these measures should become mandatory. The post-2027 CAP should not only enforce these limits but also revise thresholds to ensure greater equity. These changes are aligned with the vision of a **"greener and fairer CAP"**, recently reaffirmed in the strategic dialogue on the future of EU agriculture (Strategic Dialogue, 2024). The revenue generated by these adjustments should be ring-fenced to fund the Regional Food Hubs system, which directly benefits micro and small farms (Berti & Mulligan, 2016).

The **second reform priority** is the alignment of the RFH model with the **Farm to Fork (F2F) Strategy**, particularly through a revision of EU public procurement rules. Directive 2014/24/EU should be updated to require a **minimum quota of public food procurement (schools, hospitals, prisons)** to be sourced from Regional Food Hubs. This would enable a shift from a "lowest price" logic to a **"best value for sustainability" approach**, taking into account food origin, fairness, and ecological impact (Muro & Van Vugt, 2025).

Additionally, **simplifying administrative procedures is essential**. Many farmers face excessive paperwork, often digitized but complex, and too many institutional actors make the process burdensome. The implementation of RFHs should be accompanied by efforts to streamline governance, reduce the number of intermediaries, and provide **user-friendly digital interfaces** for subsidy applications and food hub participation. The EU must invest in **accessible online platforms**, while offering alternative support for those with limited digital skills or connectivity.

Education and awareness must also be integrated into this policy. School programs promoting healthy, local food existed in the past but were often discontinued. Reviving these efforts is critical. Embedding local food education from the earliest stages will help create future generations of consumers who value proximity, seasonality, and sustainability. These initiatives should highlight the importance of family farming values and actively promote women's participation, by recognizing and supporting their key role in agriculture.

Moreover, RFHs should include **climate-relevant training programs**, offering smallholders **practical, place-based education** on agroecological methods and resilience strategies. Continuous training (particularly on climate adaptation and food waste prevention) should be offered through collaboration between local authorities, agricultural schools, and civil society organizations.

Lastly, implementation must be **gradual, bottom-up, and adapted to local conditions**. Rather than imposing a uniform EU model, pilot projects should begin in areas where local food networks and producer cooperatives are already active.These **"best practice zones"** can then inform broader scaling. Community participation and local co-design should be embedded at every stage to ensure that **farmers' voices are not only heard but structurally integrated** into policy design and delivery.

Importantly, **external threats to European agriculture must be monitored**, particularly trade agreements such as **EU-Mercosur**, which may undermine small farm viability through competition with low-cost imports. Any future implementation of RFHs must be protected from such risks through consistent trade-policy alignment and safeguard mechanisms.

Impact

The **economic** impact of Regional Food Hubs (FHs) is significant for small farms, improving market access and reducing reliance on intermediaries. According to a 2022 briefing by the European Parliamentary Research Service, small farms in the EU face significant challenges in securing fair prices and market access, despite their importance for rural development and food security (EPRS The future of small farms in the EU, 2022). Studies suggest FHs can increase small farm revenues by 5–15% and generate an economic multiplier of 1.75, meaning every euro invested produces €1.75 in regional economic activity (Matson et al., 2013; Fischer et al., 2013; Berti & Mulligan, 2016). FHs also contribute to **job creation and rural revitalization**: a U.S. study showed that for every full-time job created by a food hub, 1.14 additional jobs emerged in the local economy (Fischer et al., 2013). Applied to the EU context, this could support employment in depopulated rural areas.

Socially, FHs contribute to food security and community resilience. Small farms are essential to EU food sovereignty, yet between 2005 and 2016, 38% of farms under two hectares disappeared (EPRS The future of small farms in the EU, 2022). By re-localizing supply chains and integrating into **institutional procurement**, FHs enhance regional self-sufficiency and stabilize prices. Moreover, **school-based food education**, once common but now largely absent, should be restored as part of FH implementation, helping cultivate a new generation of consumers who value local, seasonal food (Muro & Van Vugt, 2025).
Consumer demand is growing for local and sustainable products, yet only 2% of fresh food sales in the EU come from direct farmer-consumer channels, while 54% go through supermarkets (EPRS, 2016). FHs bridge this gap by expanding access to **e-commerce, farm shops, CSA schemes**, and offering traceability tools that increase consumer trust.

Environmentally, FHs help reduce carbon emissions and food waste, and support sustainable farming practices. In some cases, long-distance supply chains can generate several times more CO_2 emissions than local alternatives, depending on the mode and distance of transport (Weber & Matthews, 2008), whereas FHs have the potential to significantly reduce emissions per kg of food compared to long-distance distribution systems (Benedek et al., 2017).
Additionally, FHs can contribute to reducing food waste through improved logistics and coordination. Some studies suggest that short supply chains may help reduce waste significantly compared to conventional systems (Benedek et al., 2017), a concern also emphasized by practitioners. FHs support agroecological transitions by promoting farming systems that rely less on synthetic inputs (Schmutz et al., 2019). In France, regional procurement schemes linked to short food supply chains have revived over 50 heirloom crop varieties, strengthening biodiversity and climate resilience (Lamine et al., 2012).

However, challenges remain. FHs require significant upfront investment in infrastructure and logistics. Still, targeted CAP funding, public-private partnerships, and shared logistics models can ensure financial sustainability. Market competition with large retailers is a persistent obstacle, but **tax incentives for local sourcing** and **policy-backed visibility campaigns** can help drive retailer engagement. Regulatory fragmentation, especially inconsistent food safety standards, should be addressed through **harmonized EU guidelines**, which would streamline FH integration and reduce administrative complexity.

With adequate investment, structural reforms, and place-based implementation, Regional Food Hubs can reshape EU agriculture, strengthening local economies, improving food security, supporting job creation, and reducing environmental impact. FHs represent a concrete tool to deliver on the EU's goals for sustainable, fair, and resilient food systems (Strategic Dialogue, 2024).

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