

## **Do CAP Subsidies Stabilise Farm Income in Slovenia?**

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Common Agricultural Policy (CAP) uses a large share of its budget as subsidies to support and stabilise the income of European Union farmers. This paper assesses whether CAP subsidies stabilise farm income and how subsidies may reduce the variability of farm income over time. The analysis is developed on a constant sample of Slovenian Farm Accountancy Data Network farms during the period 2007–2015. It considers both the whole sample and farms grouped according to three criteria: types of farming, economic size classes, and relative importance of subsidies. Income variability is analysed by mean of variance decomposition by income components. Variability of farm income over time is high due to high variability of farm income from the market revenue component. The subsidies mitigate instability in farm income, because they are less variable than the market revenue income. While CAP subsidies provide a stable source of farm income, they have played a limited countercyclical role to stabilise total farm income. Subsidies may not be targeted to farms facing the highest level of income variability and thus CAP subsidies may not be an efficient tool to stabilise farm income.

*Keywords:* Farm income, farm management, Common Agricultural Policy, variance decomposition, farm subsidies

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