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AGRICULTURE AND RURAL DEVELOPMENT

Research for AGRI Committee - Young farmers - Policy implementation after the 2013 CAP reform

STUDY

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STUDY

Abstract

This report provides information regarding the state of implementation of the current CAP young farmers' mechanism. The different implementation styles of the Members States are described and the currently implemented policy tools are evaluated. Based on the secondary analysis and case studies, several policy recommendations are formulated, aimed at improving the existing support scheme and assisting young farmers to deal with the major barriers to entering agriculture.

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CONTENTS

LIST OF ABBREVIATIONS

AWU	Annual Work Unit
BPS	Basic Payment Scheme
CAP	Common Agricultural Policy
EAGF	European Agricultural Guarantee Fund
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ECA	European Court of Auditors
FDNA	Farm Accountancy Data Network
GDP	Gross Domestic Product
MS	EU Member State
PE	Payment Entitlements
P2B	Priority 2, Sub-theme B of the Rural Development Programme
PPS	Purchasing Power Standard
RDP	Rural Development Programme
SAPS	Single Area Payment Scheme
SFS	Small Farmer Scheme
SO	Standard Output
YFCIS	Young Farmer Capital Investment Scheme
YFP	Young Farmer Payment

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EXECUTIVE SUMMARY

Background

Even though EU assistance has been available to young farmers for more than three decades, the ‘young farmer problem’ seems to remain. This is due, on one side, to the complexity of the problem and, on the other, to the limited effectiveness of policy mechanisms in dealing with it.

Discussion about young farmers and their role in agriculture is related to a wide range of questions, such as restructuring the agricultural sector, ageing farmer population, identification and differentiation of new entrants in agriculture within young farmers and relative potential of policy tools to impact on generational renewal in agriculture. Understanding the problem in its full complexity is crucial for increasing the efficiency of the support addressed to young farmers.

The policy instruments implemented in the current programming period rely on the first and second Pillar of the CAP.

The financial aid for young farmers in terms of the Pillar I is a compulsory scheme. Approximately 4.1 % of basic payment applicants benefited from the Young Famers Payment (YFP) in 2015. The YFP per hectare varies between 20 EUR/ha and more than 80 EU/ha.

The support for young farmers is provided within the EU rural development policy (Priority 2: Enhancing farm viability and competitiveness of all type of agriculture (...), sub-theme B), which includes five major measures. The weight of a given Priority varies substantially in RDP’s of the regions/Member States. The dominant instrument for addressing the given Priority is Measure 6, providing start-up grants for young farmers. This Measure constitutes more than 90 % of the budget allocated to Priority 2B. Some Member States target this support towards very small farms, while most others also consider farms ten and more times larger than the lower threshold. During the installation, period farmers have to demonstrate the viability of the business. The viability conditions are specified differently in the Member States and include deployment of minimal Annual Work Unit (AWU), reaching a specific operational size expressed in Standard Output terms, hectares or number of animals. The actual level of support (on a lump-sum basis) is differentiated according to six criteria (by location, size of the established holding, production specialization, amount of investment, provision of additional jobs and ‘other’).

Due to the absence of secondary data, it has been necessary to generate primary data to evaluate the impacts of the current measures. This primary study was conducted in 7 Member States. Focus groups became the major source of data for the subsequent analysis across the selected countries.

The general evaluation of the existing measures directed at young farmers is consistently positive. However, the major support tool (start-up grants for young farmers) is over-subscribed in several Member States.

Each of the focus groups considered the barriers to young farmers. Access to land was identified as the most important barrier to new entrants due to limited high quality land, land prices, impacts of the CAP direct payments and legislative reforms. New entrants tend to operate smaller farms, and therefore struggle to access inputs at competitive prices. Their businesses are more threatened by price volatility (for both inputs and produce). New entrants also deal with problems with accessing financing through banks or other credit programmes, and are in need of training in entrepreneurial and risk management skills.

The existing Regulation provides Member States with significant flexibility for implementing the support for young farmers starting new businesses. From the stakeholders' point of view, the focus of the current support is very vague. In some countries it serves as a tool for facilitating farm succession or as a useful incentive for passing the farm from the older generation to a younger successor, whereas in others it is considered rather as start-up aid for new entrants to agriculture.

The measures currently being implemented are addressed to a generally defined group of young farmers. Most of the case study countries identified successors to existing farms as their primary beneficiaries. Despite the fact that the start-up grants do not usually cover the entire investment, they contribute to new business activities in agriculture. The Young Farmer Payment enhances the competitiveness of young farmers' and new entrants' farms.

The proposed innovations for improving the support mostly focus on the amount of funding available for applicants, administration of the measures and re-definition of the target groups (young farmers vs. new entrants)

Based on the secondary analysis presented in the study, 14 recommendations are proposed. Key recommendations include:

- The support for young farmers should continue.
- In order to deal with the problem of land access, the report recommends re-evaluating the direct payment scheme and creating new incentives for older farmers to pass on their farms.
- New supports could enhance the actions of new innovative initiatives that are supporting new entrants to the agricultural sector
- Supports should further focus on additional barriers, such as access to capital, lack of business skills and insufficient succession plans.
- Support for young farmers should be differentiated from support for new entrants.

Aim

The main purpose of this report is to provide Members of the European Parliament with information regarding the state of implementation of the current CAP young farmers' mechanism.

The objectives of the report are defined as follows:

- Describe and explain how the young farmers' tools in the latest CAP reform have been implemented on the ground with respect to the specific implementation decisions of the Member States.
- Provide evidence about the main structural results of the implemented measures and identify (a) main challenges faced by newcomers to farming, (b) key factors and

indicators for successful young farmer initiatives and (c) possible approaches and instruments to facilitate young people’s entry into the farming business.

- Draw policy conclusions and provide strategic recommendations for how the EP can best learn from the young farmers’ tool implemented by the latest CAP reform.

GENERAL INFORMATION

KEY FINDINGS

- Generational renewal has acquired an important place in public and political discourse.
- Member States have notified the Commission that they will spend a total of €2.6 billion on direct top-up payments to young farmers, and support almost 180 000 young farmers with installation aid.
- Despite the EU support the 'young farmer problem' persists in European agriculture.
- The present report analyses the state of implementation of the current CAP young farmers mechanism as well as the strategic recommendations

Generational renewal in agriculture has acquired an important place in public and political discourse. Phil Hogan, EU Commissioner for Agriculture and Rural Development, recently discussed his efforts to mainstream the issue of generational renewal in the upcoming debate about the future CAP, since 'bringing generational renewal fully into the policy mainstream cannot happen without the support system of a strong and targeted rural development policy' (EC, 2017c).

Between 2007 and 2013 more than 126 000 young farmers received financial aid towards the initial establishment of their farms, in an overall sum of €3.65 billion (ENRD, 2014). In the current programming period, Member States have notified the Commission that they will spend a total of €2.6 billion on direct top-up payments to young farmers, and support almost 180 000 young farmers with installation aid (EC, 2016b).

Even though EU assistance has been available to young farmers for more than three decades, the 'young farmer problem' seems to remain. This is due, on one side, to the complexity of the problem and, on the other, to the limited effectiveness of policy mechanisms in dealing with it.

The main purpose of this report is to provide Members of the European Parliament (particularly members of the Committee on Agriculture and Rural Development) with reliable data and up-to-date evidence regarding the state of implementation of the current CAP young farmers' supports.

The report is structured as follows: Chapter 1 provides an overview of findings related to young farmers in agriculture and the currently implemented policy tools. Chapter 2 presents the different implementation styles of young farmers' tools by Member States. The next section, Chapter 3, presents information about the impacts of the implemented policy tools, an overview of the barriers and opportunities for new entrants to agriculture, and discusses how the implemented measures help newcomers to overcome these barriers. The final Chapter 4 concludes the findings of the study and on this basis provides political recommendations in order to increase the effectiveness of the young farmers' political mechanism.

1. ADDRESSING THE 'YOUNG FARMER' PROBLEM

KEY FINDINGS

- The 'young farmer problem' consist of several topics widely discussed in academic literature, such as restructuring the agricultural sector, ageing farmer population, young farmers vs new entrants and the potential of policy tools focused on farm succession.
- Farm concentration results in a contest between farming and non-farming investors, and also between generations of farmers who all compete on the land market.
- EU Member States significantly differ in their share of younger and older farmers.
- Based on the definition provided by EU regulations, the administration considers 'young farmers' to be 'new entrants into agriculture', however such identification is highly inaccurate and does not reflect all existing categories of young people who start farming.
- The policy intervention targets only part of the 'young farmer problem', which reduces its impact.
- The major policy tools for supporting young farmers include Young Farmer Payments (YFP) and Start-up aid for young farmers. Specific 'implementation styles' reflect the strategies of the Member States to deal with generational renewal in the agricultural sector.

The 'young farmer problem' has been the subject of research from many different and often overlapping perspectives (demographic, economic, sociological). Discussion about young farmers thus cannot be reduced only to questions of ageing, but should be broadened to include questions of family farm succession, the role of new entrants to agriculture and the potential of policy tools to influence generational renewal in agriculture.

1.1. Context of the 'young farmer problem'

Understanding the problem in its full complexity is crucial for increasing the efficiency of the support and measures addressed to young farmers. Based on a review of academic studies it is possible to identify several topics underpinning the 'young farmer problem'.

1.1.1. Restructuring the agricultural sector

There is an increasingly intensive process of concentration taking place in European farming. Between 2005 and 2015 the number of farms in the EU-27 decreased by approximately 3.8 million and the average size of the farms increased in by about 36% (Eurostat, 2017a). The result is a contest between farming and non-farming investors, and also between generations of farmers who all compete on the land market. Under such conditions it is increasingly difficult for young farmers and new entrants to agriculture to have access to land (EP, 2017: 4). Several EU Member States already regulate agricultural land markets to avoid excessive land speculation (EC, 2017d), however access to land ultimately forms one of the main barriers to entry to farming.

1.1.2. Farm succession

The issue of 'young farmers' is closely related to the process of farm succession. This process influences generational turnover in farming. Academic studies show that farms are passed from one generation to the next within the framework of the family because the agricultural sector is typified by a strong heredity (de Haan, 1994). Some countries consider agriculture to be a 'closed profession' (Symes, 1990). The most common means of entry to farming is therefore succession in the family (Zagata and Sutherland, 2015: 41).

The process of passing a farm from one generation to the next is implemented in several steps: inheritance, succession and retirement (Gasson and Errington, 1993: 204). Legal assumption of ownership rights, managerial control over farms and finally older generations ceasing working activities take place gradually. This historical process has been framed in established (i.e. socially institutionalized) traditions, which have guaranteed continuity of farming on a given farm (Riley, 2014: 239). Studies also observe that these established patterns of family farm turnover are now being modified.

One of the main causes of such modification is the process of individualization in society. The younger generation does not want to be subjected to such traditions. Rather, their life biographies and their lives as a whole are less predictable compared to previous generations (Chiswell, 2016). This means that taking over the family farm of their parents becomes only one possible direction in their career (Rossier, 2010; Villa, 1999), not the exclusive one. However, this process of individualization does not mean that young people are less interested in farming. There are currently no studies confirming a lower interest in farming among young people from farms. In fact, anecdotal evidence suggests that interest in farming is increasing in some countries (Matthews, 2013).

Academic studies generally understand farm succession as a process which is shaped by a combination of several factors. Fischer and Burton (2014: 417-418) labelled this a 'factor-based' approach. This approach has given rise to many studies describing the factors that determine the probability of a farm being successfully passed on to the next generation. The main identified factors are: the size of the farm and its profitability, the volume of farm assets, farm type, location, diversification strategies, enterprise mix, land tenure, transaction costs, and inheritance rights and death duties. This long list of factors has been supplemented by studies highlighting the importance of personal preferences, intrinsic rewards, formal education levels, practical skills and intergenerational relationships.

The factors outlined above might result in the conclusion that the successful passing on of a farm from older generation to younger is influenced mostly by the economic viability of the farm and by the willingness of the young generation to enter farming (the so-called entry problem). However, there is new evidence suggesting that the insufficient rate of generational turnover in agriculture is also linked to the unwillingness of elderly farmers to pass over the farm to the younger generation (the so-called exit problem). The main reason in this case is the growing capital value of farming land together with significant emotional and time investments into farms over their lifecourse, which decreases willingness to sell or to pass on the farm (Zagata and Sutherland, 2015: 42; Ingram and Kirwan, 2011). Such behaviour is supported by the framework of the CAP. The system of decoupled farm support in the contemporary CAP is perceived by some farmers as a substitute for their pensions. Such subsidies in agriculture are therefore barrier to becoming a pensioner and to passing on the farm (Bika, 2007; Rossier, 2010).

Moreover, it is necessary to emphasise that contemporary support for young farmers uses incentives to support entry into farming but incentives to cease (exit) farming have been missing since 2014.

1.1.3. Ageing farmer population

The process of generational turnover on farms impacts the age structure of farmers and indicates a potential problem of ageing. Average values in the EU-28 suggest that the age structure of family farm holders in the EU is not favourable. The available statistics show that most farmers (54.92%) are over 55 years of age. The proportion of young people, i.e. those under 35 years of age is relatively low (5.94%). It is important to emphasize that these proportions have not significantly changed over the last decade, varying by only a single percentage point (see Table 1).

Table 1: Distribution of farm holders according to age categories in the EU

YEAR	UNDER 35 YEARS OF AGE	55 YEARS OR ABOVE
2005	6.89	54.10
2007	6.23	55.47
2010	7.45	53.19
2013	5.94	54.92

Source: Eurostat (2017a), EC (2016a)

The ageing of farmers is a key topic in contemporary European agriculture. EU Commissioner Phil Hogan has pointed out that without a young generation of farmers it will be difficult to meet the challenge of 'better life for rural areas' as highlighted in the document Cork 2.0 (EC, 2017c).

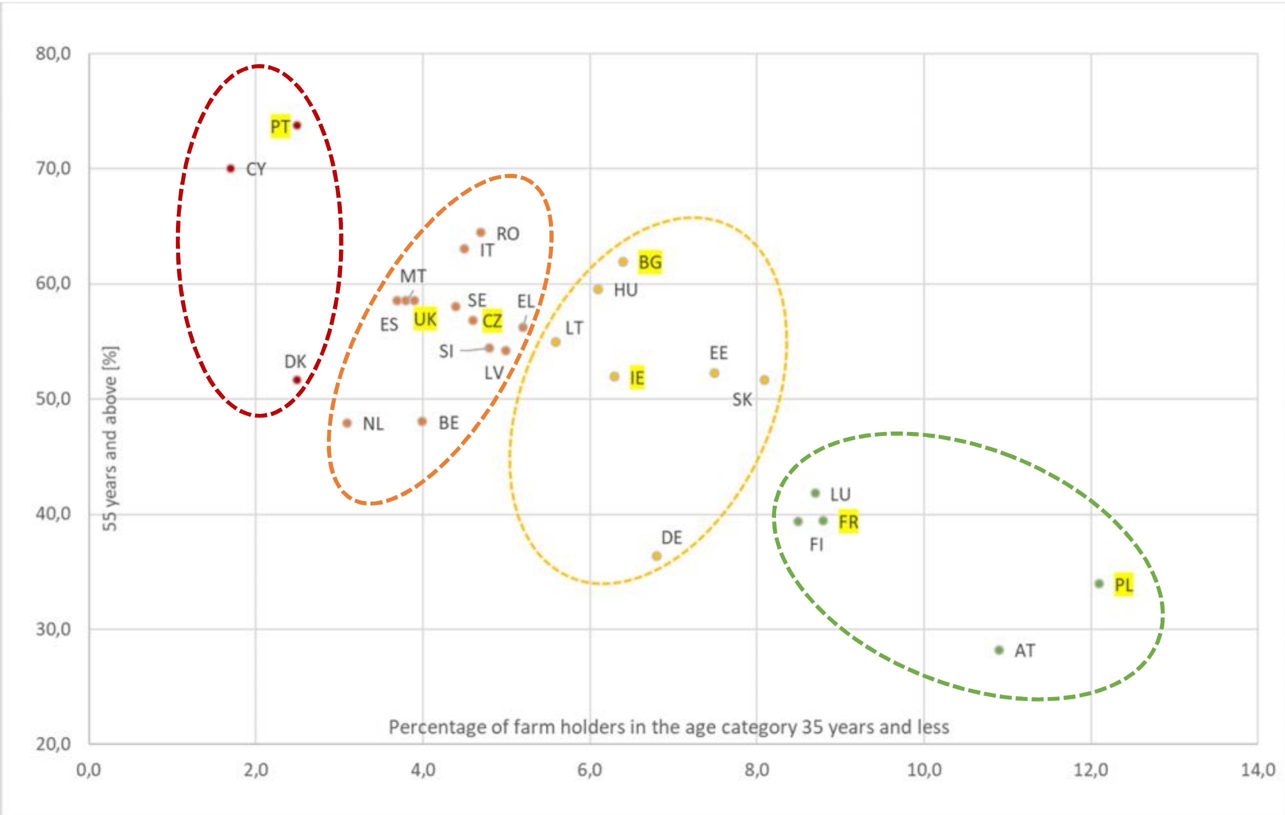
Interpreting the age structure of farmers is a complex question. This text does not want to simplify the problem, but will briefly comment on several important issues.

Firstly, EU Member States significantly differ in their share of younger and older farmers. Generally speaking, it is possible to classify EU countries into four groups in term of their age structure in agriculture (see Figure 1). The first group is made up of those countries with a high share of young farm holders and a relatively small share of older farmers (Poland, Austria, France, Luxembourg, Finland). The second group includes countries with a relatively high share of young farmers but also with a high proportion of older farmers (Slovakia, Spain, Germany, Ireland, Bulgaria, Hungary). The third group is made up of countries with a relatively low share of younger farmers (Italy, Czech Republic Belgium, UK and others). Finally, the fourth group is made up of countries with a very low share of young farmers and very high share of older farmers (Portugal, Cyprus and Denmark).

Secondly, the age structure of farmers in EU Member States is closely linked with the structure of farms. It is a common feature across the entire EU that smaller farms are most likely to be mainly operated by older farmers (Zagata and Sutherland, 2015: 43). This suggests that the problem of ageing heavily impacts countries with a higher share of small farms (like Hungary, Romania, Greece, Italy or Portugal). A more precise view of the urgency of the problem of ageing is provided by statistical surveys investigating age structure and total farmed land. From this perspective, it appears that the problem of ageing is most urgent in countries like Portugal, Italia or Romania.

We assume that the structure of farms according to age is regionally differentiated. In some areas (e.g. mountain areas) the concentration of older farmers compared to the proportion of younger farmers might be higher. However, the lack of data makes it impossible to confirm or deny this hypothesis.

Figure 1: Percentage of young and older farm holders in the EU-28



Source: Eurostat (2017a), European Commission (2016)

1.1.4. Distinguishing young farmers and new entrants

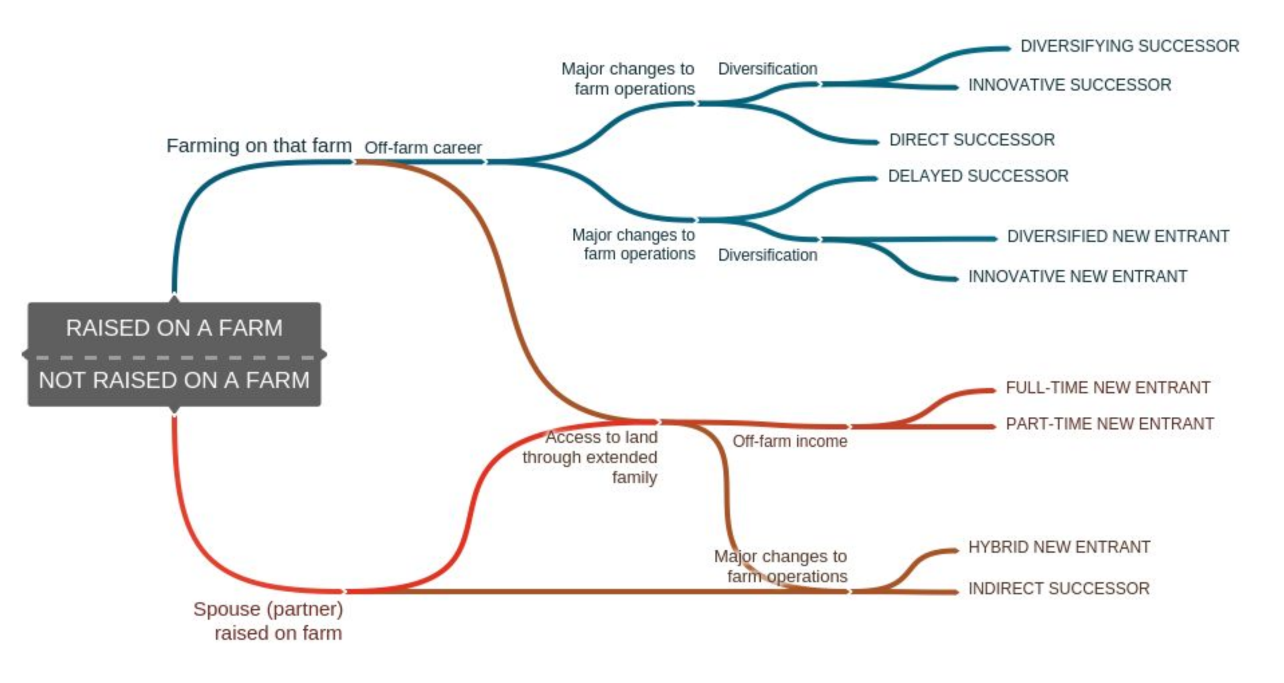
The CAP measures address 'young farmers'. The definition of 'young farmers' is provided by Regulation (EU) No 1305/2013 of the European Parliament and of the Council. The Regulation says:

> young farmer means a person who is no more than 40 years of age at the moment of submitting the application, possesses adequate occupational skills and competence and is setting up for the first time in an agricultural holding as head of that holding.
>
> (Regulation (EU) No. 1305/2013, Article 2, paragraph n)

The importance of young farmers is supported by large quantities of research data. Zagata and Sutherland (2015: 48) point out that young farmers operate farms that are on average in better economic condition than those operated by older farmers. Young farmers are more economically motivated (van Passel et al., 2017; Koteva et al., 2009). For them, the farm is somewhere that generates income, but this income does not only come from commodity production, but also from various other activities that use the land.

Based on the definition provided by EU regulation, the administration considers 'young farmers' to be '**new entrants into agriculture**'. However, this typology is complicated. Most young people who start farming because they take over a farm as part of a farm succession process are not 'new entrants'. They are successors who grew up on the farm and generally have already contributed to its operation through their work. 'New entrants' are those who are beginning farming. They do not take over the farm they grew up on, but enter farming from the outside. The difference between '**successors**' and '**new entrants**' is documented in the typology of farmers starting in agriculture (Figure 2).

Figure 2: Typology of farmers starting in agriculture



Source: Adapted from EIP AGRI (2016)

New entrants to agriculture – whatever age are they – are **potential innovators**. Although this fact has not yet been investigated in depth, some agricultural studies confirm it. Sutherland et al. (2015) found out that starting farmers are more engaged in diversifying activities and setting up new markets because they can use experience and contacts they have from outside agriculture. This corresponds to previous findings indicating that many new entrants to agriculture incline to organic farming (Rigby et al., 2001; Padel, 2001; Lobley et al., 2009).

Analysis and evaluation of the position of young and starting farmers (new entrants) is **complicated by a lack of data**. The definition of young farmers that establishes the framework of who can get support does not distinguish between 'successors' and 'starting (new) farmers'. The use of quantitative data mostly from the Farm Structure Survey is **affected by significant inaccuracies**. Four main inaccuracies were identified by Zagata and Sutherland (2015: 40-41):

- Eurostat investigates the structure of farms through age groups which are not compatible with the definition used in Regulation (EU) No 1305/2013.

- The group of 'young farmers' is often used as a synonym for the group of 'new entrants' although in many cases they are different actors with a different approach to farming.
- Statistical surveys face the problem of identifying the decision-maker, because the farmers who provide data about themselves are not necessarily those who make the decisions on the farms.
- The category of 'sole-holders' is unclear in the case of family farms because farm succession in the family takes place at an older age which might skew (distort) statistics about the age structure of family farms.

1.1.5. Potential of policy tools

The implementation of support for young and starting farmers is a complicated matter. One reason for this is that the policy intervention targets only part of the investigated problems. However, the problem is interlaced with other processes that can only be partially controlled. This is true especially for those factors which concern the social institutions of family farms and their life cycles.

These circumstances have been described in detail by Fischer and Burton (2014). They argue that the course of farm succession mainly depends on the internal dynamics of the farm. Successful generational turnover depends not on a simply defined set of 'appropriate factors' (such as a farm's size or profitability), but rather on the endogenous development of the farm and social relations within the family. Policy interventions and other factors originating outside of the farm undoubtedly have an impact, but their influence may be relatively low when compared to endogenous factors that directly influence decisions concerning whether the family farm is taken over by a member of a new generation within the family or not.

Although ageing of farmers is considered to be a very significant issue, the research on this topic is not supported by a coherent conceptual framework that would enable in-depth investigation. The indicators currently used give only limited information about how a given farm is managed and who manages it, as Zagata and Sutherland point out. Moreover, 'there is no theoretical foundation for identifying a quantitative level at which ageing or absence of youth become a social and economic problem' (Zagata and Sutherland, 2015: 49).

Support for young farmers has also been criticised in the past for its low efficiency (Carbone and Subioli, 2008; Matthews 2013). Several lines of criticism are found in the special report of the European Court of Auditors No.10 (ECA, 2017). The main criticism is that the intervention logic is poorly-defined, especially in Pillar I of the CAP.

According to the report, the Young farmer payment 'does not reflect the general objective of encouraging generational renewal' (ECA, 2017: 8). The goals in the measures provided in Pillar II Business start-up aid for young farmers are better defined. The evaluation of this measure faces the problem of missing indicators. According to the report, it is not possible to evaluate the extent to which the measure really 'facilitated the setting-up of young farmers and improved generational renewal,' due to the poor quality of the indicators involved in the programme's monitoring system.

1.2. Policy tools focused on young farmers

The policy instruments implemented in the current programming period (2014-2020) rely on the first and second pillar of the CAP. The extension of financial aid for young farmers using Pillar I of the CAP underlines the relevance of the problem for the EU.

The age structure of farm holders varies significantly across Member States (see section 1.1.3 on the p. 17). Each Member State is thus allowed to choose and implement the relevant policy tools in various combinations. On this basis, each Member State creates its own 'national tailoring paths'. The major policy tools for supporting young farmers include (1) Young Farmer Payments (YFP) and (2) Start-up aid for young farmers.

1.2.1. The Young Farmer Payment

Financial aid for young farmers in terms of Pillar I was introduced as part of the 2013 CAP reform. The Young Farmer Payment is a compulsory scheme, which is implemented in all EU Member States under Regulation (EU) No 1307/2013 and requires Member States to allocate up to 2% of the direct payments envelope to the YFP. The Member States decide for themselves the specific allocation for the support of young farmers and the method for calculating the YFP, in accordance with Regulation (EU) No 1307/2013 (Article 50 (6-11)). Member States have adopted various approaches for implementing the payment for young farmers. Most Member States have opted for 25% of the average direct payment per hectare and set the limit of payment entitlements or number of hectares at the maximum possible of 90 ha/entitlements.

Some Member States reported the maximum 2% of the direct payment envelope, while others reported less than 1%. After the August 2015 revision, the estimated allocation for the YFP accounts for 1.33% of total direct payments in 2015 and 1.23% in 2016 (EC, 2016c).

1.2.2. Start-up aid for young farmers

Unlike the Young Farmer Payment within Pillar I, assistance for setting up young farmers has been available in the EU since the 1980s. The young farmers measures were fully developed in the 1990s after becoming an integral element of rural development programmes (Bika, 2007). Nowadays, the policy tool is included in the Rural Development Policy in accordance with Regulation (EU) No 1305/2013.

Support for young farmers is subsumed under Priority 2 (Farm Viability and Competitiveness), and Focus area 2B (Facilitating the entry of adequately skilled farmers into the agricultural sector and generational renewal), which focuses directly on young farmers. In order to achieve the goals set out in this focus area, Rural Development Programmes implement several measures. The most important is the Farm and business development measure (Article 19 of Regulation (EU) No 1305/2013). Within this measure Member States can support Business start-up aid for young farmers (Measure 6). The maximum funding is €70 000, provided in at least two instalments over a maximum of five years. Young farmer applicants must submit and successfully implement a business plan.

The EAFRD regulation also offers the possibility to introduce new financial opportunities, such as favourable loans and bank guarantees for farmers (EP, 2015a).

The Early retirement scheme was phased out as part the 2013 CAP reform and therefore cannot be found in the Regulations. This measure was included in the rural development policy for the period 2007-2013.

1.2.3. Financial resources

Member States have notified the Commission of their estimate to spend a total of €2.6 billion for granting these payments under Pillar II in the period 2015-2019 (EC, 2016b). Under Pillar I, public spending for the support of young farmers is planned to reach €6.9 billion, which is 4.5% of the total budget for the rural development policy (ENRD, 2016). The Member States have notified the Commission to support almost 180,000 young farmers during the period 2014-2020 (ENRD, 2016).

The support under Pillar II is comprised of several policy tools. The largest sum of money has been allocated for measure M06 Business start-up aid for young farmers (see Table 2).

Table 2: Distribution of the budget for implementing Focus area 2B

	M01	M02	M04	M06	M16	Total
EU-28 (€ mil.)	117	114	1 240	5 422	20	6 912
EU-28 (%)	2%	2%	18%	78%	0.3%	100%

Source: ERDN (2016)

1.2.4. Implementation styles

The Member States can decide how to implement support for young farmers. On this basis, different ‘implementation styles’ have been created, reflecting the specific needs of generational renewal in agriculture. Every national policy includes the mandatory payment for young farmers under Pillar I. Additional support is provided under Pillar II, which gives a wide range of options for implementing measures aimed at young farmers.

2. IMPLEMENTATION STYLES OF THE MEMBER STATES

KEY FINDINGS

- About 4.1% of basic payment applicants benefitted from the young farmer payment in the EU in 2015 (EC, 2017a), earning between €20 to €80 per hectare. Altogether, this amounts to €314 million, which represents less than two thirds of the initial estimate of budget outlay for young farmers.
- The weight of Priority 2B 'Facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal' within rural development programmes varies substantially. Among 41 reviewed RDP documents there are 6 regions where P2B has a share of more than 10% of the total RDP budget, while 9 regions considered this priority to be marginal.
- There are no obvious common characteristics of these regions that might explain why they pay high or limited attention to young farmers.
- The most important measure to support young farmers-entrants is M06.1, which provides start-up grants. The measure is targeted at micro and small enterprises: the upper and lower thresholds vary in terms of units and size among MS/regions.
- Most MS/regions are flexible concerning the skill requirement: young farmer entrants are allowed to accomplish the required level within 36 months of setting up the farm.
- Most MS/regions differentiate the start-up support by farm location (favouring areas with natural constraints), size of the intended business, creation of additional jobs, etc.
- While a well-defined business plan is obligatory, MS/regional implementations differ in the period for which they are implemented. The final instalment of the support payment is usually conditional upon the accomplishment of the business plan.
- Measure 4 (particularly M04.1), providing investment grants with a supplement rate for young farmers, is significantly important for achieving P2B objectives for 10 of the 41 surveyed regions. An exceptional case is Ireland, where 97% of the Priority 2B budget is allocated to Measure 4.

2.1. Policy tools currently implemented

2.1.1. Pillar I

The European Agricultural Guarantee Fund (EAGF), the financial instrument of CAP pillar I, is fully financed by the EU and includes, among measures, direct payments.

The young farmer payment targets farmers of no more than 40 years of age who are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the 5 years preceding the first application to the scheme (EC, 2016c). The scheme is compulsory for Member States. In order to finance the payment for young farmers, Member States shall use a percentage which shall not be higher than 2% of the annual national ceiling (Regulation (EU) No. 1307/2013, Article 51). In countries implementing the Basic Payment Scheme, young farmers also benefit from a priority access to the national or regional reserve (EC, 2016c).

Approximately 4.1% of basic payment applicants benefitted from the young farmer payment in the EU in 2015 (EC, 2017a) with the highest share in the Czech Republic (12%). The total payments for young farmers amount to approximately €317 million (0.79% of direct payments, well below the initial estimates of around 1.3% of direct payment envelope). The young farmer payment per hectare varies between 20 EUR/ha and more than 80 EUR/ha.

Eleven Member States opted to limit the young farmer payments to areas of below 90 hectares. For eight countries this limit is significantly restrictive (i.e. the average size of applicants is greater than the limit) – see Annex 1A on page 65. Ceilings of the Young Farmer Payment exhibit some dynamics: five Member States increased the ceilings by more than 10%, while Hungary doubled it; ten Member States decreased their ceilings by more than 10%, four of them (Bulgaria, Denmark, Slovakia and UK) by more than 60% (Table 3).

Table 3: Ceilings of Young Farmer Payment 2015-17 (€ thousand)

Budget year (Calendar year)	2016 (2015)	2017 (2016)	2018 (2017)	CHANGE 2015-2017
BE	9 898	8 495	8 367	-15%
BG	3 717	1 030	1 310	-65%
CZ	1 690	1 688	1 686	0%
DK	17 415	5 116	4 341	-75%
DE	49 128	48 805	48 481	-1%
EE	343	344	408	19%
IE	24 300	24 269	24 238	0%
EL	38 439	37 983	37 527	-2%
ES	96 853	97 034	97 333	0%
FR	73 021	72 707	72 390	-1%
HR	3 675	4 057	4 823	31%
IT	39 020	38 508	37 995	-3%
CY	508	352	397	-22%
LV	2 716	3 200	3 200	18%
LT	7 313	5 531	5 838	-20%
LU	504	503	502	0%
HU	2 691	5 378	5 373	100%
MT	21	21	21	0%
NL	14 986	14 737	14 487	-3%
AT	13 861	13 848	13 835	0%
PL	33 786	33 953	34 119	1%
PT	11 316	11 479	11 641	3%
RO	32 000	15 000	18 013	-44%
SI	1 380	2 055	2 040	48%
SK	2 403	1 348	604	-75%
FI	5 233	5 234	5 235	0%
SE	13 938	10 459	10 465	-25%
UK	51 798	49 491	16 308	-69%
EU	551 954	512 626	480 978	-13%

Source: EC DG AGRI (2017)

2.1.2. Pillar II

Six priority areas are of major concern to EU rural development policy (Article 5 of Regulation (EU) No 1305/2013). Facilitating the entry of adequately skilled farmers into the agricultural sector belongs to Priority 2: “Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests”. This is classified as sub-theme B, usually referred to as P2B. There are five measures intended to address young farmers and entrants:

- Business start-up aid for young farmers setting up for the first time in an agricultural holding Investments in physical assets (Article 19).
- Knowledge transfer and information actions (Article 14).
- Advisory services, farm management and farm relief services (Article 15).
- Investments in agricultural activities (Article 17).
- Co-operation (Article 35).

Regulation (EU) No 1305/2013 encourages managing authorities in Article 7 (a) to bring some or all of the above measures together in a Thematic Sub-programme for young farmers, with the possibility to increase the rate of support.

2.2. Implementation of young farmer tools by Member States

2.2.1. Sampling and analysis of the RDP’s

Regulation (EU) No 1305/2013 on support for rural development is being implemented by 28 Member States in 118 rural development programmes (RDP) for the period 2014–2020. There are 21 single national programmes and 98 regional programmes. The regional programmes are defined either at NUTS 1 (e.g. Germany) or NUTS 2 (e.g. Italy) levels.

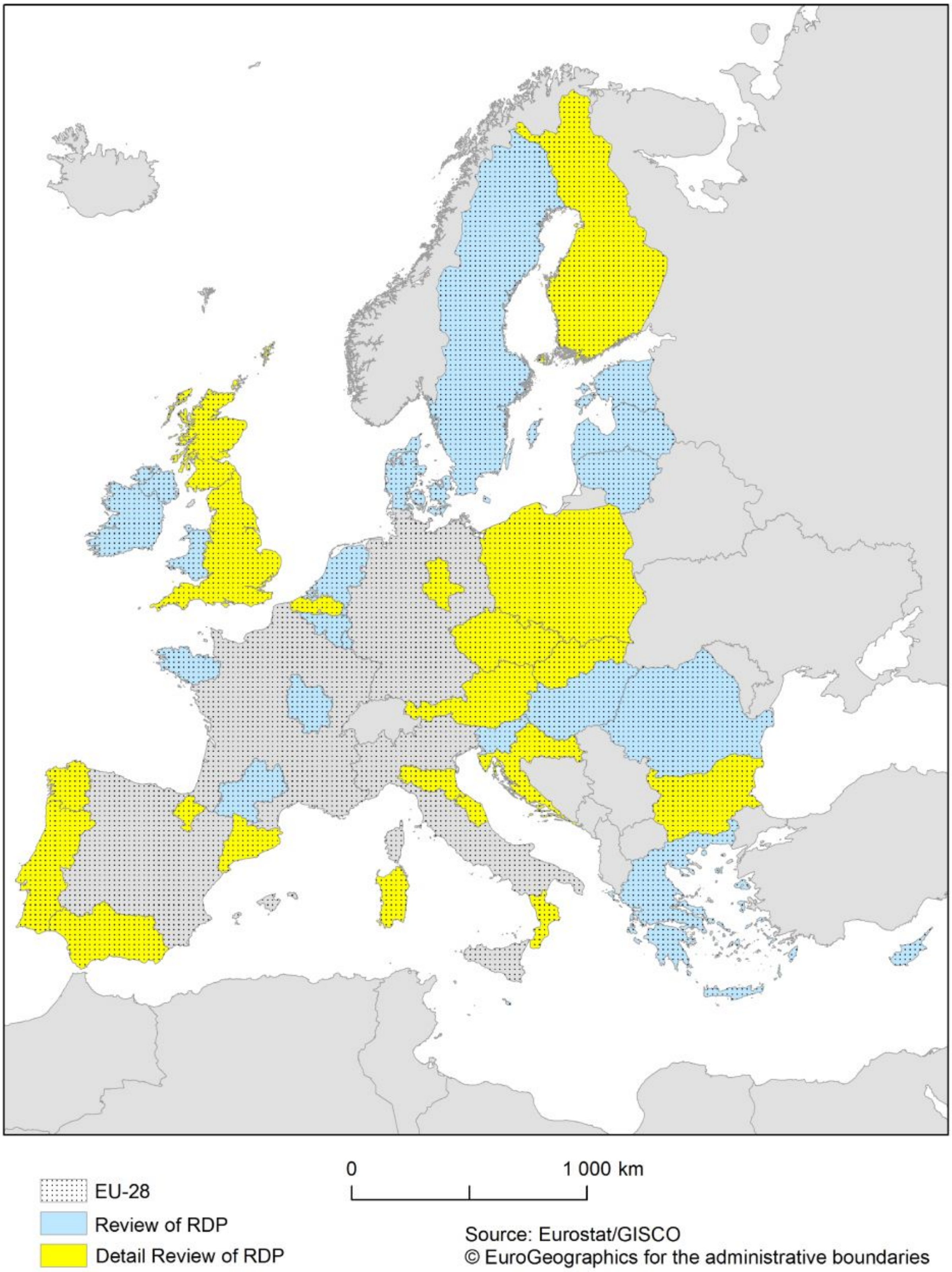
In this study we have reviewed all 21 national RDPs, and all regional RDPs of Belgium, Finland and the UK. We have thus obtained a complete picture for 24 Member States. For the remaining four Member States (i.e. Germany, Spain, France and Italy) we envisaged reviewing three or four RDPs which might accurately represent the diversity of conditions and implementations of the rural development policy. However, we soon realised that in fact only one federal state of Germany (Saxony-Anhalt) adopted Measure 6.1 on young skilled entrants, and thus this region is the only one included in the review. In this respect Germany is also fully covered in the analysis. The sample of regions implementing the EU rural development policy in their own RDP is presented in Table 4 and the Map 1 (on the page 27).

Table 4: Selected regional programmes

Germany	Spain	France	Italy
Saxony-Anhalt (DEE)	Galicia (ES11) Navarra (ES22) Catalonia (ES51) Andalusia (ES61)	Burgundy (FR26) Brittany (FR52) Pyrenees (FR62)	Emilia-Romagna (ITH5) Marche (ITI3) Calabria (ITF6) Sardinia (ITG2)

Source: Authors

Map 1: Overview of the analysed RDPs



The complete texts of RDP documents were obtained from links presented on the Commission web page (EC, 2017b). In some cases, it was necessary to search a level or two deeper to get the full text document. It is assumed that the link (and the subsequent path if applicable) led to the latest versions of the national/regional RDPs. The programme documents were downloaded in the period between July 1 and September 28.

The review of the documents has two levels: rough and detailed. The rough investigation concerned the entire sample of RDPs and concentrated only on the budget distributions presented in Chapter 10 and on the expected uptake of the measures contributing to priority area P2B (Chapter 11)[1]. The budget figures refer to the whole programming period; the participation figures correspond to horizon 2023 (which in turn also means covering the whole programming period). The detailed review covered 21 RDPs, 12 regional and 9 national. The investigation concerned mainly the implementation of measures M06.1 and M04, but we also paid attention to M01 (knowledge transfer) and M02 (farm advisory), as they are deemed to complement M06.1 (providing financial support to the entry of young farmers).

Table 5: RDP measures and operations of particular relevance to young farmers

M01	Knowledge transfer and information
M02	Advisory services, farm management and relief services
M04	Investments in physical assets
M06.1	Business start up aid for young farmers
M16	Cooperation

Source: Regulation (EU) No 1305/2013, EP (2016)

Unless otherwise explicitly specified, budget figures refer to EAFRD outlays and not total public spending (i.e. including national contributions). The total public budget is used when estimating the average support for Measure 6.1. It is therefore possible that our relative figures (shares, ratios) will slightly differ from other studies using all public spending.

2.2.2. Priority P2B and the RDP measures

The weight of Priority 2B ‘Facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal’ within rural development programmes varies substantially. Figure 3 illustrates the share of the total RDP Budget allocated to P2B. Examining this, it is possible to identify 5 rough clusters of regions/Member States, as shown in Table 6. The limits in Table 6 are rough, regions narrowly exceeding them might still be involved in the cluster. There are 6 regions where P2B has a share of more than 10% of the total RDP budget. There are not obvious common characteristics of these regions (Brittany, Finland Mainland, Navarra, Emilia-Romagna, Flanders and Burgundy) suggesting high preference for supporting entry of young farmers. Four of these regions also exhibit a very high share (40 to 70%) of P2B in the overall budget allocated to Priority 2, which aims at enhancing farm viability and competitiveness.

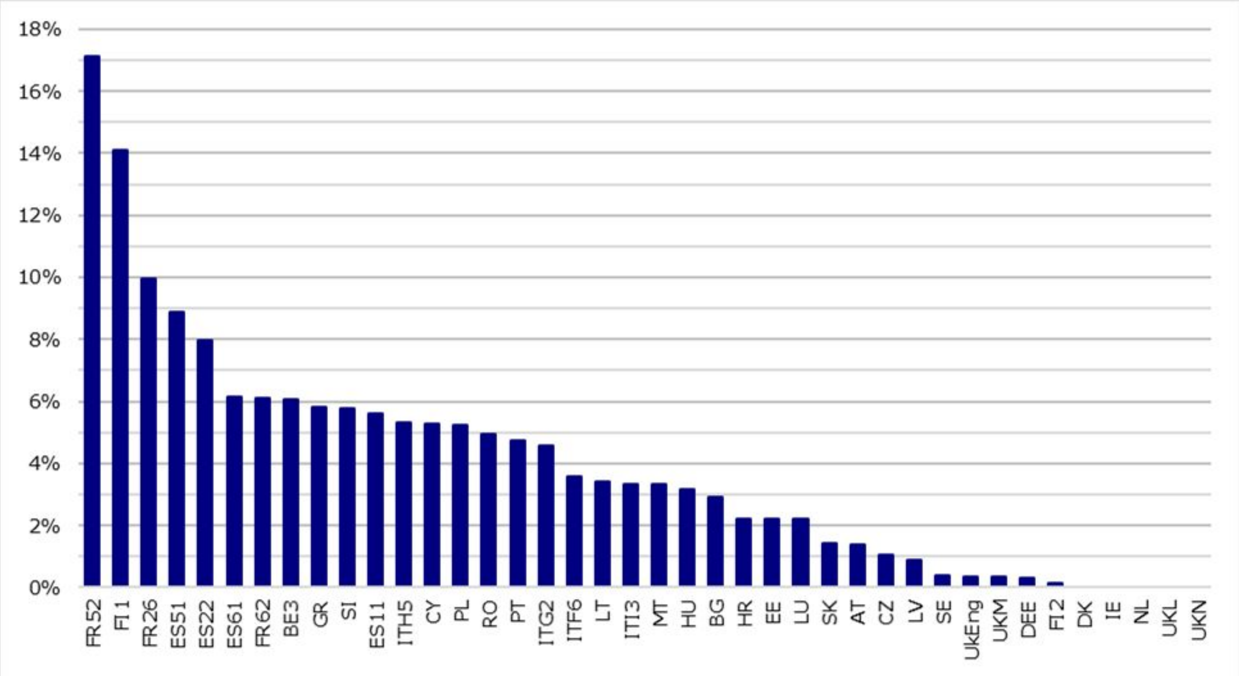
In contrast, there are 9 regions which pay only very little (5) or no attention (4) to young farmers. To this cluster we must add all remaining German federal states

[1] All national/regional RDP documents have the same structure and numbering of chapters (EC, 2017b).

(Laender) which also have not introduced measures on the support of young farmers. For example, the justification for withdrawal of the support for young entrants in Wales declares:

> 'The experience from the Welsh Government's previous domestic-funded Young Entrants Support Scheme suggested that existing farm businesses would be strongly inclined under such rules to make changes to their structure in order to access the available funding. The decision was taken by Ministers of the previous Welsh Government to instead focus on developing the suite of support available through Measures 1, 2 and 4 of the Rural Development Programme to benefit new and young farmers'.

Figure 3: Share of total RDP budget allocated to priority area P2B



Legend: BE2-Flanders, BE3-Wallonia; DEE – Saxony-Anhalt; ES11 – Galicia; ES22 – Navarra; ES51 – Catalonia; ES61 – Andalusia; FR26 – Burgundy; FR52 – Brittany FR62 - Midi-Pyrenees; ITF6- Calabria; ITG2 –Sardinia; ITH5 - Emilia Romagna; ITI3 – Marche, FI1-Mainland; FI2-Åland; UKEng- England; UKL-Wales; UKM-Scotland; UKN-Northern Ireland;

Source: Authors' calculation based on the review of the RDP documents (Chapter 10)

Similar arguments can be found in the report for the German Parliament from February 2017 of the 12 Federal States which did not introduce support related to P2B (Deutscher Bundestag, 2017). The most common position is that the young farmer measures of RDP are not sufficiently effective.

Poland, Greece, Romania and Portugal, the Member States that support the largest number of young farmers, belong to the middle cluster, with a share of the total RDP budget between 4 and 6 percent.

Looking at Figure 4, we can see that Measure 6 (particularly M06.1, providing start-up grants for young farmer entrants) is the dominant instrument for addressing Priority 2B. M06 (M06.1) constitutes more than 90% of the budget allocated to P2B in 25 regions/Member States (PL, GR. ES61, FR26, LV, ITI3, SE, DEE, LU, FI2, CZ, SI, PT, BE3, FR52, FI1, EE, UKEng, ES51, ES11, RO, HR, LT, FR62, AT).

Measure 4 (particularly M04.1), providing investment grants with a supplementary rate for young farmers, is significantly important for achieving P2B objectives for 10 regions (MT, BG, ES22, SK, ITG2, CY, ITH5, HU, ITF6, IE) in our sample of RDPs. An exceptional case is Ireland where 97% of the P2B budget is allocated to Measure 4. Concerning Measure 4, the budget allocations to Priority 2B do not reveal the full reality of the provision of support, since in many regions (e.g. in all German Federal States) supplement support rates of 5 to 20 percentage points are not expressed as budget outlays referring to P2B. This may be because it was difficult for the managing authorities to estimate these budget outlays.

The supplementary support rates (in percentage points) in the selected 26 RDPs are presented in Figure 5. Three regions of the sample (BG, ITG2- Sardinia and NL) introduced a separate sub-measure within M04.1 ‘Support for investments in agricultural holdings’. In particular, in Netherlands, investment support in agricultural holdings is provided only to young farmers. In this respect, the value of 30 percentage points is not a premium for young farmers but the actual rate of support.

In 17 of the 41 reviewed RDPs, the authorities explicitly allocate budget for the provision of advice to young farmers (M02). Remarkably, UKM-Scotland and BE2-Flanders respectively allocate shares of 12% and 9% to P2B.

The importance of education and training (M01) for the development of young farmers’ businesses is explicitly stated by budget allocations to P2B in 18 RDPs. In particular, BE2-Flanders allocates the highest budget share, 12%, to P2B.

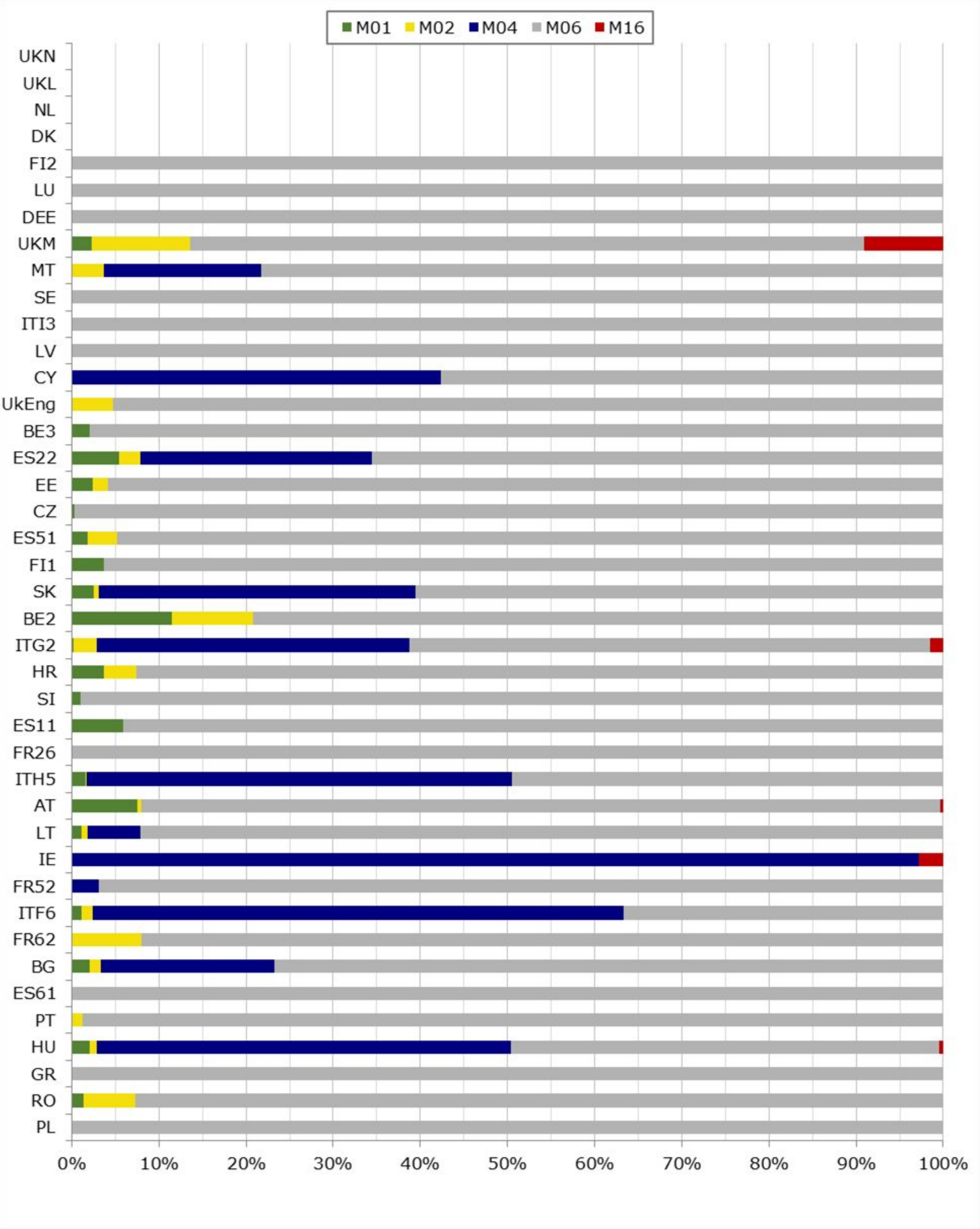
A similar observation regarding M04 should be made in respect of M01 and M02, namely that the support to young farmers might actually be higher than revealed in Chapter 10 (budget allocations) of the programming documents. On the other hand, unlike M04, the descriptions of M01 and M02 provide no explicit terms for the support beyond declarations that these measures are for the use of young farmers.

Table 6: Clusters of regions/MS according to share of P2B in the total RDP budget

>10%	7-10%	4-6%	1-3%	<1%
FR52	ITF6	FR62	BG	UKM
FI1	ES51	HU	LT	UKEng
ES22	CY	BE3	ITI3	SE
ITH5	ITG2	ES61	IE	DEE
BE2		ES11	HR	FI2
FR26		SI	SK	DK*
		GR	EE	NL*
		RO	LU	UKL*
		PL	AT	UKN*
		PT	CZ	
		MT	LV	

Source: Authors’ calculation based on review of RDP documents (Chapter 10)

Figure 4: Share of suggested young farmer measures (M01, M02, M04, M06 and M16) in the budget allocated to priority P2B – in terms of EAFRD budget

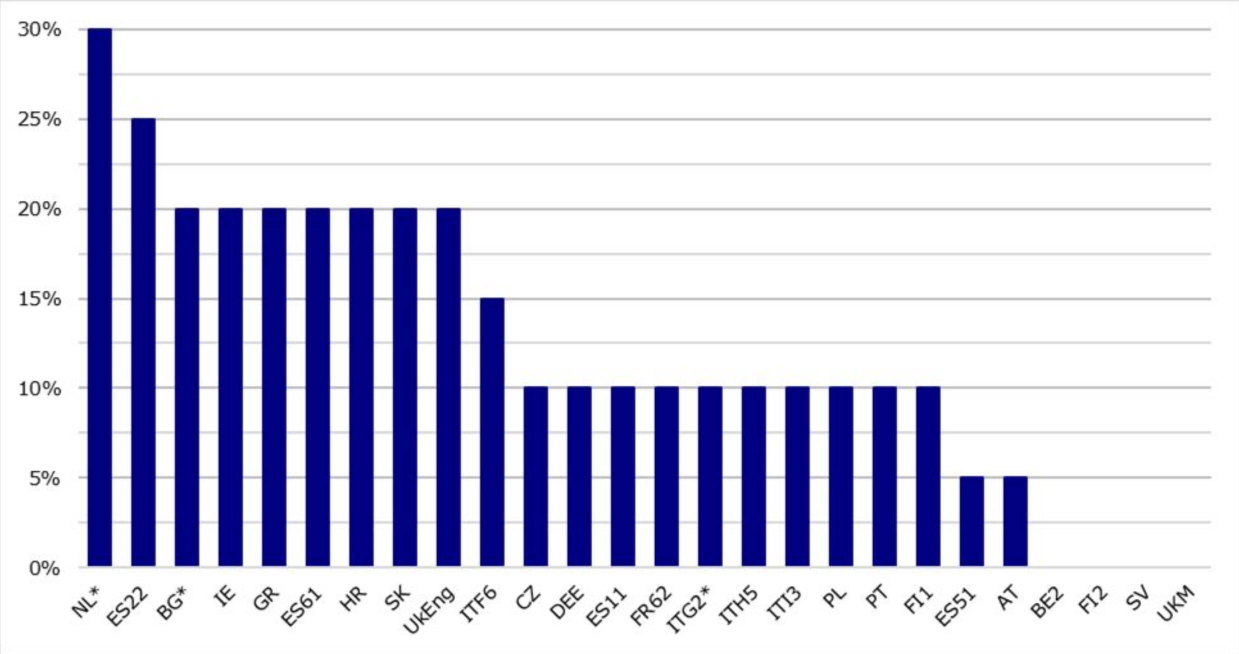


Legend: BE2-Flanders, BE3-Wallonia; DEE – Saxony-Anhalt; ES11 – Galicia; ES22 – Navarra; ES51 – Catalonia; ES61 – Andalusia; FR26 – Burgundy; FR52 – Bretagne FR62 - Midi-Pyrenees; ITF6- Calabria; ITG2 –Sardinia; ITH5 - Emilia Romagna; ITI3 – Marche, FI1-Mainland; FI2-Åland; UKEng- England; UKL-Wales; UKM-Scotland; UKN-Northern Ireland.

Note: countries are ordered by absolute size of EAFRD budget. This means that PL, RO and GR allocated the highest EAFRD budgets to Priority 2B.

Source: Authors' calculation based on the review of the RDP documents (Chapter 10)

Figure 5: The supplementary rates for young farmers in M04.1 'support for investments in agricultural holdings'



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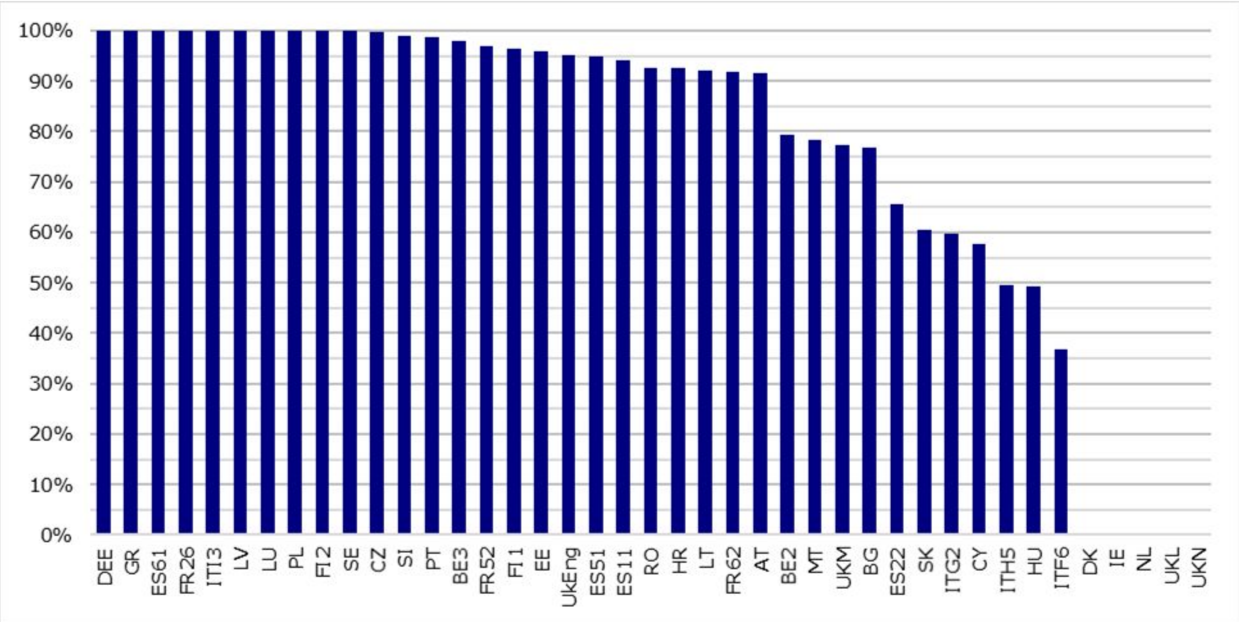
Source: Authors' calculation based on the review of the RDP documents (Chapter 8)

Figure 6: Share of Measure 6.1 in the budget allocated to priority area P2B in EAFRD budget terms



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Source: Authors' calculation based on the review of the RDP documents (Chapter 10)

2.2.3. Implementation differences in M06.1

As stated earlier, Measure 6.1 is a key instrument for addressing priority area P2B. This is once again demonstrated in Figure 6 (on the page 32), now in order of dominance of P2B.

In the detailed investigation of the 21 RDPs we looked at the following aspects of the measure's implementation:

- Target group and eligibility conditions
- Fulfilment conditions, particularly business plan accomplishment

Payment conditions Target group and eligibility conditions

Generally speaking, the target groups are skilled young entrants who set-up their farming business within a short period before applying for the support with the intention to reach operations of a certain size.

'Young' refers in all investigated cases to 18 to 40 years old (following the regulation). Some details about the eligibility conditions are provided in Table 7 and also Table 8. The period after setting-up the farm within which the young farmer needs to apply for support varies from 12 to 24 months (from setting-up, i.e. registering the farm) among regions. In some RDPs, the length of this period is not explicitly stated.

Most frequently the lower and upper limits of the size of the developing business are stated in terms of standard output (SO), occasionally in hectares or even in number of animals (FI1 - Mainland). SO value ranges reflect the size of target farms and to some extent differences in price levels. Some Member States (BG, HR) target very small farms, while most others also consider farms ten and more times larger than the lower threshold. Austria represents an extreme case, with a range from 3 hectares up to farms worth €1.5 million.

The requirements for sufficient level of agricultural knowledge and skill are usually defined in two optional terms:

- The accomplishment of adequate secondary education.
- Several years of practice on a farm and 100 – 250 hours of certified professional training.

In most of the RDPs reviewed, it is possible for the applicant to complete the education in the course of installing the farm within 12 to 36 months (see Table in Annex on the page 68).

Table 7: Eligibility conditions

MS/REGION	SETTING UP PERIOD (MTH)	LOWER ELIGIBILITY RANGE	UPPER ELIGIBILITY RANGE
Flanders BE2		SO €20 000	SO €39 999
Bulgaria BG		SO €8 000	SO €16 000
Czech Republic CZ	24	SO €10 000-15 000 depending on production orientation	SO €128 000
Sachsen-Anhalt DEE	24	SO €25 000	SO €50 0000
Galicia ES11	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)
Navarra ES22	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)
Catalonia ES51	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)
Andalusia ES61	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)
Croatia HR	18	SO €8 000	SO €50 000
Emilia Romagna ITH5	18	SO €12 000 in areas with natural and other constraints and SO €15 000 in other areas	SO €250 000
Marche ITI3	24	SO €12 000 in areas with natural and other constraints and SO €16 000 in other areas	SO €200 000
Calabria ITF6	12	SO €12 000 in areas with natural and other constraints and SO €15 000 in other areas	SO €200 000
Sardinia ITG2	18	SO €15 000	SO €200 000

MS/REGION	SETTING UP PERIOD (MTH)	LOWER ELIGIBILITY RANGE	UPPER ELIGIBILITY RANGE
Austria AT	12	3 ha	SO €150 0000
Poland PL	18	SO €13 000	SO €150 000, 300 ha
Portugal PT	12		
Slovakia SK		SO €10 000	SO €50 000
Aland FI2	12	SO €15 000	SO €40 0000
Manner-Suomi FI1		SO €12 000 or 80 reindeers	SO €40 0000 and 500 reindeers
England UKEng		SO €12 500	SO €250 000
Scotland UKM		SO €10 000	SO €600 000

Source: Rural Development Programmes

Fulfilment conditions

During the installation period, which lasts from 24 to 60 months depending on the region, farmers have to demonstrate the viability of their business. Specification of the viability condition varies, including deployment of at least 0.5 AWU (own engagement), reaching operational size as expressed in Standard Output value, hectares, number of animals etc. The common condition is to become an Active Farmer according to Article 9 of Regulation (EU) No 1307/2013 (Pillar I) within 18 months of signing the contract for the support.

Usually the activity of the farm must last at least 5 years after signing the contract for M06.1 support. In BE2-Flanders this period is extended to 10 years.

An obligatory business plan must be launched within 9 months of signing the contract for the support. The period of the business plan (which is to be followed and its goals achieved) varies from 24 to 60 months.

Table 8: Support definition and distribution

MS/REGION	DISTRIBUTION			DIFFERENTIATION						
	1 INST (%)	2 INST (%)	3 INST (%)	A	B	C	D	E	F	G
Flanders BE2	50	50					x			
Bulgaria BG	€12 500	€12 500								x
Czech Republic CZ	50	45	5							x
Sachsen-Anhalt DEE	€35 000	€21 000	€14 000							x
Galicia ES11	60	40		x	x	x				
Navarra ES22	100									
Catalonia ES51	50	50		x	x	x			x	
Andalusia ES61	50	25	25		x	x	x			
Croatia HR	30	50	20							
Emilia Romagna ITH5	60	40		x						
Marche ITI3	70	30		x						
Calabria ITF6	60	40		x						
Sardinia ITG2	60	40							X	
Austria AT	€1 000/ 4 000	€1 500/ 4 000				x			x	
Poland PL	80	20								
Portugal PT	80	20			x				x	
Slovakia SK	70	30								
Aland FI2	50	25	25							
Manner-Suomi FI1	50	50					x	x		
England UKEng	80	20					x			
Scotland UKM	90	10					x			

Legend: A ... by natural constraints, B ... by setting-up costs, C ... by job creating, D ... by size (SO, ha), E ... by specialization, F ... other, G ... none

Source: Rural Development Programmes

Support level and payment conditions

The ceiling for the lump-sum support of €70 000 is set by Regulation (EU) No 1305/2013, but the actual level of support varies substantially between and often within regions, depending on a number of factors. Regulation (EU) No 1305/2013 also suggests dividing the lump-sum into two or more instalments, paid depending upon the progress of the installation of the new entrant's business.

Most of the Member States/regions in the detailed review of RDPs provide 2 instalments; ES61 – Andalusia, Fi2-Aland, HR and CZ provide 3 instalments and ES22- Navarra only one. The first instalment amounts to between 50 and 80% of the support, and is paid either after signing the contract between the farmer and the respective Paying Agency or when launching the business plan. The final instalment is paid upon substantial progress or fulfilment of the business plan.

In the case of ES61 – Andalusia, the instalments refer to the accomplishment of the three phases of installation of the farms' business plan:

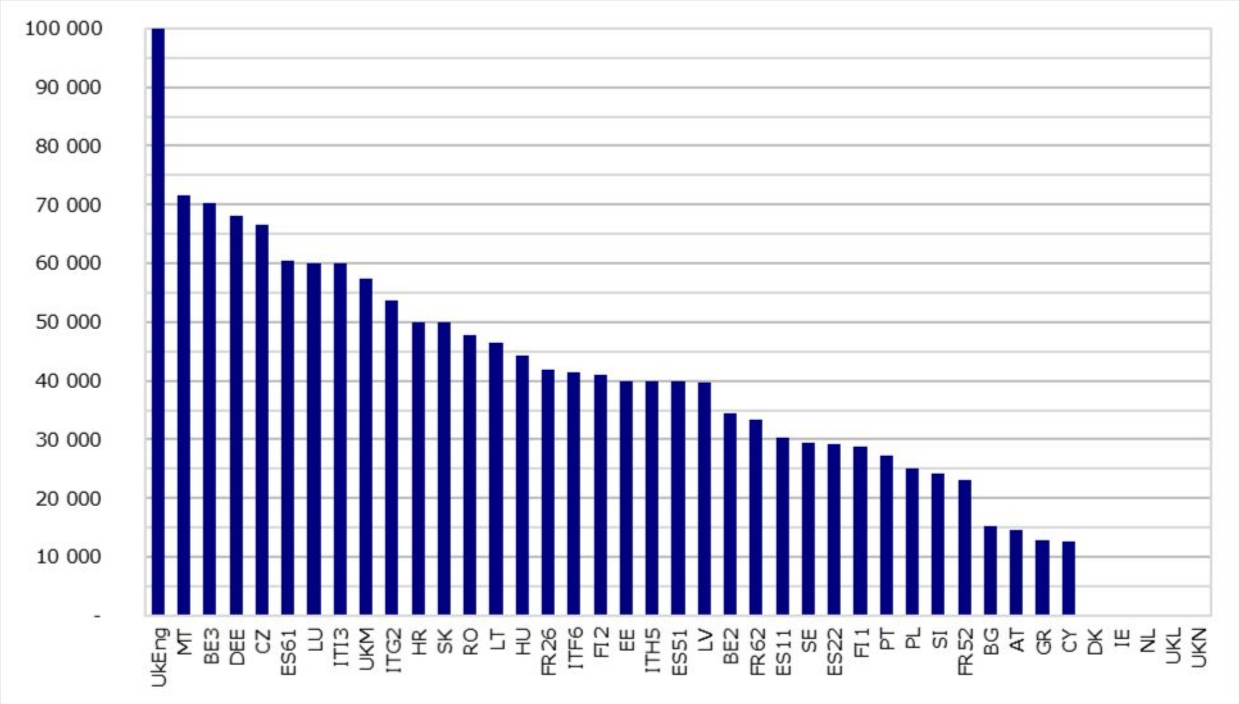
1. Full registration of the farm including the social security system (50%).
2. Reaching the first harvest or production and compliance with the conditions of "active farmer" (25%).
3. Completing the business plan and achieving the required level of education and skill (25%).

Many Member States/regions differentiate the support rate; the criteria for such differentiation can be arranged according to six categories (Table 8 on the page 36):

- By location, e.g. paying larger support to farms in mountain areas or in other areas with natural constraints
- By size of the established holding, measured either in standard output or hectares.
- By production specialization (e.g. reindeers in FI1_Mainland).
- By amount of the investment – setting-up costs.
- By provision of additional jobs.
- Other, which include cases like full concentration on agriculture in Portugal.

To the category 'other' we can add ITI3-Marche, where a premium of €20 000 is provided to entrants who take part in the Young Farmer Package. In fact, ITI3-Marche is the only region in our survey of RDPs where the Thematic Sub-programme is established in accordance with Article 7.1 (a) of Regulation (EU) No 1305/2013.

Figure 7: Average lump-sum provided to young farmer-entrants by M06.1 (total public support)



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Source: Authors' calculation based on the review of the RDP documents (Chapters 10, 11)

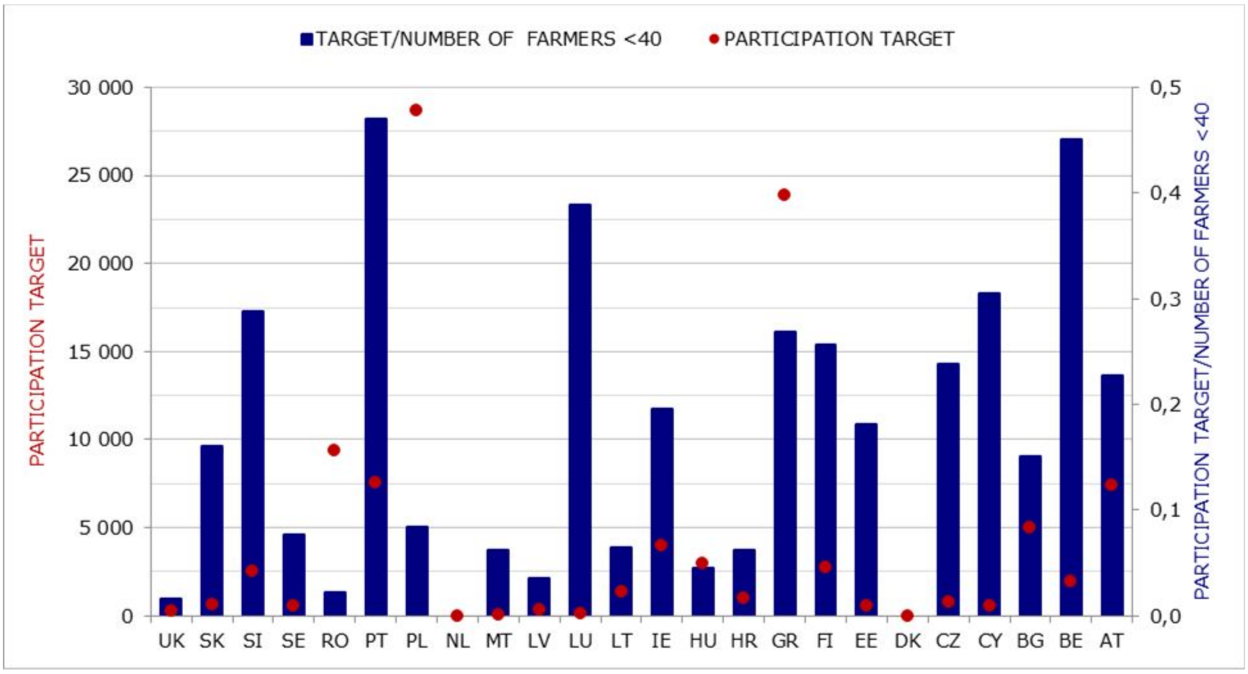
Figure 7 illustrates average lump-sum support provided in the surveyed RDPs. These values were obtained by dividing the total public funds allocated to M06.1 by the envisaged number of participants, as presented in Chapter 11 of the programming documents. Clearly, these two source numbers are not in agreement in the case of England, but it seems that otherwise these values plausibly reflect the description of the support rates in the programming documents. Obviously, the differences in the support levels are substantial. Malta, Wallonia and Saxony-Anhalt give five times more to emerging holdings than Austria, Bulgaria, Greece or Cyprus.

2.2.4. Age structure and Pillar 2 Young Farmer support

One interesting question is whether the measures aimed at facilitating the entry of young skilled farmers refer more to the lack of young people or to the high number of old people in the sector. This section presents two charts: the first shows the ratio between target participation in M60.1 and the number of farm managers younger than 41 (Figure 8) and the second between the number of farmers over 65 (Figure 9). Please note, the age group 18-40 is calculated as the number of farm managers in the group "Less than 35 years" + ½ of the number of farm managers in the group "From 35 to 44 years.

One can argue that M06.1 addresses a lack of young people in Portugal, Belgium and Luxembourg (the ratio in respect to young farmers is over 0.4), while Austria addresses the problem of replacement. In fact, Austria pays a premium of €3 000 if the applicant takes-over the farms from his/her parents.

Figure 8: The relationship between target participation in Measures related to P2B, mainly M061, and number of young farmers (aged 18 to 40) in respective MS



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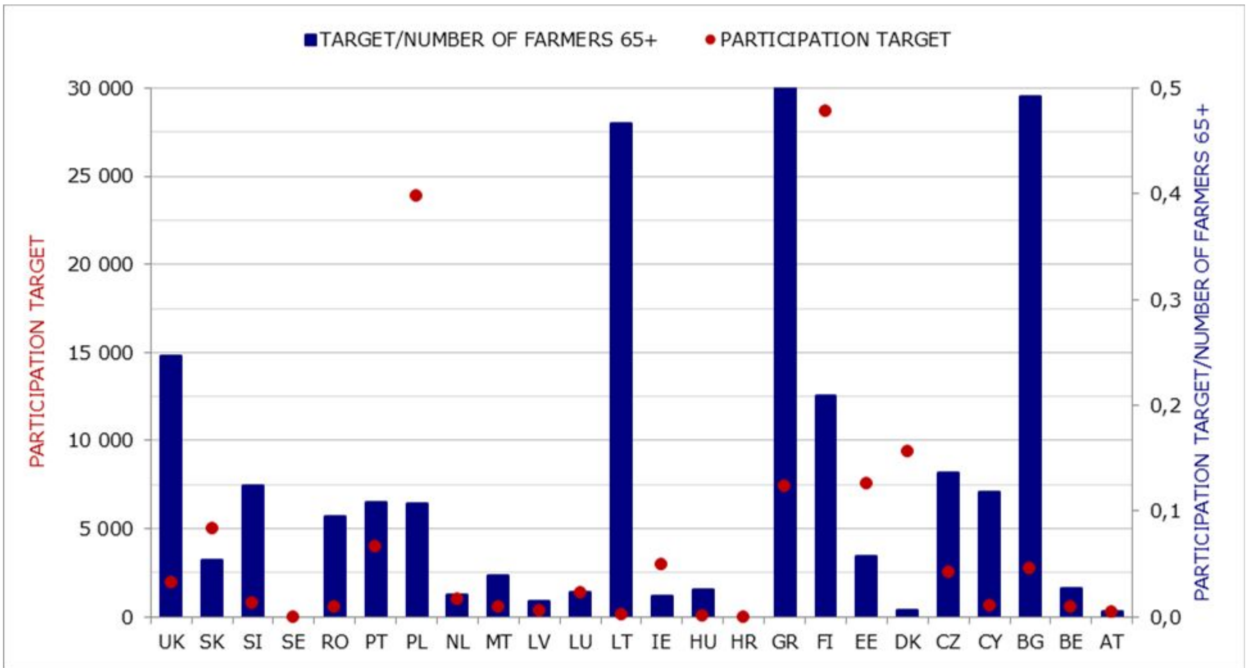
Source: Authors' calculation based on the review of the RDPs and Eurostat (2017a)

Figure 9: The relationship between target participation in Measures related to P2B, mainly M061, and number of old farmers (over 65) in respective MS



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Source: Authors' calculation based on the review of the RDPs and Eurostat (2017a)

In contrast, the measure addresses very little in Romania, Latvia and Hungary. The UK is a special case, since neither Wales nor Norther Ireland have launched M06.1.

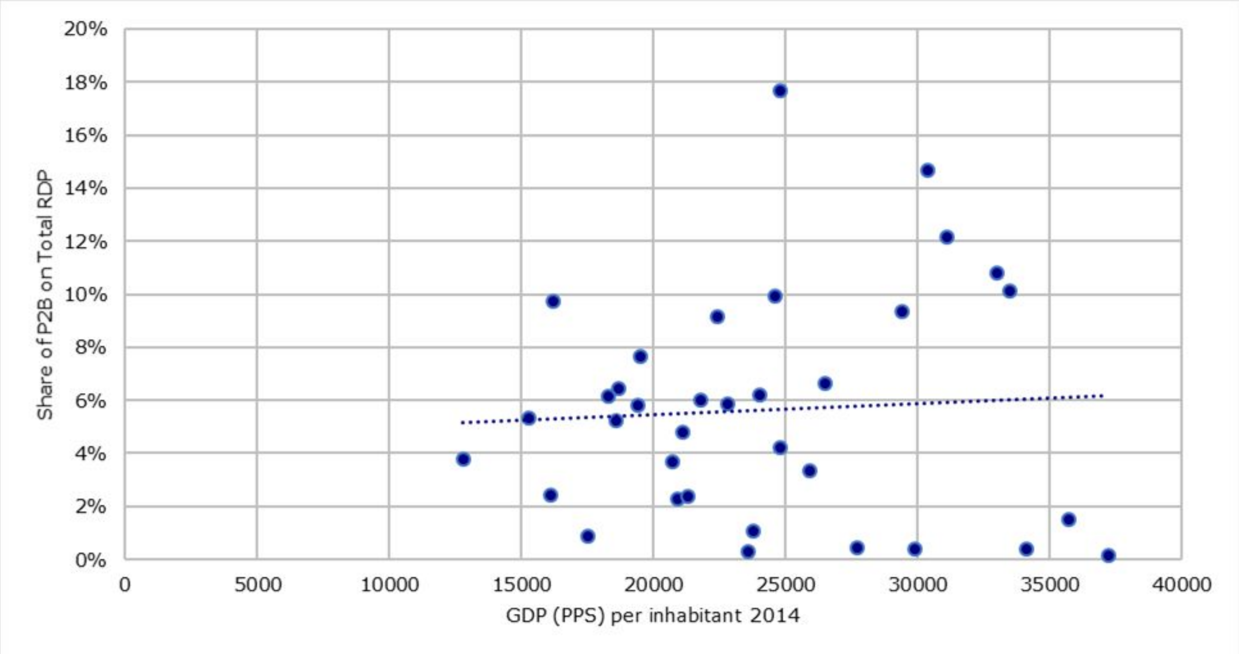
A slightly shifted point of view is presented in Map 2 in Annex 2A (on page 67). It represents the budget devoted to P2B and its recalculation per farmer in the under 40 age category.

2.2.5. Economic performance and Pillar 2 Young Farmer support

This section presents an attempt to explore whether the weight of Priority 2B promoting the entrance of young farmers and the size of the lump-sum support are determined by the socio-economic situation in a given region or Member State. Two socio-economic categories are considered: Gross Domestic Product (GDP), either nominal value in euros or in Purchasing power standard (PPS) per inhabitant, and unemployment (in absolute or relative terms). The issue at stake is whether these two socio-economic variables affect decisions concerning the extent of P2B and Measure 6.1, measured by their share of the total RDP budget, and the average size of the lump-sum.

Examining Figure 10 and Figure 11 (on the page 41) we can conclude that these variables have no visible effect.

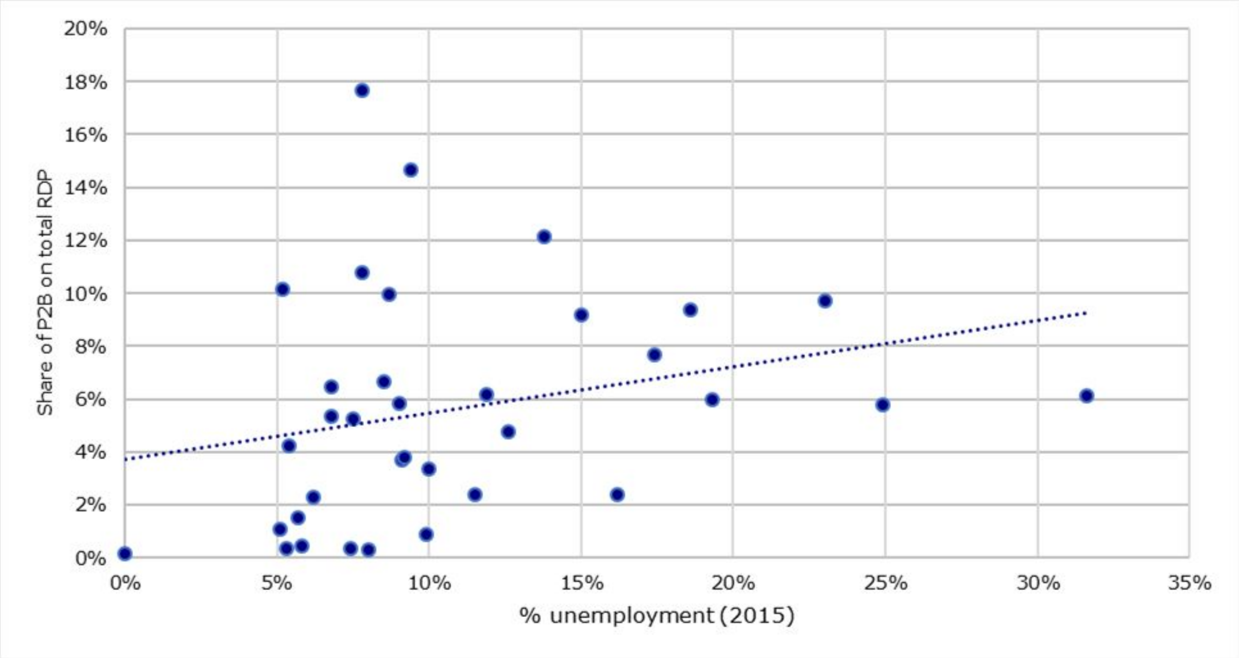
Figure 10: The relationship between GDP in 2014 (PPS) per inhabitant and average public support allocated to P2B per supported entrant farmer



Source: Own calculations based on the RDP's for 2014-2020 and Eurostat (2017b)

Figure 10 shows that the income level of the region does not affect the size of the support. Lower income regions like Calabria or Hungary provide the same level of support as much richer Navarra or England, while their level of support is four times higher than that of Poland, which has a similarly low income per capita.

Figure 11: Share of support to young entrant-farmers in RDP 2014-2020 against unemployment rate in 2014



Source: Own calculations based on the RDP's for 2014-2020 and Eurostat (2017c)

Figure 11 might suggest that the importance of support for young farmers increases with the severity of unemployment. However, the high emphasis on young farmer priority (P2B) in FR52 – Brittany and F1 – Mainland, and some other outliers, prevents us from confirming this relationship. It is likely that some other context variables need to be taken into account to provide serious statistical analysis of the determinants of the extent of young farmer support.

3. EFFECTS OF THE IMPLEMENTED MEASURES

KEY FINDINGS

- Access to land is the biggest barrier to new entrants in all seven case study countries. Actions to increase land mobility (e.g. through retirement schemes, tax and pension incentives) could address this barrier.
- CAP direct payments increase the price of land and dis-incentivise land transfer. Reducing the eligibility of older farmers and investors to these subsidies could increase land mobility.
- New entrants struggle to compete with long-term farmers; low profitability reduces the desirability of farming as a profession in some countries.
- Access to new entrant and young farmer support assists with capitalisation and financing of intergenerational succession, but is not sufficient for the establishment of a new farming business.
- New entrant and young farmer support is over-subscribed in several Member States (i.e. positively evaluated applications are not funded).

3.1. Methodological remarks

Due to the absence of secondary data, it has been necessary to generate primary data to evaluate the impact of the measures currently being implemented. This primary research was conducted in 7 Member States. The countries were samples with regards to their age structure to represent all clusters within the EU-28 (see Figure 1 on the page 18).

In each country a case study was carried out following a standardized research design. Data for the case study was collected with the use of different data-collection techniques (such as document study, in-depth interview, focus groups). Focus groups became the major source of data for the subsequent comparative analysis across the sample countries.

The focus group discussions took place from August to September 2017 and were attended by 79 participants. In accordance with the standardized guidelines, the group discussions gathered practitioners and experts from different areas, all of whom had direct experience with the young farmers support scheme (such as farmers, representatives of farmers' associations, policy makers, agricultural advisors, researchers).

The focus groups addressed questions relating to:

- the implementation of new entrant policy measures,
- the definition of new entrants and young farmers,
- challenges faced by new entrants and young farmers, and
- options for improving the new entrant and young farmer support schemes.

The full question guide and protocol for the focus groups is included in Annex 3A (on page 71).

Table 9 provides a breakdown of focus group participants. In total, 10-16 representatives per country participated in the focus groups. Focus group findings were analysed thematically, according to the focus group questions.

Table 9: Number of stakeholders participating in the focus group discussions

COUNTRY	BULGARIA	CZECH REPUBLIC	FRANCE	IRELAND	POLAND	PORTUGAL	SCOTLAND, UK
New entrants	9	2	1	3	4	5	3
Older farmer		1	2	2	3	2	
Young farmers' organization		1	1	1			1
Farmers' organization		1	1	3		1	2
Advisory services	2	1	1	4	2	1	2
State officials	1	1	4	2	2	1	1
Others		1	1	3			

Source: Authors

The following sections present their perspectives on the currently implemented measures and their impact on young farmers and new entrants.

3.2. Main challenges faced by newcomers

Each of the focus groups considered the barriers to new entrants to farming, in order to frame the subsequent discussion of which barriers were or were not being adequately addressed by the new entrant and young farmer supports.

3.2.1. Access to land

Access to land was identified as the most important barrier to new entrants, in all seven case studies. Land access is a contentious issue in several member states. Agricultural land is included in the 'free movement of capital' in the EU single market, and is therefore open to international investment. The European Commission is in the process of consulting and establishing best practice in regulating foreign investment in farm land (EC, 2017d). There was some variation in the specific issues underlying land access with respect to different situations in national agricultural land markets.

There is limited high quality land available for purchase or secure rental in the case study countries, particularly in regions that are close to urban centres. Poor quality land located in more remote areas can also be difficult to assess, if those regions are of high amenity value (and therefore are valued more highly for lifestyle or tourism, than for agricultural production).

The available land is too expensive for new entrants who do not have substantial financial resources behind them (e.g. farmers who are not successors to an existing farm, new entrants who have not accumulated capital through non-agricultural employment or investments). New entrants without these resources struggle to compete in land markets with existing farmers, national and foreign investors, lifestyle migrants and peri-urban hobby farmers.

CAP direct payments increase the price of land and dis-incentivise land transfer. CAP payments are based on ownership or secure access to land. Older farmers access their subsidies as a form of pension, and are therefore reluctant to release land. Many landowners are reluctant to rent out their land for fear of how it will impact on future subsidy entitlements. Uncertainties over future CAP policies are thus an additional issue.

In some countries, recent legislative reforms have also led to uncertainties about securing long-term tenure; land owners therefore prefer to 'contract farm' (using agricultural services) rather than tenanting out their land. This is particularly the case in Scotland, where recent land reforms have raised concerns about tenant 'right to buy'.

Land has also become recognised as a viable investment opportunity for national and international investors. This is particularly problematic in Eastern Europe, which has seen substantial foreign investment by both Western European farmers and businesses (see also EP, 2015c; van der Ploeg et al, 2015; EP, 2015c).

Supports thus do not address the substantial issue of gaining access to land in order to establish a family farm business.

3.2.2. Profitability and Competitiveness

New entrants to farming typically have fewer resources than existing commercial farms (unless the farmer is a direct successor). In addition to competition for land, as described in Section 1.1.1 on page 15, it is thus difficult for new entrants to compete with existing farmers (and other businesses) for labour.

New entrants tend to operate smaller farms, and therefore struggle to access inputs at competitive prices, and to produce the quantities needed to achieve economies of scale. Case study participants in Poland and Bulgaria also discussed the cultural unwillingness of new entrants to collaborate to address scale issues.

New entrants find it particularly challenging to deal with price volatility (for both inputs and produce), as they have few resources to buffer these changes. Supermarkets and other buyers increasingly pass the risks of production onto farmers. The rising costs of agricultural inputs make it increasingly difficult to achieve a profit.

New entrants are thus more likely to focus on added value and niche markets, which require fewer resources to establish, and achieve higher profit margins. This finding was also observed in the EIP Agri Focus Group on New Entrants (2016). New entrants are also more likely to engage in markets with lower start up-costs. In Scotland, sheep production was identified as a low start-up cost option, whereas in Bulgaria, livestock production was considered high-cost.

Low profitability acts as a barrier to new entrants to farming in most of the case study countries: potential newcomers are discouraged by the low standard of living they would be able to achieve from their farming activities. However, in some countries, where 'new entrants' are primarily successors to commercially successful farms (e.g. the Czech

Republic), and where farmers have high social standing (e.g. the UK), this is less of an issue.

The lower social status of farmers (as a result of the associated low standard of living) was also raised by some focus group participants (e.g. in Portugal). However, this was not identified as an issue in most other countries.

Many new entrants to farming work off-farm to maintain household income, and also to generate capital to invest in the farm business. This reduces the amount of time they have available to develop the farm business.

Under-developed markets (e.g. the lack of a futures market in Bulgaria) was also identified as an issue.

Access to housing was also identified as an issue in Scotland. Although traditionally farm land in Scotland has included at least one house, recently, the new tenancies and land for purchase have not included housing, particularly in high-productivity areas. This is because the housing is rented or sold separately to other rural residents, urban commuters, or utilised for tourism purposes. Housing thus represents an additional cost to the household, making the farming operation as a whole less profitable.

Current supports address competitiveness and profitability by increasing the resources of young farmers and new entrants.

3.2.3. Access to finance or capital

New entrants frequently have difficulty accessing financing through banks or other credit programmes, owing to the lack of capital assets to utilise as collateral. This barrier is closely linked to competitiveness: lack of finance makes it difficult to acquire sufficient land and equipment to establish competitive farm businesses. However, there were examples in Ireland where banks were taking account of young farmer grant programmes when accessing loan applications. Due to the current macro-economic cycle, achieving loans was not identified as a factor in the Czech case.

Low levels of profitability, particularly in the early years of farm development, make it difficult to repay the loans which are available.

Lack of certainty about the future availability of young farmer schemes (Ireland) and agricultural subsidies in general (Scotland) make it difficult to plan for ongoing farm business development.

In the Bulgarian case, lack of trust in insurance companies and the high cost of insurance were identified as issues, and lead to very conservative farm management practices.

Current supports increase access to capital; there is some suggestion that more could be done to decrease financial risk (e.g. by subsidising insurance premiums, flexible repayment schemes).

3.2.4. Skill Development

Focus group participants in Bulgaria identified the need for training in entrepreneurial and risk management skills. In addition, lack of information about the market situation reduces the ability of young farmers to respond quickly and appropriately to market trends. In general, young farmers in Bulgaria were seen as focused on production, rather than strategic marketing and business development. This limits their economic viability. Weak financial management and planning skills amongst farmers in general were also noted in the Irish case.

Administrative skills associated with completing grant and subsidy applications were identified as a barrier. Respondents in France are hiring external advisory services in order to avoid subsidy losses, but this comes at a cost. In Portugal, the complexity of the applications for young farmer supports was perceived as a positive aspect, attracting young farmers who are more entrepreneurial and able to develop a solid business plan.

In the Republic of Ireland, the skill of young farmers to deal with banks was identified as an issue.

Funding is already available within current supports to enable skill development. Better advertising and implementation of these supports may be required.

3.2.5. Other issues

Climate change was identified as an issue in Bulgaria, where the droughts and risks related to natural disasters are perceived as increasing. Climate change is expected to lead to higher production costs, changes to the specialisation of farms, increases in the cost of agricultural production and wastage, and labour migration.

The unwillingness of existing farmers to actively plan for succession was identified as an issue in Scotland. As a result, many successors do not gain real control over farm assets until later in life, when they are less likely to make changes to holding trajectories.

In Poland, conflict with ex-urban migrants to rural areas exist over the establishment of new livestock production facilities.

3.3. The experience of the selected Member States

3.3.1. How successful is the currently implemented support?

Focus group participants were asked to evaluate the success of the current new entrant and young farmer supports available in their regions.

Their general evaluation of the existing measures directed at young farmers was the consistently positive. The majority of participating stakeholders considered the current support ‘successful’. The CAP support for young farmers was specifically described as a ‘step in the right direction’ (Scotland, UK) and a ‘good thing’ (Poland). This positive perspective was shared by all stakeholder groups across the sampled countries.

However, measure M06 (i.e. business start-up aid for young farmers) has become a victim of its own success. This support, in the form of a financial grant for farmers (up to €70,000) is a very attractive opportunity for starting entrepreneurs. As a result, the interest of applicants exceeds the financial resources allocated for the operation of the programme. This aspect was clearly expressed by stakeholders in Bulgaria, the Czech Republic, France, and Portugal. Farmers’ interest in using this measure is affected by the difficulty of preparing the application.

Successful submission of the application often requires farmers to closely cooperate with professional associations (such as national or regional farmers’ associations) or use extension services. Such cooperation enhances the exchange of expert knowledge and skills, but can also be expensive. Participants confirmed that the submission process is much more difficult than in the previous programming period.

The group discussion on the implemented measures clearly showed how expectations of stakeholders differ. The most obvious difference is between the viewpoints of farmers (in the role of applicants) and policy makers (in the role of administrators). Farmers prefer support that fits their needs and is not difficult to administer. Policy makers, in contrast, tend to evaluate the success of the support according to the interest of the target group and expenditure of the allocated budget. S Successful implementation of the measures - from the stakeholders' point of view – should simultaneously meet both sets of expectations.

Regulation (EU) No 1305/2013 provides the Member States with significant flexibility for implementing the measures. The measures for supporting young farmers are connected to various goals. Based on the data analysis, it is possible to outline these aims in the following way:

- Family farm succession.
- Facilitating generational renewal.
- Overcoming the barriers for new entrants.
- Start-up aid for entrepreneurs in agriculture.

Stakeholders assume that the implemented measures help achieve one or of more of the above-mentioned aims, however, in reality only some of these aims might be achieved. Findings from the group discussion match the points raised in the special report of the European Court of Auditors (2017), where the vagueness in focus of the implemented measures has been also criticised.

In Bulgaria and the Czech Republic, the implemented measures are considered successful in facilitating farm succession. However, the stakeholders in the Czech focus group pointed out that the measures fall short of helping to overcome the barrier for new entrants. In Poland, it was mentioned that that the support for young farmers also works as a useful incentive for passing the farm from the older generation to younger successors, and is thus useful for generational renewal in agriculture. In France, Ireland and Portugal, the participants considered the implemented measure rather as start-up aid, but this was not confirmed in the discussion conducted in Scotland, UK.

It is too early to assess whether the current new entrant and young farmer supports will enable the establishment of new long-term farms. In Bulgaria, the focus group estimated that only 30-40% of recipients of supports under the previous schemes had remained in farming. Focus group participants also reported some artificial use of the supports (e.g. farms being divided in order to access subsidies, but continuing to be operated as a single enterprise by the senior farmer).

The above-mentioned findings suggest that evaluation of the success of the measures needs to be undertaken across multiple dimensions.

3.3.2. Who uses the support?

Another set of questions focused on specifying the target group that uses the support aimed at young farmers. Most of the case study countries identified successors to existing farms as the primary beneficiaries of new entrant and young farmer supports. Scotland was unusual, in that the supports are deliberately targeted towards 'new-new entrants' (i.e. individuals who are not able to access substantive resources from an existing farm business). Few successors have been able to access the current supports in Scotland.

The target groups of the implemented measures are defined by legislative documents at the EU level and then specified at the country level. The participating stakeholders discussed the question of who uses the support on the ground and their experience with different groups of applicants.

The financial support provided under Pillar I is easier to administrate. Young farmers receive the increased direct payments depending on the farm size. Most Member States did not impose any additional eligibility criteria regarding appropriate skills and training (see also EC, 2016b). The young farmer payment is thus available for a wide range of applicants. In the Czech Republic, for example, the direct young farmer payment was provided to 4 237 farms in the year 2016 (MoA, 2017). Data provided by the Scottish Government Rural Payments and Inspections Directorate (SGRPID) shows that there were 992 recipients of the Young Farmer Payment in in Scotland in 2015.

The support provided under Pillar II is considered by stakeholders to be more difficult in terms of administration. The applicants must submit a business plan that can be difficult to prepare without the assistance of experts. Successful submission requires farmers to make a long-term plan and develop innovative ideas, as was confirmed in the stakeholders' group discussion in Ireland. Their participants contended that typical applicants (from their point of view) are 'progressive' and 'more-educated' farmers. The strict requirements for the supports thus create pressure on young farmers.

Stakeholders widely discussed whether the support should be aimed at new entrants to agriculture, or successors who take over a farm within the family. Controversial opinions on this issue reflect the different expectations of the stakeholders, as described in the previous section 0. The impact of the support is strongly affected by the specific conditions of the implemented measures in each Member State. Participants in the Czech focus group pointed out that support is not suitable for new entrants to agriculture, but rather for family farm succession. This perspective comes from the conditions that require young farmers to prove that their farm has the capacity (measured by standard output production for their specific specialization) to generate sufficient income. In contrast, although the Scottish programmes also require secure access to land, the evaluation of applications is clearly directed towards supporting 'new-new entrants' – those who have not inherited or acquired family farming resources. The setting up of young farmers within family succession can be hindered by the fact that the older generation are not ready to retire.

Owing to scheme definitions, recipients of most supports are under 40 years of age. The exception was the New Entrants Start-up Grant Scheme, implemented in UK (Scotland), which is open to farmers of any age, who have established their business within the last five years.

Concerning the transformative potential of young farmers, it was found that the implemented measures may affect the specialization of the newly established farms. Data from Bulgaria suggests that the business plans of new entrants changed significantly over time in favour of livestock production (for details see Box 1).

Box 1: Start-up aid for young farmers in Bulgaria

START-UP AID FOR YOUNG FARMERS

Experience from Bulgaria

Most of the projects approved under measure 112 where financial aid has been paid are young farmers whose main activity is horticulture - 34%, followed by perennials - 25% and those growing field cultures - 13%.

There was a lack of interest among young farmers in starting up livestock farming. Livestock farms represent only 8% of approved project proposals. The low relative share of livestock farms in approved projects under Measure 112 is mainly determined by the low purchase prices of production, higher legal requirements for livestock farming and higher investment costs on farms.

This tendency for a small relative share of livestock farms is changing under sub-measure 6.1 of the RDP 2014-2020, and at the first intake in 2015 the relative share of this type of holding was reported to be about 40% of all applications submitted.

3.3.3. How does the support help?

Analysis of the data from the focus groups revealed how the stakeholders specifically view the impact of the support. From their perspective, the payments for young farmers under Pillar I enhance the competitiveness of young farmers' and new entrants' farms. RDP assists with financing new business activities in agriculture. The start-up grant for young farmers, as the stakeholders stated, does not usually cover the entire investment.

New entrant and young farmer schemes can have the following secondary impacts:

- Initiate the development of business plans for new entrants, established farms and successors.
- Providing incentives to bring young people into the farming business and undertake succession discussions.
- Increasing professionalization and innovativeness in the sector.
- Encouraging gender balancing in the agricultural sector.
- Improve the overall levels of mechanisation and efficiency on established farms.

There was some suggestion from the Bulgarian case that the supports are encouraging gender balancing – although farmers in Bulgaria are predominantly male, some 42% of support applicants are female. However, in Scotland there were concerns that most women access the new entrants supports as part of a partnership, rather than as the primary farmer.

Another important impact of the support relates to new cooperation between farmers and the advisors who help with preparation of the business plan, which was mentioned during the group discussion in Ireland. The young farmer measures can enable an 'advisor to meet with a young person where they might have never met them before'.

Cooperation between farmers and agricultural advisors also creates the opportunity to use a wide range of additional RDP measures intended for the support of young farmers (such as M04 Investments in physical assets). The effective use of this support has become a priority in Ireland (see Box 2 describing the Irish case). In this way, the supported farmers can additionally benefit from, for example, contracts with professional associations and expert advice. Different forms of support combined with networking opportunities create synergic effects with positive effects for young farmers.

Box 2: Synergic effects of the support for young farmers

SYNERGIC EFFECT

Experience from the Ireland

The most recent CAP reform had two essential elements to it. Firstly, to make provision for existing farmers in relation to their basic farm payments under CAP and to support specific capital investments for farm development in line with EU priorities such as the environment and biodiversity. Secondly to incentivise the entry of young farmers into the industry in a formal way.

The young famer scheme is specifically targeted at young farmers who began farming in their own right or collaborated with their parents or another farmer through a partnership business structure. The national reserve was created to allow young farmers to apply for new entitlements at the national average value or a top-up on low value entitlements. There is also a category for new entrant farmers who commenced farming regardless of age. To aid young farmers in developing animal housing and slurry storage to meet with EU regulations, a Young Farmer Capital Investment Scheme (YFCIS) was created where qualifying young farmers could apply for an approved investment at a 60% rate subject to a maximum investment ceiling of €80 000.

The synergy is simple: if a young farmer meets the definition of a young farmer under CAP, he/she can apply to the national reserve for an allocation of basic payment entitlements and if successful may also apply for additional payments under the Young Farmers' Scheme on these entitlements. The young farmer can also achieve the Young Farmers' Top-up where they collaborate in a group such as a partnership with their parents or another farmer. This was to support family farm succession. Similarly, if the young farmer meets the qualifying criteria, they are eligible under the YFCIS to apply for grant aid at the 60% rate on approved capital investments. The same approach is applied in Scotland.

Overall, the participating stakeholders shared the opinion that the measures impact positively on the sector. This is evident particularly for the family farms that undergo farm succession (as was mentioned in Bulgaria and Portugal) with respect to generational renewal in agriculture. New entrants in agriculture are welcomed due to their potential to bring new approaches to farming, especially if the new entrants come to agriculture from another sector. This aspect was observed by stakeholders in the Czech Republic and also explicitly during the group discussion in Ireland.

Other positive aspects of the supports relate to the increasing qualification of farmers. The requirement of 'education in agriculture' is increasing professionalization of the sector, as was noted by stakeholders in France, Portugal and Ireland.

3.3.4. How to improve support for young farmers?

The amount of funding available under the schemes was questioned in several focus groups. This relates both to the total funding available, and the specific amounts available to individual farmers. Several focus groups pointed out that the amounts available are insufficient for the establishment of a new farming enterprise, or motivating newcomers to join the industry. Supports therefore primarily benefit farming successors. However, the Scottish focus group questioned whether the grants (€70 000) were too high, and therefore too much responsibility for a new entrant. They preferred to see the smaller awards given to a higher number of beneficiaries.

There was broad consensus that the total amount of funding available for the new entrant and young farmer supports was insufficient, evident in the over-subscription in several case study countries (i.e. Bulgaria, Poland, Portugal). The participating stakeholders across the Member States widely shared the opinion that the grant for setting-up young farmers should be larger, both in the sense of the amount of financial resources overall and in the amount of money provided to individual farmers. Increasing the amount of the grant would contribute to increased competitiveness of the young farmers' holdings, as was mentioned by stakeholders in Bulgaria, Poland or Portugal. However, there was some concern in Scotland that offering €70 000 to an inexperienced farmer was too much responsibility, and would be more usefully distributed between multiple farm businesses.

Proposals for innovating the currently implemented tools also addressed the focus of the support and its administrative procedures.

Making a clear distinction between new entrants and young farmers was identified as important. The policy tools focused on young farmers (the Young Farmers payment under Pillar I and the Start-up Aid under Pillar II) respond to multiple needs. The unclear aims of the support lead to different expectations on the side of stakeholders, as described in section 3.2.1. This holds mainly for the support provided under Pillar 2. From the stakeholders' perspective, it is not clear whether the grant supports young farmers (in terms of generational renewal) or acts as a start-up grant. If the latter is the main focus of the support, then the grants should also be available for new entrants to agriculture, who are over 40 (as was suggested in the French and Scottish group discussions), or the direct payments should be provided for a longer time (as was noted by participants in Ireland). Restricting access to subsidies to individuals who have held a business holding number for less than 5 years, creates a disincentive for young people to start accumulating farm business assets before they have secure access to land.

Another topic raised by the stakeholders was the need to simplify the administration of the support. Some stakeholders mentioned that farmers should be given clear information. The support scheme should be simplified and based on clearly set criteria for selection of applicants (Ireland, Portugal).

Stakeholders from the Czech Republic and France mentioned that the business plans submitted by young farmers applying for the start-up aid are 'too rigid'. According to Regulation (EU) No 1305/2013 the business plan represents a decisive document for a period of five years. The stakeholders argued that such plan is too strict if in relation to market variability. Based on their experience, it is too difficult, for example, to make a valid estimate of revenues for the next five years.

To simplify the administrative burden, stakeholders proposed offering the support for young farmers in combination with other support, provided as a 'young farmers' package' that would also include support in the form of education and consultancy. Providing pre-application support was suggested, to reduce the cost of making applications, and engage a broader range of young farmers and new entrants in business planning processes.

Paying in advance instead of arrears was viewed as particularly helpful, as new entrants do not necessarily have the capital to cashflow payments made several months in arrears. There were concerns raised about delays to payments, particularly for applications which must be made in the first year of the farm business.

The practitioners suggested that young farmers could benefit from sharing examples of good practice related to farming and investment projects.

Box 3: Supporting new entrant starter farms – inspiration from Scotland

SUPPORTING NEW ENTRANT STARTER FARMS: SCOTLAND

The Farming Opportunities for New Entrants (SG, 2016) working group was set up to maximise the amount of publicly owned land designated for starter farms. It is part of a wider Scottish Government commitment to developing opportunities for new entrants. Additional initiatives include an advice and skills programme, as well as inclusion of targeted new entrant supports in Pillar I and Pillar II of the Common Agricultural Policy (SRC, 2016). FONE emphasises the issues surrounding starter units, but they recognise other options e.g. share farming, contract farming, as promising opportunities for gaining entry to the industry. To date, the Forestry Commission has established 9 new starter units, and a further unit was made available by Scottish Government's Rural Payments and Inspections Division. These are tenanted units of typically 60-70 hectares of land – sufficient to establish a part-time farming business (i.e. the new entrants farmers are also expected to be employed off-farm). The units are rented for a 10 year period, after which time the tenants are expected to have accumulated the resources to acquire a new farm, leaving the starter unit available for other new entrants.

3.3.5. Out-of-the box proposals for innovating the scheme

Directly supporting land mobility. Focus group participants in Scotland were particularly keen that supports begin prior to a farm being formally established (e.g. training) to ensure high skill levels of new entrant farmers. Scottish focus group participants also raised the issue that current supports do not directly impact on land mobility. As access to land is the biggest barrier, supports could usefully focus on enabling land mobility. In France and Ireland, for example, there are 'matching services' to connect older farmers without successors to new entrants. Taxing land could make landlords more likely to create tenancies; alternatively, the taxes could be passed on to the tenants, increasing the problem of achieving financial viability.

Supporting low-rate (subsidised) loan systems were a popular option in the Republic Ireland, Portugal and Poland. However, in France, where this option had been previously implemented, the scheme had been abolished because it was considered ineffective: interest rates are already very low. Instead, France utilised this funding to introduce a new criteria of modulation for projects with 'high costs of takeover or modernisation of the farm', to give targeted support to the farms that need it most. However, French participants also noted that some regions receive proportionately more funding than others, and feel that the region where the focus group was conducted – Brittany – is disadvantaged. The opportunity to develop new financial instruments (such as loans, guarantees or equity) are available through the European Agricultural Fund for Rural Development (EAFRD), through collaboration between the European Commission and the European Investment Bank (see EC, 2017d).

Options for incentivising older farmers to retire were identified by the Scottish, Irish, Polish and Portuguese focus groups. In the Polish case, previous retirement supports made available in 2004-2006 saw some 50 000 farms transferred between generations. However, there is considerable evidence from Western Europe that retirement schemes had largely failed, as farmers found ways to work around the system (e.g. reclaiming land after the five year period, artificial transfer of land to children, supports taken up by those who were planning to retire in any case – see Mazorra, 2000; Bika, 2007; Ingram and Kirwan, 2011). Participants in the Scottish case study identified state policies in Switzerland, which make it difficult for farmers over the age of 65 to collect agricultural subsidies. In some regions in Germany, farmers cannot receive both agricultural subsidies and the state pension. There are also tax incentives in Denmark to assign tenancy to younger people.

Supporting start-up and conversion to organic farming was suggested by the French focus group. A disproportionate percentage of new entrants undertake alternative production approaches, partly in response to personal ideals, but also to enable viable business establishment on small pieces of land (EIP Agri Focus Group on New Entrants final report). However, engaging in organic production particularly is limited by the high costs of certification, prices of plant protection products and fertilisers that are allowed to be used for this type of production. Subsidising these inputs would have direct benefits to young farmers and new entrants.

Encouraging the formation of 'starter farms' on publically owned land. This approach is already being developed in Scotland, and is well established in France. 'Starter farms' are small units which can be accessed by new entrants for a 10 year period. Following this period, the new entrants are expected to have accumulated sufficient resources to be able to acquire a commercial farm, leaving the starter unit available for another new entrant.

Subsidising insurance premiums for new entrants and young farmers was identified as an option for reducing risks.

Encouraging processors to work with local producers would assist young farmers and new entrants, as they are more likely to engage in this type of market relationship.

Supporting young farmer and new entrant networks at local and regional level could also increase interest in the industry, encourage collaboration and enable communication of new opportunities and business models. The NEWBIE H2020 project (2018-2021) has been established to enabling networking and exchange of information on new entrant business models across Europe (Hutton, 2017).

4. POLICY RECOMMENDATIONS

KEY FINDINGS

- Based on the secondary analysis and case study research 14 policy recommendations have been formulated.
- It is recommended that the support should continue, and the maximum level of funding be increased beyond 2%.
- Access to land is the major barrier for young farmers and new entrants. Dealing with this problem requires re-evaluation of the direct payment scheme and creating incentives for older farmers to pass their farms on to younger generations.
- There are many innovative initiatives that have been successful in supporting new entrants to the agricultural sector. It is recommended to support these initiatives.
- It is recommended to focus on reducing additional barriers to young farmers, such as access to capital, lack of business skills and insufficient succession plans.
- Support for young farmers and new entrants should be differentiated. It is recommended to re-consider the age limit for financial support.
- New forms of support should be taken into account, accentuating innovative ways of sharing knowledge and targeted support for specific farm businesses, focusing on particular scales and forms of agriculture.

4.1. Creating opportunities for young farmers and new entrants

4.1.1. Continue the support for young farmers

The New Entrant supports were very positively reviewed by the focus group participants in all of the case study countries. Overall, the current supports are widely perceived as enabling a new generation of farmers to enter the industry. In the context of the new CAP after 2020, we recommend that the support should continue, and the maximum level of funding be increased beyond 2%. Several of the case study countries reported that the grant schemes were oversubscribed, i.e. there were insufficient funds available to award all positively evaluated applications. The following recommendations address how additional benefits and speed of change could be achieved.

4.2. Encouraging land mobility

Access to land is the single largest barrier to new entrants to farming in Europe. This has been identified in several preceding studies (e.g. EIP Agri Focus Group on New Entrants to Farming; EP, 2015c) as well as this present report. Access to land is limited by the low supply of land for sale or rent in many regions, as well as competition from other farmers, investors and residential users. The land access problem is exacerbated by the current Direct Payment structure, which dis-incentivises land sales and rental, and supports land speculation.

4.2.1. Re-evaluate the Direct Payment structure

The current Direct Payment structure requires minimal active use of the land, and allocates subsidies largely on the basis of land ownership. Existing farmers are incentivised to retain land access in order to retain subsidy access, but not to ensure the best use of the land; Direct Payments are also used by older farmers as a form of pension. We recommend increasing the activity levels required to receive payments, and targeting subsidy payments towards achievement of particular outcomes (e.g. production of specific environmental or social goods).

We question the utility of allowing subsidy entitlements to be bought and sold separately from the land on which they were originally set. This practice encourages accumulation of subsidy entitlements by investors, rather than farmers, and artificially increases land values. We concur with the EP (2015c, p. 12) recommendations that the EU should allow member states greater freedom to regulate their land markets, in order to curtail the purchase of land for investment (rather than productive) purposes. The European Commission is currently evaluating the best practices for foreign access to agricultural land (see the Commission Interpretative Communication on the Acquisition of Farmland and European Union Law, EC, 2017d).

4.2.2. Re-consider the 'farm-exit scheme' and other incentives for retirement

Results of the study suggest that in many Member States the generational renewal and also the access of young people to agricultural land is hindered by late succession. The current CAP lacks any incentives for older farmers to pass their businesses to younger generations. Despite the mixed experience with the 'early retirement scheme' it is recommended to re-consider the implementation of measures that would motivate older holders to pass their farms to young farmers. These measures could include pension related regulations (for example, restricting individuals from accessing both state pensions and agricultural subsidies), and offering pension opportunities to retiring farmers.

4.2.3. The requirement for secure, long term access to land should be reviewed

Successful receipt of a grant award can facilitate access to land and other capital resources. Reluctance of landowners to rent land on a long-term basis is an important barrier in some regions. Greater flexibility in the terms of awards, particularly in relation to land access, is needed to enable the maximum number of new entrants to establish businesses.

4.2.4. Support for 'starter farm', 'land trusts', incubators and 'land matching' initiatives

The case study countries provided evidence of a number of initiatives at national or regional level which have been successful in enabling new entrants to the agricultural sector. See for example the Access to Land network (Access to Land, 2017). These include 'starter farm' initiatives, where publicly owned land is preferentially offered to new entrants for a period of time, to allow them to accumulate the resources of a viable farm business. 'Land trusts' have been formed primarily to support new entrants to agro-ecological approaches; the approach is similar to starter farms, but the land is owned by a charitable trust. 'Farming incubators' similarly offer opportunities for new entrants to develop markets before proceeding to formal business development. 'Land matching' initiatives connect older farmers without successors with new entrants, enabling the gradual transfer of assets and business knowledge. The reach of these initiatives could be increased through formal EU recognition and financial support.

4.3. Addressing further barriers to new entrants

The study also identified the following major barriers to new entrants: access to capital, low profitability and training/skills development. These findings are consistent with those of the EIP Agri Focus Group on New Entrants to Farming (2016).

4.3.1. Increasing private capital access

Young farmers, who take over existing farms, or new entrants starting their own businesses can benefit from the financial grant provided under Pillar II. Additional financial resources have to be obtained from private lenders. Access to these additional financial resources is not sufficient and creates one of the major barriers for starting agricultural businesses. It is thus recommended to improve access to finance. This could be achieved through subsidized interest rates on loans for new entrants. Opportunities to develop targeted financial instruments at national level are available through the European Agricultural Fund for Rural Development (EAFRD) (EC, 2017e). For example, Italy has recently established a financial instrument that facilitates access to finance and investment in small and medium sized enterprises in the production, processing and distribution of agricultural products (in eight regions) (EC, 2017f). Similar supports could be targeted towards young farmers and new entrants.

Offering income stabilisation supports or insurance on new entrant loans (e.g. to address profit variability) would also reduce the risks associated with commodity price fluctuations, and accumulating substantial debt. The Omnibus regulation, to be implemented in January 2018, will offer opportunities to trigger insurance in the event of frost, drought and floods, as well as income stability tools to address market risks (Farm Europe, 2017).

4.3.2. Increasing the business skills of new entrants and young farmers

There is allowance within the current measures to fund advisory services for young farmers. Where it has been implemented, these services are well received, leading to new skill development and the establishment of viable business plans. However, at present, most of the direct supports to new entrants are being provided through the capital grant scheme, which is differentiated by farm location, size of the intended business, creation of additional jobs etc.

The focus groups consistently indicated a need for further training to be made available to new entrants and young farmers, particularly in the areas of business management and financial skills. We recommend a re-balancing of the supports to increase advisory service and training opportunities. We also recommend that these training opportunities be made available prior to initiating access to formal new entrant supports (i.e. to potential as well as actual new entrants who are in the process of developing business plans). This will enable new entrants to adequately prepare for and understand the responsibilities associated with starting a new farm. Business development training should also address profitability issues, enabling current and potential new entrants to identify suitable market opportunities. Access to business training for young people is expected to facilitate rural economic development in general.

The young farmers and new entrants starting a business in agriculture need more information about administration and technical aspects of farming, as well as the access to shared examples of good practice. The study pointed out that the farmers highly value advisory services tailored to the situation of the farm. Such advisory services should combine technical aspects of farming as well as the administrative and financial aspects related to the existing policies.

4.3.3. Support for succession planning

Lack of planning for succession was identified across the case studies. At present, training supports are oriented to new entrants, rather than whole family businesses. Given the median age of farmers, succession planning is relevant to the majority of farming businesses. Making available advice on business planning, and succession planning in particular, can be expected to increase the speed of succession processes and overall economic viability of Europe's family farms.

4.4. Offering distinctive supports to young farmers and new entrants

At present, the definitions of 'new entrants' and 'young farmers' are largely conflated. New entrants at a range of ages bring innovations and new resources into the agricultural sector; individuals below the age of 40 are important for generational renewal, but should be encouraged to start accumulating farm assets long before they reach the age of 40.

4.4.1. The age limit of new entrant supports should be reviewed.

New entrants come into the agricultural industry at a range of ages. It can take considerable time to accumulate sufficient resources to establish a viable farming business, and individuals generally are working longer before retirement. An age limit of 45 would be more suited to the current farming demographic.

Young people entering the agricultural sector should be encouraged to develop their farm business at a range of paces. Limiting access to five years post-business establishment discourages young people from initiating small-scale business ventures until they are ready to commit to a major farming operation (i.e. for fear of being ineligible for subsidies at a later point). To encourage generational turnover, we recommend that the limit placed on access to supports (currently five years from the establishment of the business) should be reviewed. If enabling young people to establish viable businesses and compete is the objective, then all young people in agriculture should be eligible for support. In this scenario, it may be more appropriate to cap the total amount of young farmer support an individual can receive prior to reaching the designated age.

4.5. Administration of the implemented measures

The reduction of administrative barriers is needed for young farmers and new entrants. Despite the stakeholders' positive evaluation of the implemented measures, it is necessary to reduce administrative procedures related to the existing measure for young farmers. The overall administration of the direct payments and RDP measures is perceived as difficult, especially for new entrants who are not familiar with the payment system. It is recommended to reduce the administration burden for new entrants with simplified administration (similar to the Small Farmers Scheme, which simplifies the payment scheme and improves access of farms to the CAP).

4.5.1. Higher flexibility with the business plan of newly set-up farms

The business plan is a key document related to the implementation of measure M06. Most newly set-up farms are placed in a competitive environment within fast-changing conditions. Their formally-approved business plans may limit business opportunities of young farmers that occur over time. It is thus recommended to give farmers more flexibility to respond to changing conditions on the markets with their business plans. Changes in the payment instalment should be considered (instead of ex-post payments, using a payment calendar providing the farmers the grant according to financial plan).

4.5.2. Accountability of the support

The support for young farmers and new entrants must be highly publicly accountable to all EU citizens. This recommendation is in reaction to the fact that some countries or regions indicate that the measures to support young farmers are not sufficiently effective. Although flexibility is positively evaluated, the problem of vagueness in the focus of implemented measures remains. Increased public accountability will eliminate such vagueness, because the focus will have to be clearly defined to be accountable.

4.6. New forms of support

4.6.1. Sharing practical knowledge

A special support measure for innovative approaches in term of show cases of how to engage new entrants and how to support young farmers during farm succession should be considered. There is a new Horizon 2020 project NEWBIE: New Entrant Network: Business models for Innovation, entrepreneurship and resilience in European agriculture (2018-2021) (Hutton, 2017), which will establish a network of new entrants across Europe, encouraging the sharing of practical experiences and business development options.

4.6.2. Respect regional specifics

Since there is not any uniform implementation of the measures supporting young farmers and new entrants, this support is regionally sensitive (e.g. in some regions/countries it targets a lack of young people, in other regions/countries it addresses the problem of replacement of older farmers). It is worth continuing the emphasis on regional differences reflected in young farmers and new entrants support (no "one size fits all") because the support is considered by farmers to be successful (see Section 3.3.1). However, because some socio-economic indicators (e.g. income in the region) do not indicate direct relation with young farmer or new entrant supports (e.g. low income means low support) it is necessary to formulate a more complex set of variables used to demonstrate the efficiency of the support.

4.6.3. Target particular scales and forms of agriculture

New entrants are more likely to be involved in small-scale, niche market farming operations. This reflects the challenges of land access and the difficulty of accumulating sufficient capital to compete in scale-driven markets. Orienting direct payments towards small-scale holdings will disproportionately benefit new entrants. Similarly, supports oriented towards supporting organic farming and short-food supply chains will disproportionately benefit younger and new entrant farmers.

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ANNEX 1

Annex 1A: Average determined YFP area limit and Basic Payment Scheme (BPS)/Single Area Payment Scheme (SAPS) area of young farmers

MEMBER STATE	YFP AREA LIMIT (ha)	BPS/SAPS AREA OF YOUNG FARMERS (ha)	PERCENTAGE OF NATIONAL CEILING
Belgium Flanders (BE)*	90	44	2%
Belgium Wallonia*	90	82	2%
Bulgaria (BG)	30	35	0.47% (2015) 0.58% (from 2016)
Czech Republic (CZ)*	90	23	1%
Denmark (DK)*	90	97	2%
Germany (DE)	90	56	1%
Estonia (EE)	39	81	0.3%
Ireland (EI)*	50	43	2% (2015)
Greece (EL)	25	7	2%
Spain (ES)	90	65	2%
France (FR)*	34	113	1%
Croatia (HR)	25	23	2%
Italy (IT)	90	25	1%
Cyprus (CY)*	90	10	1%
Latvia (LV)	90	49	from 1.5% (2015) to 0.96% (2019)

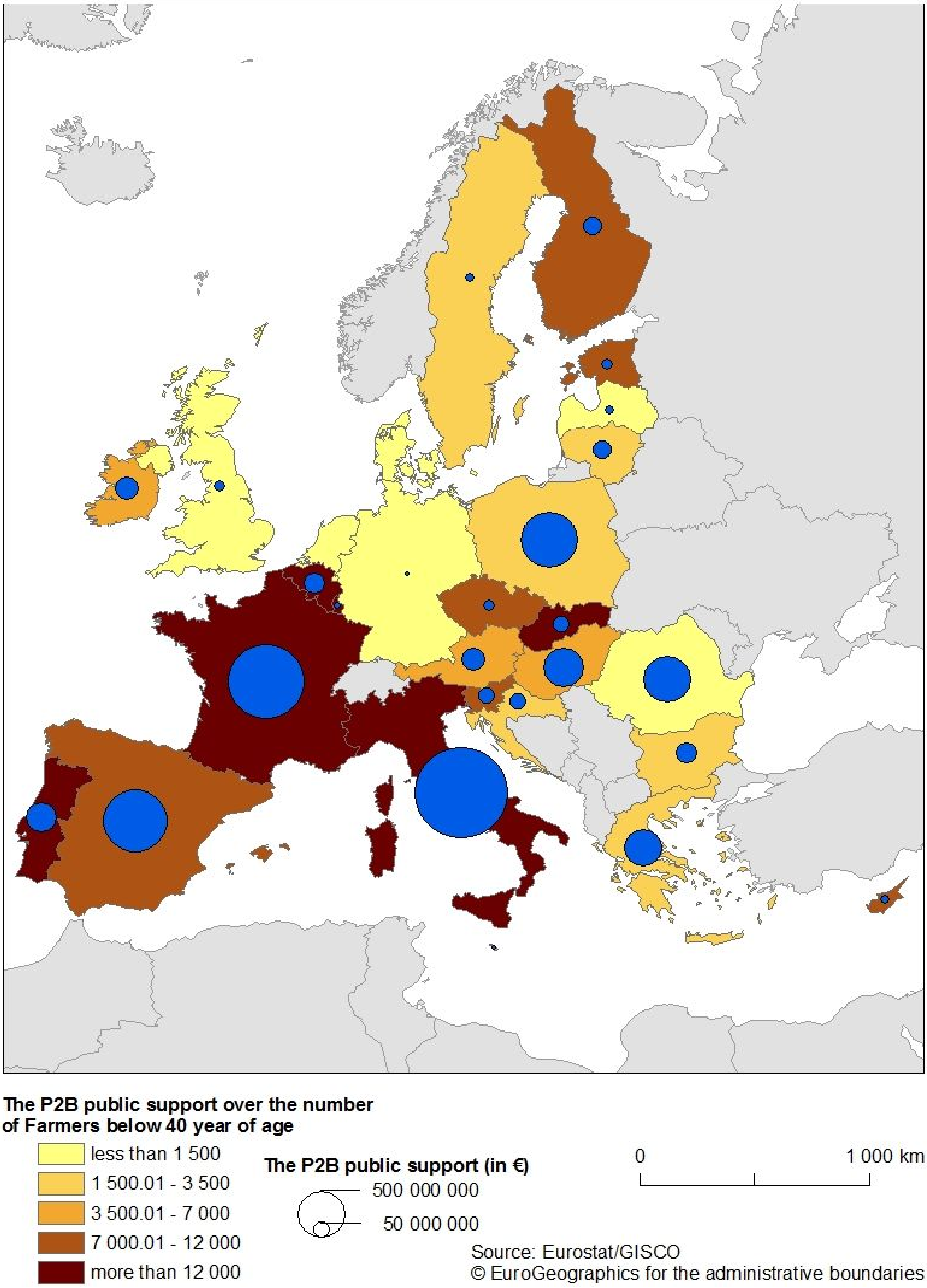
Lithuania (LT)*	90	19	1.75%
Luxembourg (LU)*		98	1.5%
Hungary (HU)	90	27	0.62%
Malta (MT)	90	0	0.4%
Netherlands (NT)*	90	53	2%
Austria (AT)	40	31	2%
Poland (PL)	50	13	2%
Portugal (PT)	90	29	2%
Romania (RO)	60	34	2%
Slovenia (SI)	90	11	1%
Slovakia (SK)*	28	52	1%
Finland (FI)*	90	53	1% (2015)
Sweden (SE)*	90	63	2%
UK England (UK)*	90	104	2%
UK Northern Ireland*	90	56	2%
UK Scotland*	90	163	0.25%
UK Wales*	25	94	2%

Note: *MS not implementing Small Farmer Scheme (SFS)

Source: EP (2015b), EC (2016a), EC (2017a)

ANNEX 2

Annex 2A: The P2B public support over the number of farmers below 40 years of age



Note: summarised public spending on P2B for DE, ES, FR and IT taken from ENRD. They refer to earlier versions of RDP.

Source: Authors' calculation based on the review of the RDPs and Eurostat (2017a)

Annex 2B: Eligibility criteria (full description)

MS/REGION	SETTING UP PERIOD (MTH)	LOWER ELIGIBILITY RANGE	UPPER ELIGIBILITY RANGE	ACTIVE FARMER MTH FROM SIGNING THE CONTRACT	REQUIRED SKILL MTH FROM SIGNING THE CONTRACT	BP START MTH FROM SIGNING THE CONTRACT	BP PERIOD MTH
Flanders BE2		SO €20 000	SO €39 999				
Bulgaria BG		SO €8 000	SO €16 000	18	36	9	less than 60
Czech Republic CZ	24	SO €10 000 – 15 000 depending on production orientation	SO €128 000	18	36	9	48
Sachsen-Anhalt DEE	24	SO €25 000	SO €50 0000		36	9	
Galicia ES11	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)	18	36	9	24
Navarra ES22	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)	18	36	9	60
Catalonia ES51	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)	18	24	9	24
Andalusia ES61	12	35% of the reference rent (per AWU)	120% of the reference rent (per AWU)	18		9	36

MS/REGION	SETTING UP PERIOD (MTH)	LOWER ELIGIBILITY RANGE	UPPER ELIGIBILITY RANGE	ACTIVE FARMER MTH FROM SIGNING THE CONTRACT	REQUIRED SKILL MTH FROM SIGNING THE CONTRACT	BP START MTH FROM SIGNING THE CONTRACT	BP PERIOD MTH
Croatia HR	18	SO €8 000	SO €50 000		36	9	36
Emilia Romagna ITH5	18	SO €12 000 in areas with natural and other constraints and SO €15 000 in other areas	SO €25 0000	18		9	36
Marche ITI3	24	SO €12 000 in areas with natural and other constraints and SO €16 000 in other areas	SO €200 000	18	36	9	36
Calabria ITF6	12	SO €12 000 in areas with natural and other constraints and SO €15 000 in other areas	SO €20 0000	18	12	9	36
Sardinia ITG2	18	SO €15 000	SO €20 0000	18	36	9	36
Austria AT	12	3 ha	SO €150 0000	18			
Poland PL	18	SO €13 000	SO €150 000, 300 ha	18	36		36

MS/REGION	SETTING UP PERIOD (MTH)	LOWER ELIGIBILITY RANGE	UPPER ELIGIBILITY RANGE	ACTIVE FARMER MTH FROM SIGNING THE CONTRACT	REQUIRED SKILL MTH FROM SIGNING THE CONTRACT	BP START MTH FROM SIGNING THE CONTRACT	BP PERIOD MTH
Portugal PT	12			12		6	60
Slovakia SK		SO €10 000	SO €50 000	18	24	9	
Aland FI2	12	SO €15 000	SO €40 0000	18	36		
Manner-Suomi FI1		SO €12 000 or 80 reindeers	SO €40 000 and 500 reindeers	18	36	9	
England UKEng		SO €12 500	SO €25 0000	18	12	9	48
Scotland UKM		SO €10 000	SO €60 0000	18	36	9	48

Source: Rural Development Programmes

ANNEX 3

Annex 3A: Full question guide and protocol for the focus groups

Section	Questions and topics	Duration
1. Introduction	- Welcome the participants - Introduce the topic in very general terms, make a reference to the EP and inform how the results will be used - Explain the purpose of the focus groups and structure of the discussion (4 main topics) - Ask participants a) to introduce themselves, b) to clarify their experience with the YF problem, resp. YF policy tools.	5 minutes
2.1 Current YF policy measures	- Show a brief overview of the implemented policy tools for your country, including (1) young farmer payment, (2) start-up aid for young farmers, and (3) other provisions supporting YF relevant for your country - Ask participants a) to what extent have these supports been successful (probe to identify indicators of success), b) why they think their country went with particular options, and whether the other options would have been more effective, c) differences in the measures implemented before 2013 and after 2013, what was more suitable,	15-20 minutes
2.2 New entrants - definitions	- Follow the answers from the previous section and refer to them to continue the discussion - Ask participants a) is the current definition of new entrants the right one for this country, if not, what would you change, b) are there particular types or notable characteristics of new entrants who are more likely to access supports (e.g. gender, age, successors versus ex novo, individuals versus couples or groups), c) is there a specific sub-group of NE, which does not qualify for the support, if yes, what are characteristics of this group and what would be a suitable type of support for them?	15-20 minutes
2.3 Challenges to the YF and NE	- Follow the answers from the previous section and refer to them to continue the discussion - Ask participants a) what are the main challenges faced by YF and NE, b) which of these challenges are sufficiently addressed by the existing measures, c) which of these challenges are not sufficiently addressed by the supports (probe access to land, access to other subsidies, profitability, start-up costs, status, access to credit, diversification opportunities)?	15-20 minutes
2.4. Improving the scheme	- Follow the answers from the previous section and refer to them to continue the discussion	15-20 minutes

	- Ask participants a) roughly what percentage of eligible farmers do you think are applying for the new entrant supports, is this a good outcome, why or why not, b) how to better design or simplify current start-up support, what types of support would be most successful? c) how to improve the access to finance? d) how to improve land mobility?	
3. Ending	- End the discussion but do not finish too abrupt, e.g. ask “Anything else to mention?“ or “Anything we have left out?” - Finally thank the participants and emphasise that the discussion was very helpful.	5 minutes

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DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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