CAP Funding in Spain: Economy-Wide Effects and Implications of the 2028â€“2034 Proposal

Topic: Input-Output Analysis: Regional policies (1)
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Amid the ongoing European debate on Common Agricultural Policy (CAP) reform and budget priorities for the 2028â€“2034 Multiannual Financial Framework, this paper provides updated evidence on the economy-wide role of CAP funding and the potential consequences of the proposed cut. Using Spain as a case study, we quantify the impact of CAP funds under the current 2021â€“2027 framework and simulate the implications of an approximately 22% reduction in the post-2027 agricultural envelope. The analysis is based on AgroSAMESP2022, a 2022 Social Accounting Matrix for Spain with agriculture disaggregated into 27 subsectors. Impacts are estimated using a linear multiplier approach, combining employment multipliers with an extended Miyazawa incomeâ€“consumption mechanism that endogenises both labour and capital income to better represent mixed-income structures common in farming and rural economies in Spain. Three scenarios are examined: a counterfactual 2022 without CAP funds, the observed 2022 CAP envelope, and a 2028 envelope reflecting the proposed cut. Results show that CAP funds generate sizeable spillovers beyond primary agriculture through agri-food and service linkages, supporting over 270,000 jobs and about 1.27% of GDP, with strong heterogeneity across agricultural subsectors. The simulated cut implies non-trivial losses concentrated in specific activitiesâ€”most notably olive for the oil industryâ€”highlighting differential exposure relevant for CAP redesign and rural development strategies.