EUROPEAN PARLIAMENT

Directorate General for Research

WORKING PAPER

THE FUTURE OF YOUNG FARMERS IN THE EUROPEAN UNION

Agriculture, Forestry and Rural Development Series

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Preface

At the request of the European Parliament the study covers the situation and future prospects for the 15 current EU member states, plus six of the current candidate countries for EU membership. The title of the study – "The future of young farmers in the European Union" – thus reflects the position in the European Union as it is at present and as it should be in the near future.

The six candidate countries covered in the study are those forming the so-called "first wave", namely Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia. They are sometimes referred to as the "Luxembourg Group", after the EU Summit of December 1997 in Luxembourg, which recognised their readiness to enter negotiations for EU membership.

Subsequent to the issue of the call for tenders for this study the European Council decided, at the EU Summit in Helsinki in December 1999, to include other candidate countries in the enlargement talks. These are Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia, sometimes referred to as the "Helsinki Group". This study does not, however, examine the situation in those countries.

The study is wide-ranging. Again at the Parliament's request, the study examines not only the success or otherwise of existing EU-level aids for young farmers, but also measures taken at national level. In addition, it looks beyond subsidy schemes and analyses the socio-economic situation within which young farmers operate. Lastly, the study is not simply a critique of existing measures. It examines measures that might be "in the pipeline" and also puts forward recommendations for new measures.

Many elements of the study refer to measures operated under the EU's Common Agricultural Policy (CAP). The CAP was reformed in March 1999, as part of the Agenda 2000 package of EU policy reforms. Those reforms are due to be in operation from 2000 until 2007. The author of this study has taken the view that, given that the CAP's present and future trend has thereby been established, the study should concentrate on suggesting measures that could operate within the existing CAP framework, rather than discussing how the CAP could be further reformed.

It should be stressed that the above-mentioned recommendations are based on the results of the research and the consultants' own analysis but, equally, on ideas and advice received from a wide range of sources based on:

- Interviews with the relevant officials in the appropriate European Commission Directorates-General;
- similar set of interviews with officials of the European young farmers' organisation CEJA;
- a questionnaire sent to EU member state and candidate country administrations (usually the Ministry of Agriculture or equivalent) seeking data and information on a wide spectrum of questions related to young farmers;
- documentary search and analysis in order to build a comprehensive picture of the current set of measures for young farmers at EU level (plus an outline of the picture at national level, including the six "candidate countries" covered in the report).

The information gained was used for the:

- Establishment of a basic database (in Microsoft Excel spreadsheet form), and a report on the information on young farmers' measures currently available within the EU and candidate countries;

- Analysis and prioritisation of the problems faced by young farmers;

- Analysis of the socio-economic factors of relevance to young farmers;

- Analysis of the effects of EU actions on young farmers. A "synthetic indicator" (based on the OECD's Producer Subsidy Equivalent – PSE) was used as a basis;

- Creation of a matrix in which the key young farmer measures and problems can be displayed in such a way as to illustrate where the biggest problems lie.

The findings of these analytical steps are presented through:

- an outline of political proposals which could improve the current situation of young farmers;

- the costing of the above for the EU budget.

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Glossary of terms, abbreviations and symbols

Acquis Communautaire	The EU's accumulated body of legislation
ADASEA	*Association Départementale pour l'Aménagement des Structures des Exploitations Agricoles*
Agenda 2000	Package of reforms to EU policies agreed at the Berlin EU Council meeting of March 1999 covering the CAP and EU Structural Funds, and setting the Financial Perspectives for the EU budget from 2000-2006
AWU	Annual Work Unit
Candidate countries	Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia
CAP	The EU's Common Agricultural Policy
CARPE	Common Agricultural and Rural Policy for Europe
CEECs	Central and eastern European countries
CEJA	*Conseil Européen des Jeunes Agriculteurs*
CNASEA	Centre Nationale pour l'Aménagement des Structures des Exploitations Agricoles
C£	Cypriot Pound
Commission	Commission of the European Communities
CZK	Czech Koruna
DG Agriculture	European Commission's Agriculture Directorate
EAGGF	European Agricultural Guidance and Guarantee Fund (the CAP budget), frequently known by its French acronym *FEOGA*
Ecu	European Currency Unit (for EU budget references pre- 1999)
EEK	Estonian Kroon
EP	European Parliament
ESU	European (Economic) Size Unit
EU	European Union
EU-12	15 current member states of the EU
EU-15	12 member states of the EU prior to the accession of Austria, Finland and Sweden in 1995
Euro (€)	European single currency (for EU budget references in and after 1999)
Europe Agreements	Agreements between the EU and candidate countries providing framework for bilateral relations (including trade)
EUROSTAT	Statistical Office of the European Communities
FADN	Farm Accountancy Data Network (European Commission)
Farming	Agricultural and horticultural production
GDP	Gross Domestic Product
gmina	Polish community (basic unit of territorial division)
ha	Hectare
HUF	Hungarian Forints
ISPA	Instrument for Structural Policies for Pre-Accession
km	Kilometre
Länder	German regions (N.B. Singular = 1 *Land*)
LEADER	*Liaison Entre Actions pour le Développement de L'Economie Rurale* - Community initiative for funding pilot projects for rural development schemes
LFA	Less Favoured Area
LU	Livestock Unit

Member states	The 15 current member states of the EU
MIP	Material Improvement Plan
PHARE	Poland Hungary Aid for the Reconstruction of the Economy
PLN	Polish (new) zloty
PC	Personal computer
Regime	CAP common market organisation
RGC	Ross Gordon Consultants SPRL, the study's author
SAFER	*Société pour l'aménagement foncier et l'établissement rural*
SAPARD	Special Accession Programme for Agriculture and Rural Development
SIT	Slovenian tolar
SME	Small or Medium-sized Enterprise
UAA	Utilised Agricultural Area
UTH	Unit measure of farm work
VAT	Value Added Tax
Voivodship	Polish province
WTO	World Trade Organisation

EU member state (and candidate country) acronyms (found mainly in tables and charts)

B	Belgium
Dk	Denmark
D	Germany
El	Greece
E	Spain
F	France
Irl	Ireland
I	Italy
L	Luxembourg
NL	Netherlands
A	Austria
P	Portugal
Fin	Finland
S	Sweden
UK	United Kingdom

EU	European Union
US	United States of America
Jap	Japan

CY	Cyprus
CZ	Czech Republic
EE	Estonia
HU	Hungary
PL	Poland
SI	Slovenia

Exchange rates

All currencies quoted against the Euro (€) in the course of this report are converted at the following rates:

Currency	Acronym	Rate used 1 EURO =	
Belgian Franc	BEF	40.3399	(a)
Danish Krone	DKK	*7.446*	*(b)*
Deutsche Mark	DEM	1.95583	(a)
Greek Drachma	GRD	*334.7*	*(b)*
Spanish Peseta	ESP	166.386	(a)
French Franc	FRF	6.55957	(a)
Irish Pound	IEP	0.787564	(a)
Italian Lira	ITL	1,936.27	(a)
Luxembourg Franc	LUF	40.3399	(a)
Dutch Guilder	NLG	2.20371	(a)
Austrian Schilling	ATS	13.7603	(a)
Portuguese Escudo	PTE	200.482	(a)
Finnish Markka	FIM	5.94573	(a)
Swedish Krona	SEK	*8.282*	*(b)*
UK Pound Sterling	GBP	*0.5985*	*(b)*
Czech Koruna	CZK	*36.22*	*(b)*
Cypriot Pound	CYP	*0.575*	*(b)*
Estonian Kroon	EEK	*15.66*	*(b)*
Hungarian Forint	HUF	*258.4*	*(b)*
Polish New Zloty	PLN	*3.963*	*(b)*
Slovenian Tolar	SIT	*203.3*	*(b)*

(a) Official permanent Euro conversion rates as set on December 31, 1998.
(b) Rates applicable on April 1, 2000 (to 4 significant figures). Please note that these rates change on a daily basis and the conversions provided in the course of the report are therefore only indicative.

List of figures and tables

Executive Summary

1. Introduction

This study has been commissioned by the European Parliament's Directorate-General for Studies (Department of Agriculture, Fisheries, Forests and Rural Development). It may eventually form the basis for further action by the European Parliament and suggestions for action by other EU institutions.

The study provides an analysis of the current situation of young farmers within the EU and in six "first-wave" candidate countries for EU membership (Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia).

The study describes the problems faced by young farmers at present. This description is based on statistics, and on opinion provided by a large number of sources contacted and researched, both at EU and at national level.

An analysis of the ways in which the EU and national governments act to address the problems has then been conducted. Emphasis is put on actions that have been taken at EU level since it is here that the European Parliament has its primary interest. In particular, the study tries to assess the success and impact of the various measures taken, and examines some specific additional questions, such as taxation policies in the countries concerned.

In order to draw together the strands of the research made for the study, a matrix has been created which prioritises the problems with which young farmers are still faced, despite EU and national efforts to assist in alleviating those problems.

On the basis of an assessment of the continuing problems faced by young farmers, the study suggests ideas for future EU actions to deal with this situation, costed, wherever possible.

It is important to stress that the study is concerned with the problems of young farmers within the known overall policy context. The study does not, for example, make proposals fundamentally to alter EU agricultural policy (though some comments are put forward on this subject). Rather, the study makes concrete, achievable proposals for action in the coming years, based on the existing policy framework.

2. Background to agriculture in the EU and applicant countries

Data have been drawn, where possible, from EU level sources (e.g. EUROSTAT and FADN). Comparisons have been made between the situation in 1990 and 1997, the latter being the most recent year for which a full set of reliable statistics is generally available. Where such data are not available, (e.g. comparable 1990 figures for Austria, Finland and Sweden), the best alternative figures are used. For the candidate countries, no consistent data series exists; for these countries, the best alternatives have been used.

EU agriculture is characterised by a continuous restructuring. In general terms, this has meant, and continues to mean, a fall in the overall number of farm holdings (19% have disappeared between 1990 and 1997, in the EU-12), accompanied by a steady increase in average farm size (from 13.3 ha in 1990 to 18.4 ha in 1997). The proportion of farms run as family business enterprises has remained stable. Approximately 98% of all EU farms are family farms according to a recent Court of Auditors report (using EUROSTAT data).

A crude extrapolation from these figures would suggest that the number of young farmers will become severely depleted in 30 years' time. Although this appears unrealistic, it is clear that an analysis at this time of young farmers' potential for averting this eventuality is timely.

At the same time the relative importance of farming in the EU economy, in terms of contribution to GDP, value of production and provision of employment, has declined. This has consequences in terms of the arguments to justify public expenditure on farming.

The development of farm incomes is examined briefly. Farm incomes are notoriously unstable (with significant fluctuations year by year). The study does not analyse this aspect in depth, therefore, nor seek to draw conclusions on the basis of one or two years' figures.

Of course, the situation in the different member states and candidate countries varies, sometimes considerably. However, the overall trends are basically common to all.

3. The situation for young farmers in the EU and the candidate countries

Farmer numbers in each age group have been examined, again for the 1990 to 1997 period. Overall the number of farmers is declining. However, within the global figures, there are differences in the rate of decline.

The under-35 age category shows a significant rate of loss (28%) in the EU. This compares to rates of farmer loss in the next three categories, 35 to 44 (19%), 45 to 54 (21%) and 55 to 64 (25%). This is very discouraging from a young farmer's viewpoint. More worryingly, the over-65 group shows a rate of decline of less than 3%, suggesting that older farmers are not retiring and passing on their farms to the younger generation.

Another set of figures shows that the number of young farmers as a proportion of total farmer numbers is declining across the EU. This is not simply an average figure. The picture is the same for nearly every member state. Young farmer numbers as a percentage of total farmers have fallen from 8.75% to 7.68% over the 1990 to 1997 period (while those over 65 years of age have risen from 23.28% to 27.76%).

The study has gone further into the data, examining young farmers per farm size category, and by economic performance of the farm. These data suggest that young farmers gravitate towards larger and/or better (economically) performing farms. This is an important point since policy aims may be based on assumptions about the types of farms potential young farmers would be interested in.

A brief analysis is conducted of the situation of young farmers in the different production sectors. It is difficult to draw conclusions from this about the relative merits of different production types for young farmers, and the situation varies greatly between member states.

For the candidate countries, reliable data on young farmers are difficult to find. Those presented in the study cannot be used for comparisons with the EU situation. In general, they indicate young farmer numbers rising, but significant structural change is underway.

4. Problems arising from the present situation

Having completed a statistical analysis of the situation of young farmers, the study proceeds to examine specific problems emerging from the research.

4.1. Installation costs

This has long been, and remains, the single most important difficulty facing young people wishing to enter farming. It includes: land sale and rental prices; cost of machinery; cost of farm improvements; cost of sustaining more than one family during a farm hand-over period; the debt burden from buying out co-heirs; and, buying of production rights. Furthermore, as the trend to increased farm size continues, so those costs increase. Costs vary per member state, not least due to competition for scarce land resources between different societal groups.

4.2. Succession

There are many legal and fiscal barriers to the new entrant to farming. Again these vary between member states. The study attempts to identify some inheritance and taxation systems which seem most helpful to potential young farmers.

4.3. Gender

Women trying to set up as farmers in their own right, or who are potentially involved as a spouse, face specific problems in addition to those faced by their male counterparts. These include inadequate social security provisions (e.g. maternity and child care), and insufficient training opportunities. Nevertheless, the proportion of farmers made up by women is rising.

4.4. Education and training

Insufficient and/or inappropriate training and education are a general problem for young farmers, not one confined to women.

4.5. Decline in rural areas

Unlike many of their older counterparts, potential young farmers face a choice about whether to enter farming. The decline in many rural areas of Europe, in terms of infrastructure, activities and social life, mean that farming is a less attractive proposition. The picture is patchy, regionally, with some (often remote) areas facing significant problems.

4.6. Rural depopulation

Depopulation should not be confused with rural decline or, more specifically, with the state of farming. In some cases (e.g. in regions in the Netherlands or the UK), the rural population may even be rising. However, this may mask a decline in farmer numbers, a poor economic situation in farming and lack of prospects for young farmers.

4.7. Social problems

This is a broad category. The study highlights certain points raised by the research. For instance, the decline in rural infrastructure and employment prospects affects the attractiveness of rural life for all young people, but especially women. This leads to an exodus of women from some areas, resulting in an uneven population structure. In the five new *Länder* of Germany, a specific problem of high urban unemployment exists. This has prompted a greater interest in farming than there might otherwise have been. This leads, in the long term, to a further decline in rural areas. Such problems are perhaps most acute in the candidate countries, where farming is economically difficult and social structures are in flux.

4.8. General problems

Two of the most significant problems raised in the research have been the general economic malaise in farming, and the poor image of farming with the general public. In the former case, the impact on a prospective young farmer is obvious – he/she is more likely to seek more rewarding employment. In the latter case, the effect is more insidious – farming is becoming an "unattractive" profession. Such general problems cannot be dealt with by seeking solutions for young farmers in isolation.

5. EU and national measures in force to deal with young farmers' problems

This part of the report examines measures already in place, which aim to deal with the issues raised by the earlier analysis. The examination goes further than a description of those measures. It covers measures aimed specifically at young farmers, as well as those from which they may draw an indirect benefit. It looks in depth at their application to date (as far as possible) and draws conclusions as to their effectiveness.

The study also examines national taxation regimes, the potential impact of the recent Agenda 2000 EU reform process, and the possible effects of EU enlargement.

Finally, the study prioritises young farmers' problems, taking into account the effectiveness of the measures already in place to assist them. The result is a picture of the situation of young farmers after EU and national attempts at assistance have been implemented.

5.1. Measures at EU level

EU-level measures consist mainly of adaptations to general structural support for farming (part EU- and part nationally-funded). Thus young farmers are eligible for special aid payments for their first installation as farmers, and for enhanced investment aids for farm improvements. In addition, there is funding of education, training and occupational assistance. The EU early retirement scheme also confers some benefits on young farmers.

The report outlines how the Agenda 2000 "package of measures" is changing the situation for young farmers. While the new emphasis on rural development under Agenda 2000 is theoretically helpful to farmers, and the installation aid possibilities are improved, some aspect of assistance to young farmers are reduced (e.g. training).

It should not be forgotten that member states are not obliged to implement any of the EU measures for young farmers.

5.2. Measures at national/regional level

This section deals with both national implementation of EU measures and measures which exist only at national or even regional level.

As far as national implementation of EU measures is concerned, the performance of member states is very varied. This reflects less their attitude to young farmers and more their overall philosophies about how to treat all farmers. Thus some member states (e.g. the Netherlands and the UK) hardly use the EU measures on offer. Others (such as several member states in the south of Europe) use general structural measures to try to modernise their agriculture, rather than acting in favour of young farmers specifically. A third group (including Belgium, Denmark and France) has active policies of trying to manage installation of young farmers.

Candidate countries do not yet benefit from the main EU measures. However, their own national measures are examined, as is the profound structural change experienced since 1990.

This section of the study also outlines other measures from which young farmers could derive a benefit. For instance, some CAP market regimes (e.g. dairy) could offer young farmers preferential treatment. Many others do not.

5.3. Observations on national tax regimes

It must not be forgotten that EU and national direct measures to assist young farmers are fairly limited in scope. Indirectly, the tax regimes applied in some member states can be favourable towards young farmers (or the converse). The study therefore examines some of the advantages and disadvantages apparent in national tax systems.

5.4. Conclusions about the operation of current measures to assist young farmers

An analysis has been done of how EU measures are applied in the member states. Statistics are displayed showing the relative "performance" of the EU member states. A summary of the different ways in which the assistance is offered has been prepared. Some conclusions are drawn.

A measure of the relative importance of and benefit of the main EU measures to assist young farmers has been devised (using adjustments for overall farm income and cost of living in the member states). While this is a fairly crude measure of relative assistance to young farmers, it allows a picture to emerge. It shows, quite graphically, that those countries with more complex young-farmer assistance measures do not necessarily provide more assistance **in real terms** to young farmers. Looking at installation aids and enhanced investment grants for young farmers in particular, the countries spending the most money on subsidies do not necessarily pay the most money per beneficiary.

5.5. The impact of EU actions to assist young farmers

The main point of note is that the EU has not completed an evaluation of the impact of its measures to assist young farmers. This point has also been made in a recent Court of Auditors' report. Thus the EU authorities have little true idea of how effectively taxpayers' money has been spent in this policy area.

It is difficult to draw conclusions simply on the basis of statistics. A crude measure of success would be if young farmer numbers were rising in the member states which apply the EU measures. However, since overall farmer numbers (and younger farmer numbers) are falling, it would be inappropriate to judge on that basis alone. France, for example, has the most structured and comprehensive approach to young-farmer installation of all the member states, and yet the number of farmers and young farmers in France continues to decline.

6. The potential impact of Agenda 2000 on young farmers

The main impact of Agenda 2000, in the short to medium term, is likely to come through the improved assistance measures for young farmers contained in the new emphasis on national/regional Rural Development Plans (Regulation 1257/99). While the regulation essentially continues existing measures for young farmers, the (theoretical) funding on offer is increased. However, the overall budget is restricted – hence the actual aids paid out might not be improved.

Weighed against this is the fact that the measures are still voluntary for member states. Also, some measures, such as training and other occupational assistance, are reduced in scope.

In the long term, the move towards rural development rather than market support within the CAP is likely to allow for measures better targeted at young farmers to be introduced. However, these will come within a more restricted budget.

In addition, the increased share of CAP spending in the form of direct aids – which results from Agenda 2000 – should help reduce fluctuations in farm incomes. This may make the prospects for young farmers slightly more stable.

However, as far as the CAP's market regimes are concerned, Agenda 2000 offers very little of specific benefit for young farmers

7. The potential impact of EU enlargement on young farmers

EU enlargement is unlikely to offer any specific benefits for young farmers in the existing EU. Indeed, EU enlargement without a significantly increased EU budget for agricultural measures will result, inevitably, in a dilution of assistance to existing EU farmers.

For young farmers in the candidate countries there should be significant advantages from EU membership, particularly if their governments take up the opportunity to use EU measures to aid young farmers and improve structures. However, the main benefits are likely to come in the form of access to the direct payments and production rights available to existing EU farmers under the CAP.

8. Prioritisation of young farmers' problems

The study sums up the current situation of young farmers by reviewing the problems they continue to face despite the EU and national efforts assist them.

A matrix has been created which shows, at a glance, the relative importance of those problems. As can be seen, the high cost of installation remains the most intractable problem. This is at least an identifiable problem. Other problems, such as the negative image of agriculture, are more difficult to assess and then deal with.

9. Proposals for EU actions to address the problems of young farmers

9.1. Introduction

The study does not suggest a revolutionary approach. The existing framework for agricultural policy has now been established for the period 2000 to 2007. There will, nevertheless, be a major review of all CAP spending (and in certain sectors in particular, e.g. dairy) in 2002 and 2003. The rural development regulations are due to be reviewed in 2003. Therefore, the study suggests measures to be taken at EU level within the known framework and time period 2000 to 2003.

9.2. A note about the CAP

Nevertheless, the point is made that it is difficult to deal thoroughly and effectively with the problems of young farmers unless one starts with a blank sheet of paper.

The study points out that such an exercise was undertaken in the pre-Agenda 2000 period. The result – a proposed Common Agricultural and Rural Policy for Europe (CARPE, 1996) – contained many interesting ideas, but was too radical a step for the EU to take in one go. Also interesting is the fact that it made no suggestions for special treatment of young farmers.

9.3. Suggested EU actions

The suggested actions fall into the following main categories:

9.3.1. Improving information about young farmers

- A comprehensive database on the situation of young farmers, in the EU and candidate countries, should be established and maintained by the Commission.

- The Commission should evaluate the impact of EU measures to assist young farmers, in time for proposals to be made for the mid-term review of Regulation 1257/99.

- The Commission and Council should ensure that young farmers' organisations have access to sufficient EU funds to undertake their important role.

9.3.2. Tackling installation costs

- The mid-term review of Regulation 1257/99 provides an important opportunity for installation aids and supplementary investment grants to be increased. It is also the time when direct aids re-channelled into rural development, under national schemes, could be directed towards young farmer assistance measures.

- Investment aids for young farmers should be further enhanced where the young farmer provides significant environmental improvements and/or where the farm is situated in the LFA and/or where new employment opportunities are being created.

- Consideration should be given to proposing that it should be obligatory for member states to offer at least a minimum level of installation aid for young farmers.

9.3.3. Encouraging early retirement

- The Early Retirement scheme should be amended to provide for preferential treatment to be given to retiring farmers who pass on their farm to a young farmer. Ways of providing adequate pensions for retiring farmers more generally should be considered.

9.3.4. Easing farm transfers

- The Commission should review the funding of farm-transfer agencies.

9.3.5. Meeting economic challenges

- Young farmers are operating within a CAP which includes many production rights systems (quotas, premium rights etc.). While such systems exist they impose constraints on young people wishing to enter farming. As long as such constraints exist, the Commission should again explicitly urge member states to allocate, in their national reserves of production rights (within CAP market regimes), rights to which young farmers would have preferential access.

- The forthcoming reforms to the sheep/goatmeat and sugar regimes (both in autumn 2000) give immediate opportunities to offer production rights to young farmers.

- Young farmers could significantly improve their cost structure by improving input purchasing and marketing of their produce. An effective means would be intelligent use of computers and the Internet. The current eEurope initiative should be adapted to include specific measures to assist young farmers in training, equipment and use of these new techniques. Another priority is training young farmers in how to create and manage the operation of integrated production management and marketing systems.

9.3.6. Education, training, & networking

- The EU should fund training in computer/Internet use.

- Minimum farming qualifications should be a prerequisite for receipt of CAP direct aids. The EU should help fund education and training programmes to bring young farmers standards to the required level.

- There should be a renewed EU information programme to educate the general public, especially young school children, about farming. This would help to improve the image of farming, both within the EU and abroad (at an important time in international trade terms).

- The EU should reinforce funding of, and encouragement of, organisations and networks aimed at assisting young farmers with the complexities of installation, for example via the LEADER initiative.

9.3.7. Taxation and legal/inheritance hurdles

- The EU should sponsor a conference aimed at highlighting the tax and legal/inheritance issues facing young farmers. An aim should be to reduce the burden of agriculture-specific taxes on young farmers, in order to assist in reducing or deferring start-up costs.

9.3.8. Rural development conference

- The Commission should organise a second rural development conference, following the November 1996 conference in Cork, Ireland. At such a conference, the situation of young farmers and the future of the farming industry should be given prominence.

- There needs to be a fundamental debate about whether young farmers explicitly, or new entrants more generally, should be assisted by the EU, and about how to assist new entrants from non-farming backgrounds.

9.3.9. Candidate countries

- The EU should give more encouragement to the candidate countries to target investment aids to young farmers, and to early retirement measures, under the SAPARD fund.

- Similarly, more funds should be devoted to education and training of young farmers.

- The EU should allow the candidate countries to pay higher levels of installation aids, during the immediate post-accession period. The Commission's responses to the candidate countries' positions on agriculture appear to acknowledge this possibility.

- SAPARD funds should not cease on accession, otherwise SAPARD-funded schemes for young farmers could come to an abrupt halt.

- Cyprus should become eligible for a SAPARD-type fund.

- Recommendations for the candidate countries have been presented separately since, it has been assumed, they will not become full EU members in the timeframe involved (i.e. before end-2003).

10. Probable cost of suggested actions

A table has been prepared in which the probable cost of the actions listed above is shown. It has not been possible to cost them all, for a variety of reasons.

In general, the measures proposed do not represent an enormous cost for taxpayers. In many cases, the cost would be negligible or nil.

In addition, the study shows the European Parliament's decision-making position in relation to each measure proposed. In this way, the Parliament can see immediately where it can have an impact on policy development. In general the greatest influence for the Parliament will come via the Parliament's new powers in setting the annual budget for rural development measures introduced under Agenda 2000.

11. Additional ideas for the EU to suggest to member states and candidate countries

Several additional ideas for EU measures were put forward by sources for the research. For the sake of completeness these are listed, together with the reasons why they have not been included in the study's recommendations.

Part One
THE PRESENT SITUATION OF YOUNG FARMERS IN EUROPE

Chapter I
PRESENT SITUATION IN THE EU AND CANDIDATE COUNTRIES

This chapter outlines the context in which young farmers, and potential (young) new entrants to farming, are seeking to work. The aim is to show that, while young farmers experience particular difficulties, these must be seen within the overall situation of farming.

The information contained in this chapter will allow some conclusions to be drawn about where and how the particular problems of young farmers arise. It will also help in the analysis of those problems, and in the suggestion of specific measures to assist young farmers in dealing with them. However, such an analysis cannot be conducted on the basis of statistics alone. That can only be done when the information in this chapter is examined in conjunction with the data and research results presented elsewhere in the study.

1. The current situation of farming as a whole

This section contains key statistics on the situation of farming in the EU as a whole and in the candidate countries. The data for the EU-15 and the candidate countries have been kept apart simply because there is not yet a series containing comparable data for both.

1.1. The situation of farming in the EU-15

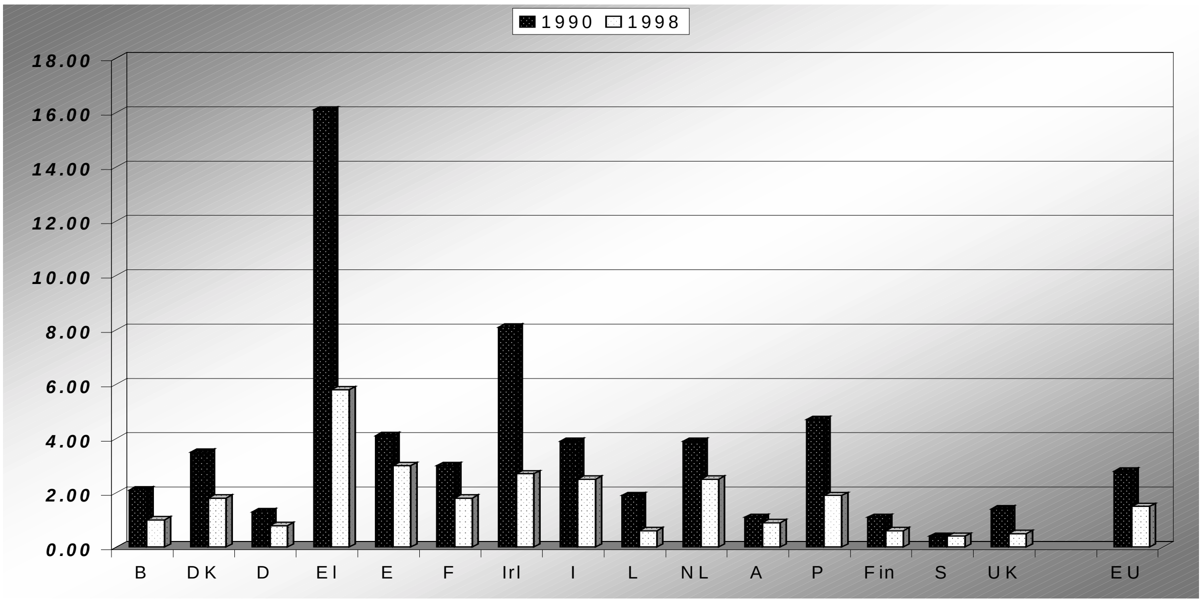
This section concentrates on the main indicators of the state of agriculture, namely the contribution of agriculture to GDP and employment, farm income and farmer numbers by production sector, size of holding and economic performance.

Most of the figures from which the graphs were created are contained in Annex II. In order to show the dynamics of the agricultural situation, data for 1990 and 1997 have been used. 1997 is the most recent year for which a consistent series of data is available on structural aspects of farming.

Where possible, 1998 and 1999 figures have been used. For Austria, Finland and Sweden, whose accession to the EU was completed in 1995, the year 1995 has been used instead of 1990 in order to respect the consistency of data recording.

For the candidate countries, years vary according to availability of data.

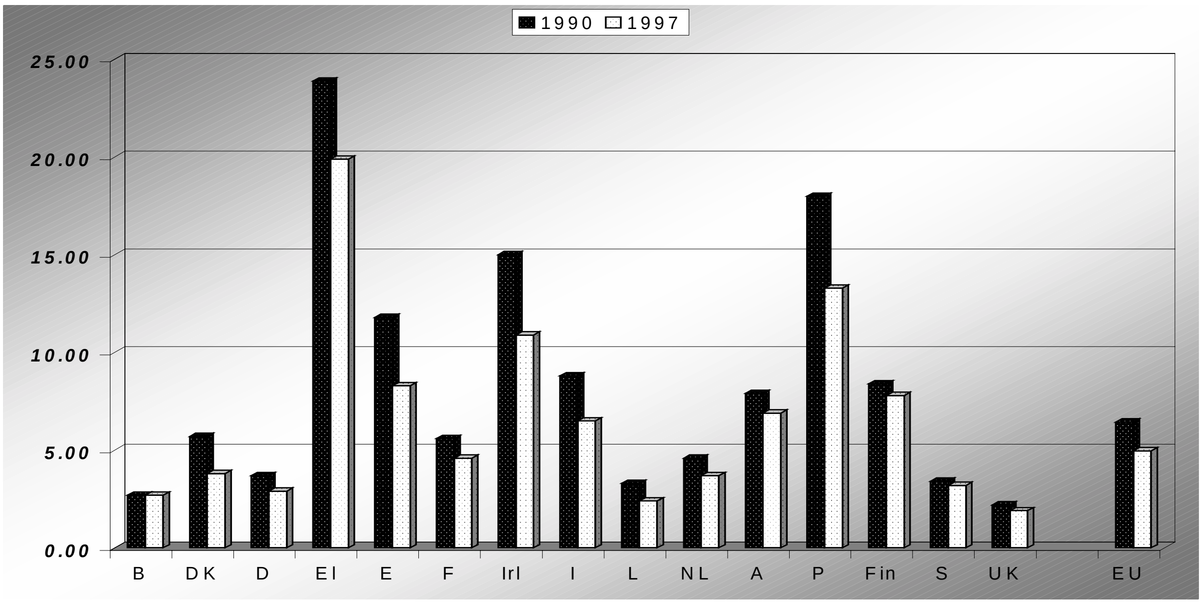
Figure 1. Contribution of agriculture to GDP in the EU (% of total GDP)



Source: EUROSTAT

It is clear from Figure 1 that the importance of farming within the EU's total economy is gradually declining. This does not necessarily indicate any particular problems for new entrants into farming. However, later in the study some concerns of young farmers about the position of farming in society are raised.

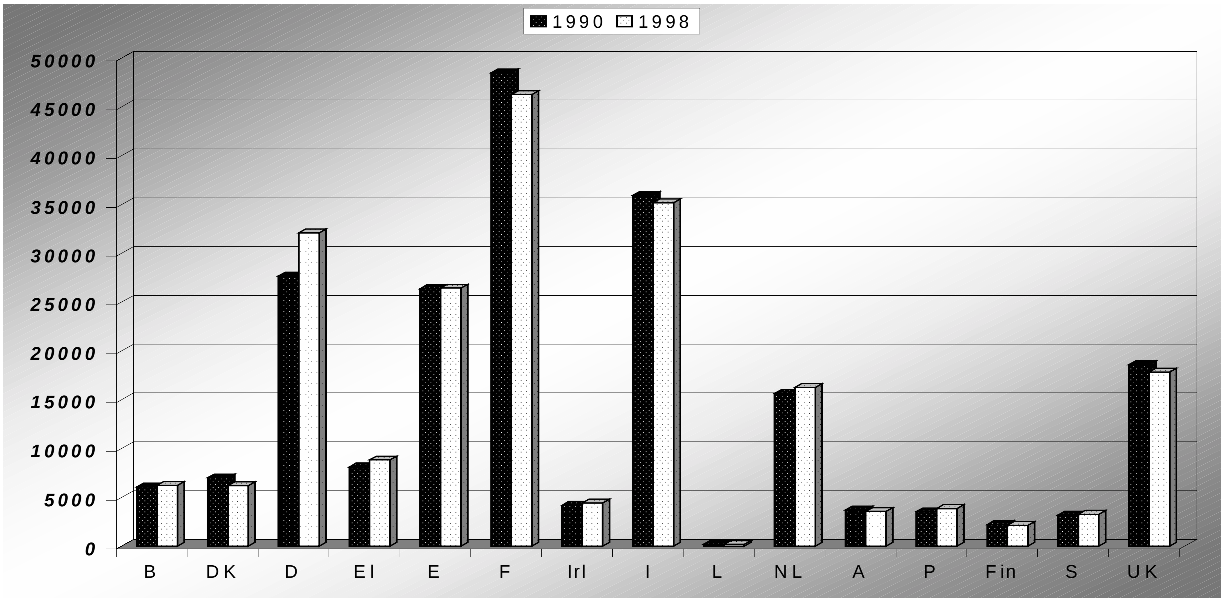
Figure 2. Percentage of the EU workforce employed in agriculture (% of total)



Source: EUROSTAT

Figure 2 shows the declining importance of farming as an economic activity in terms of providing employment. It shows the percentage of total employment represented by farming. In some cases the falls in percentages might reflect the decline in numbers engaged in agriculture. In others they might result from the prosperity of, and increased (or reduced) employment within, other sectors.

Figure 3. Total value of EU agricultural production (million Ecu)

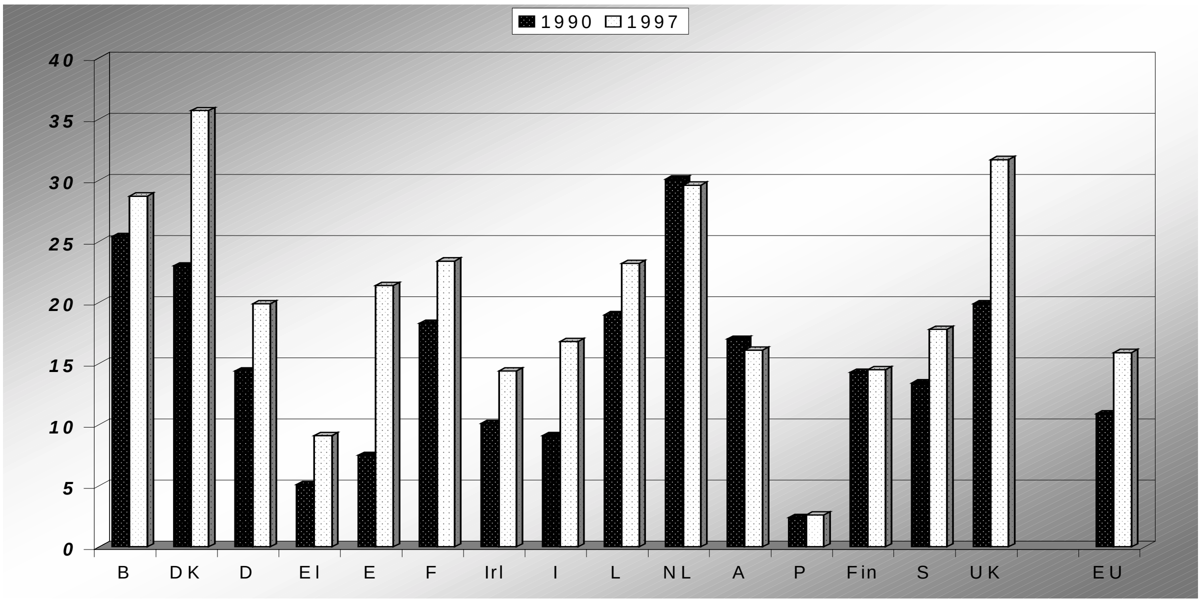


Source: EUROSTAT

The purpose of Figure 3 is to show the overall economic size of the farming sector. Value of production can change from year to year according to market circumstances, the overall economic situation, trade influences etc. It would be wrong, therefore, to draw too many conclusions from the value of production in any one year. Nevertheless, the graph gives a snapshot of the value of the farming industry.

When taken in conjunction with the falling share of agriculture as a percentage of GDP, throughout the EU, the situation is of concern for young farmers. The two sets of figures seem to indicate that, while other sectors are developing, agriculture is standing still. Thus the prospects for employment in agriculture are likely to be viewed by young people as relatively less attractive than for other occupations.

Figure 4. Average income per agricultural holding in the EU ('000 Ecu)

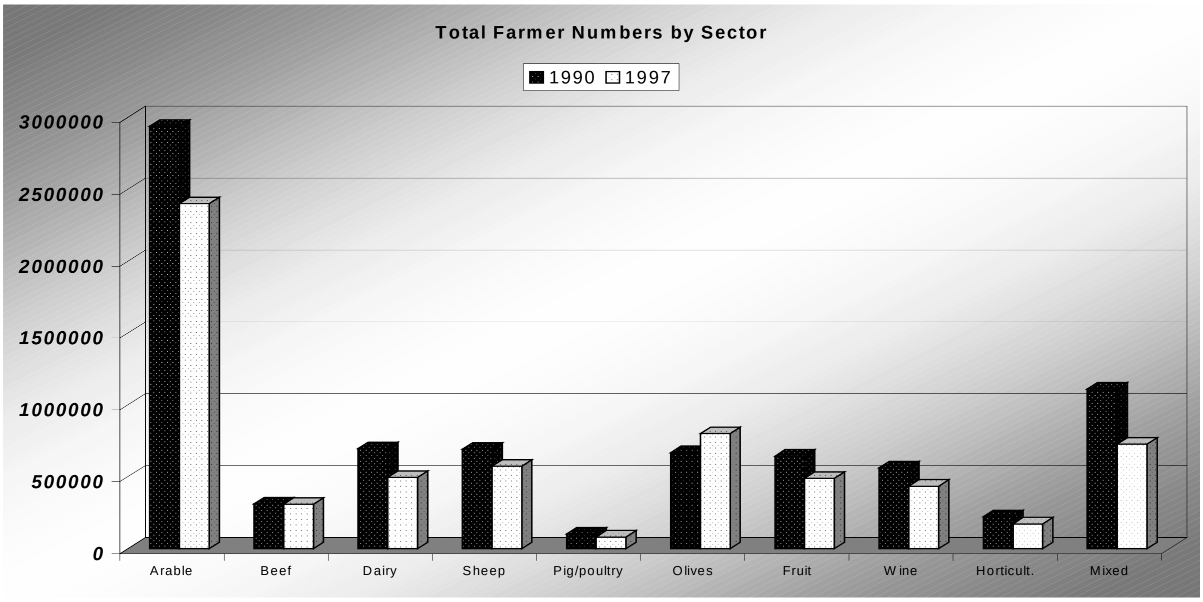


Source: EUROSTAT

As with the value of production, it would be wrong to read too much into any one year's figures. Furthermore, as farmer numbers decline (and farm sizes increase) average farm incomes might be seen to rise (see Figure 4). This is not necessarily a measure of the profitability of farm businesses. However, growing farm sizes normally mean that costs of production are being spread over larger enterprises, leading to economies of scale.

Income figures such as these should not be taken as a barometer of the state of farming in general in the EU. Indeed, the discrepancies between countries which, in some cases, border each other seems to underline that it would be wrong to read too much into the figures. For example, the experience of Finland and Sweden since their accession to the EU appears to be very different. One has to recall that Sweden deregulated its agriculture in the early 1990s. It then reintroduced many direct support measures on accession to the EU. The direct aids inherent in the CAP will have had a direct impact on farm income levels in Sweden.

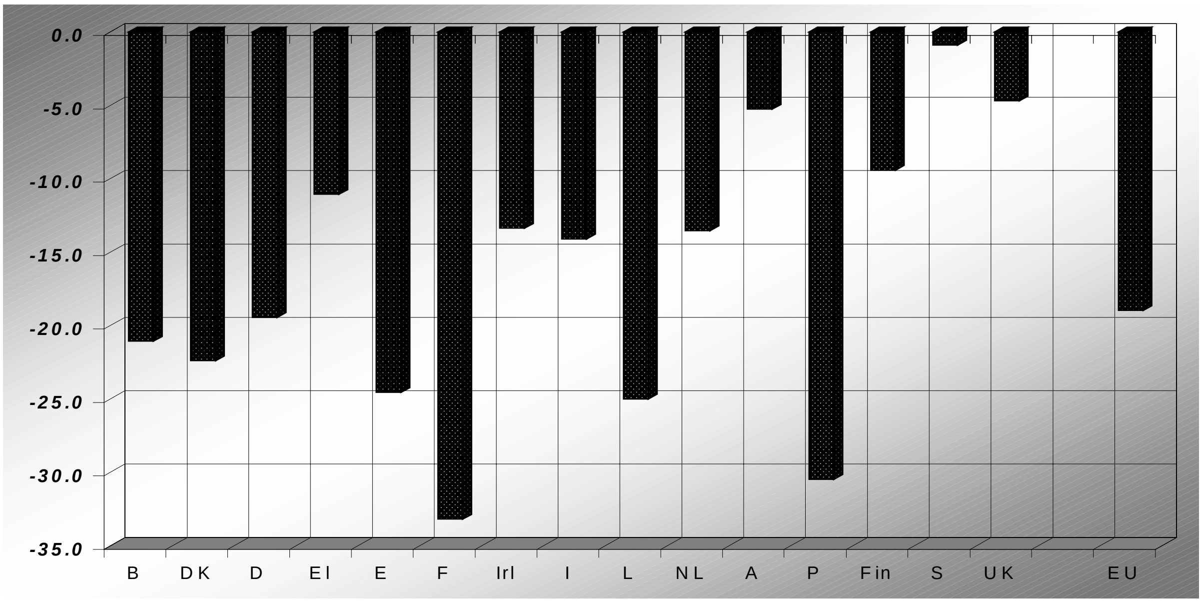
Figure 5. Total number of EU farmers by agricultural sector



Source: EUROSTAT

The trend in farmer numbers per sector mirrors the overall trend in farming: declining numbers engaged in farming. However, as can be seen in Figure 5, there are two sectors displayed here in which numbers of farmers have increased. In the case of beef this probably reflects the nature of beef production, with farmers entering and leaving production according to the state of the beef production "cycle". The apparent increase in the number of olive oil producers between 1990 and 1997 is likely to be because the figures for Spain and Portugal were not fully representative until 1996, rather than due to an actual rise in the number of producers. Under Spanish and Portuguese accession arrangements, there was a 10-year transition period (i.e. until the start of 1996) before all producers became fully eligible for production aid.

Figure 6. Change in number of EU agricultural holdings (% 1990-1997)



Source: EUROSTAT

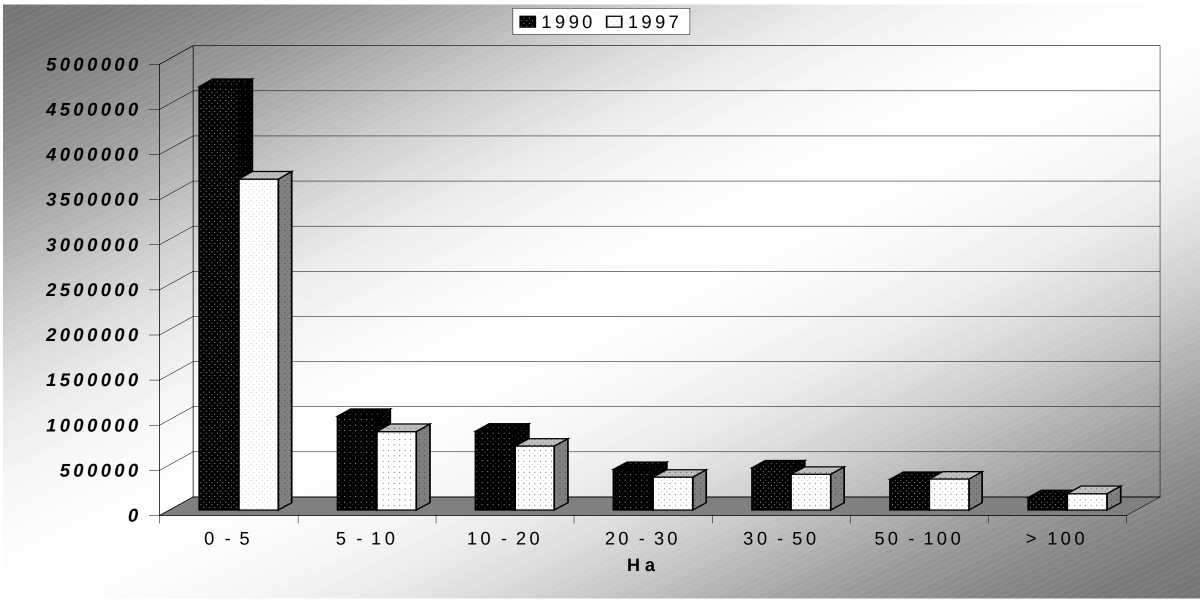
The fall in overall numbers of holdings, shown in Figure 6, is again a reflection of the structural change continuing in the farming sector.

As farming has modernised, and become more mechanised, the number of people engaged in farming has declined. For example, the number of farmers in the EU-12 declined by 19% between 1990 and 1997, a trend that continued despite 1995 EU enlargement. This is the case for farmers themselves and for farm workers.

It might be expected that the steepest fall in farmer numbers has been in those countries which were less well advanced in terms of such modernisation in 1990 (e.g. Greece, Ireland, Italy and Portugal). Those countries which experienced a restructuring of their agriculture earlier should have tended to shed a lower proportion of their farming population since 1990. However, this is not the case. While Spain has "lost" 25% of its farmers, Portugal 30% and France 33%, Denmark has shed 22% of its holdings and Greece and Italy only 11% and 13% respectively.

The picture is thus very mixed. Care must be taken not to read too much into such global figures. Restructuring continues in all countries, regardless of their state of advancement, due to many factors.

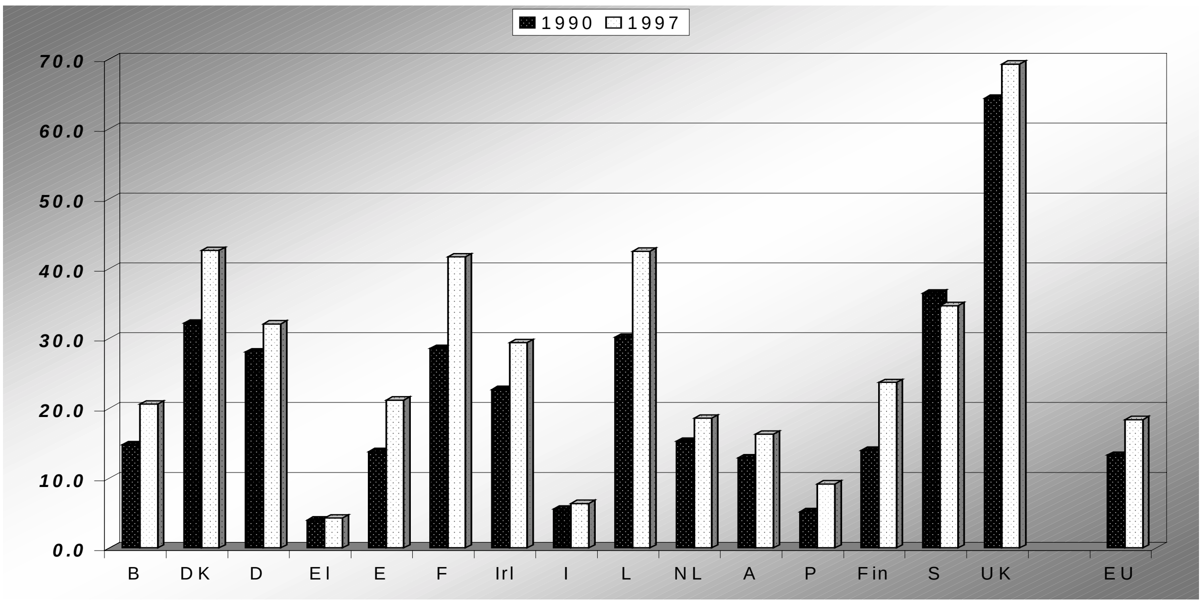
Figure 7. Total number of EU farmers by farm size (ha)



Source: EUROSTAT

The fall in numbers of smaller farmers (0-5 ha), at 22%, is much more marked even than the next biggest category (5-10 ha) at 16%, and more so when looked at in terms of absolute numbers, as shown in Figure 7. However, all farm-size categories up to 50 ha are experiencing falls in numbers of 15%-19%. It is unsurprising that the decline in farmer numbers is less marked where larger farm structures are concerned. Indeed, in the two largest farm-size groups (both over 50 ha), numbers of farmers have been increasing. While size of farm cannot automatically be a measure of profitability, larger farmers do tend to be more efficient in production terms. Thus farms with larger structures tend to be more attractive to farmers (new entrants or otherwise). However, size is not the only important measure. Smaller farms with a high value of production (e.g. horticulture) predominate in some countries (e.g. the Netherlands).

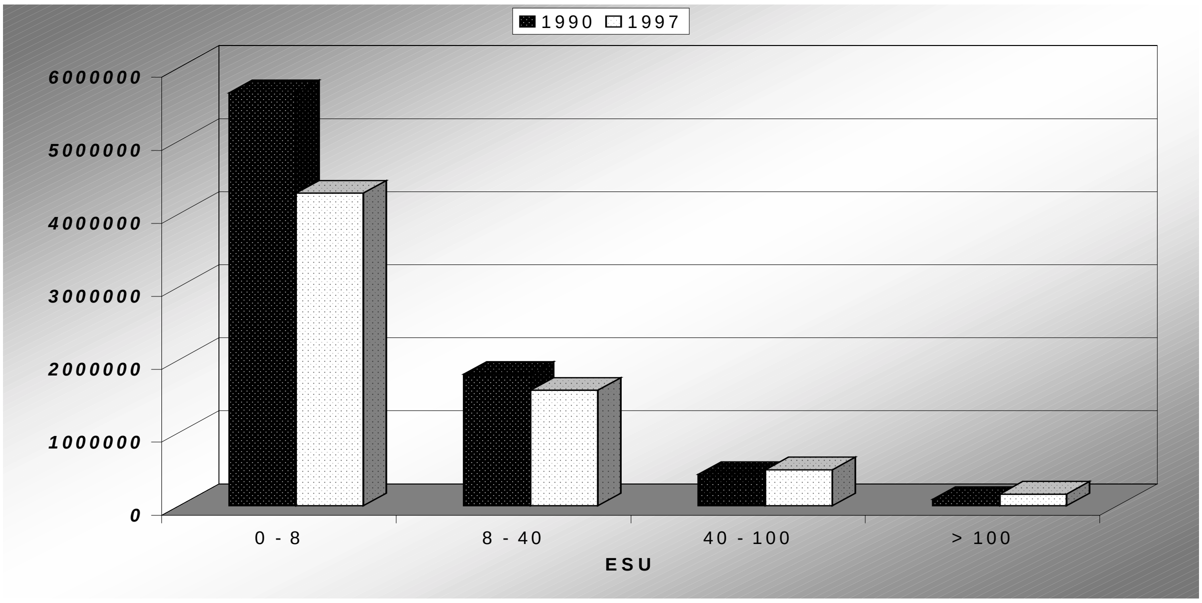
Figure 8. Average farm sizes in the EU (ha)



Source: FADN

Figure 8 illustrates the average size of farms in each EU member state. There is no absolute correlation between those countries with the smallest farm structures and those which are losing most farmers. Clearly the UK, with the largest farm structures, is losing fewer farmers in percentage terms. However, elsewhere the picture is mixed.

Figure 9. Total numbers of EU farmers by economic size (ESU)



Source: EUROSTAT

Again unsurprisingly, as Figure 9 shows, numbers of farmers are decreasing in the farms with lower economic returns, and rising in the case of those with a greater economic worth. The ESU is a measure which EUROSTAT uses to represent standard gross margins. It is a broad measure, but it is clear that the fall in numbers of farms below 8 ESU (24%) is significant.

1.2. The situation in the candidate countries

EUROSTAT figures do not yet include complete data for the six candidate countries. Work is underway to ensure that they are included in the future. However, such data are likely to be available only in the first part of 2001 at the earliest.

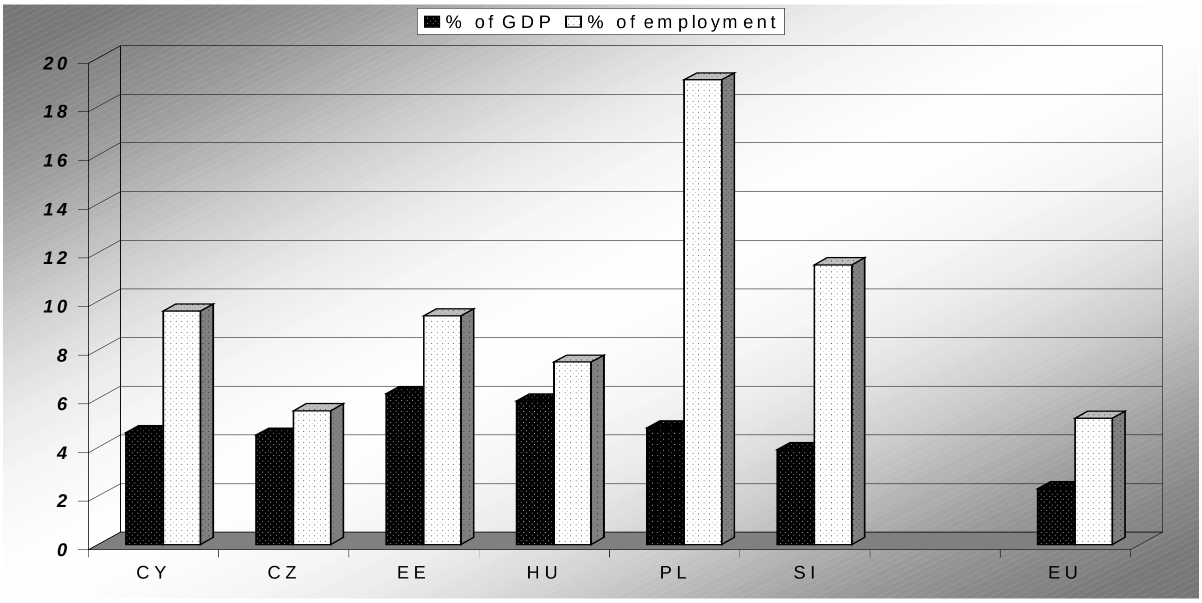
As a result, the figures reproduced here for the candidate countries are not always strictly comparable with the data derived from EUROSTAT and FADN. Nevertheless, they serve to indicate the situation in those countries, and some trends that can be matched against trends in the existing EU member states.

Given the huge changes which five of the six candidate countries have undergone since 1990, it is not relevant to compare recent data to historical data. For this reason, the statistics used are designed to provide a snapshot of the agriculture situation in the applicant countries as they advance down the path towards EU accession.

Furthermore, as will be explained, agricultural restructuring in these countries is broad brush rather than targeted at young farmers, so a correlation between young farmer numbers and the measures aimed at restructuring is less easy to analyse over an extended time period.

In most cases, the candidate countries hope to have more complete data, comparable with EU statistics, following agricultural censuses to be conducted in the year 2000 (2001 in the case of Poland; 2002 in the case of Cyprus).

Figure 10. Importance of agriculture in the candidate countries (1998, %)



Source: *RGC* compilation from national statistics

It can be observed from Figure 10 that agriculture is of greater economic importance in the candidate countries than in the EU. Within the group of candidates, the disparity between the ratio of agricultural employees and value of agricultural production can also be discerned.

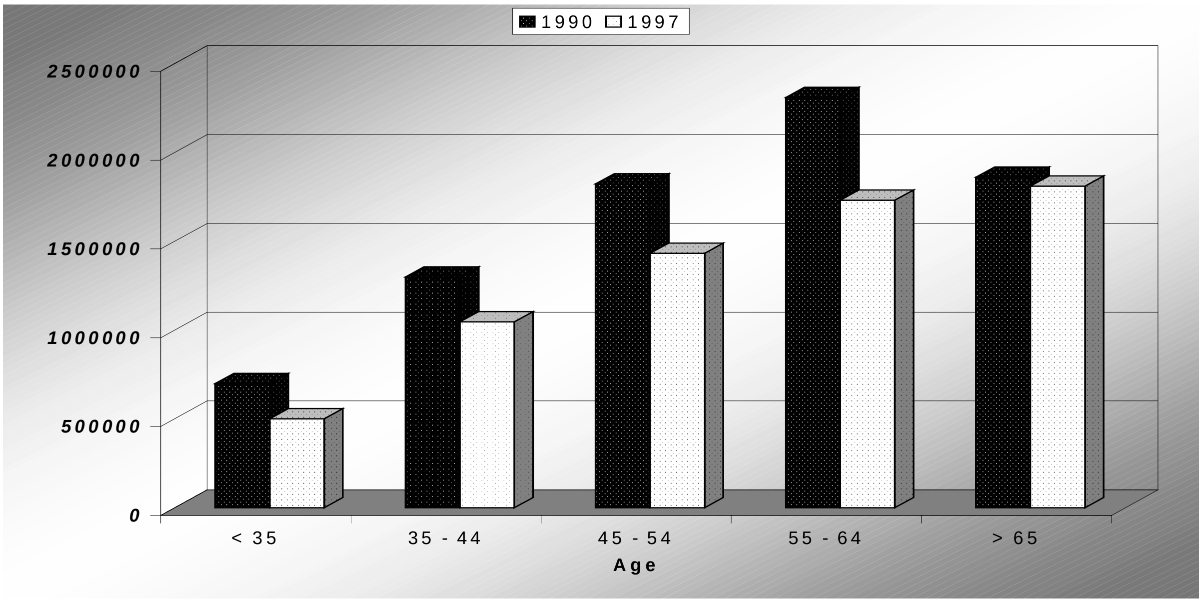
2. The current situation for young farmers

This section focuses on the current situation for young farmers within the overall agricultural situation. It uses mainly data from EU sources with some national sources where necessary.

2.1. The situation of young farmers in the EU-15

Most EU data that split farmers by age use the brackets under 35, 35-45, 45-55, 55-65 and over-65. Although the official EU definition of a young farmer is one under 40 years of age, the availability of statistics, coupled with the fact that many EU member states use a definition of under 35 years of age, have mitigated for a definition of under 35 in this study.

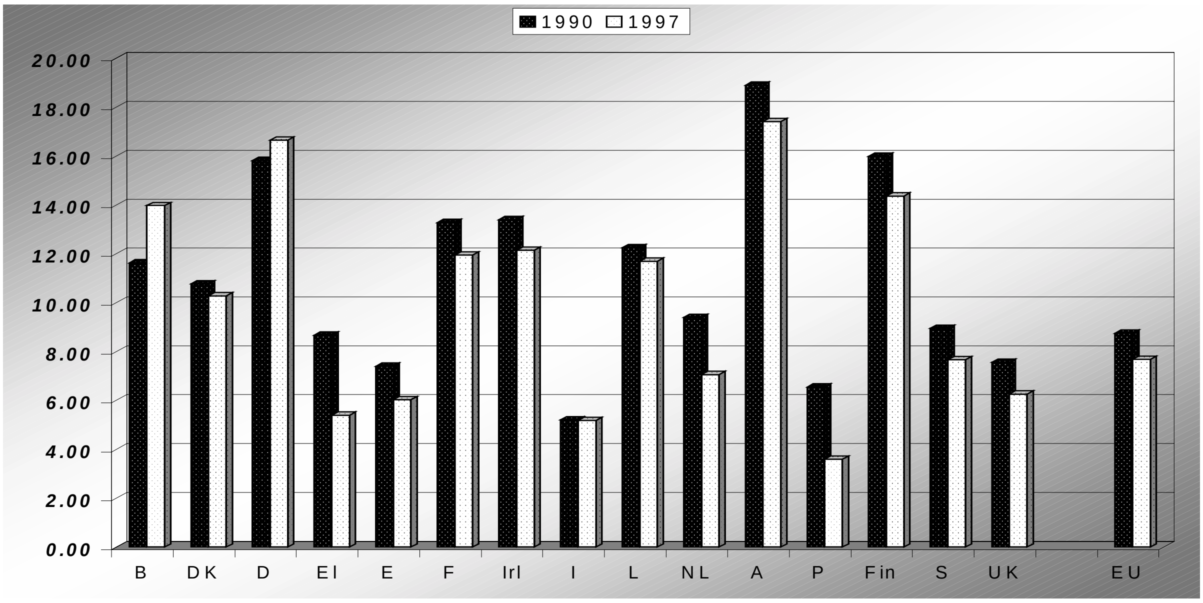
Figure 11. Number of EU farmers split by age group



Source: EUROSTAT

Figure 11 confirms that overall numbers of farmers are declining. The decline for the under-35 age group is 28%, 35-44 - 19%, 45-54 - 21% and 55-64 - 25%. The graph also shows that numbers of farmers over 65 years of age are almost stable (a fall of less than 3%). This graph would therefore seem to indicate that young farmers are finding it much more difficult to start/remain in farming than are their elders.

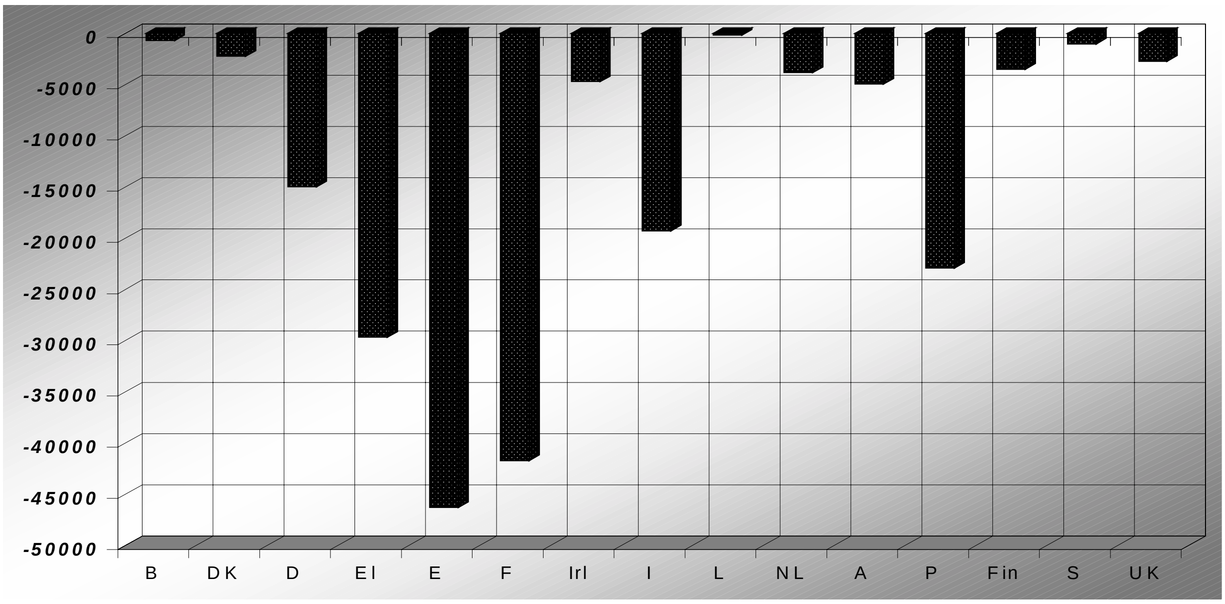
Figure 12. Young farmers as a percentage of total farmer numbers in the EU



Source: EUROSTAT

Looked at on a member-state basis, as seen in Figure 12, most countries have experienced a decline in the number of young farmers, as a percentage of the total numbers engaged in agriculture. However, the trend is not consistent. Some countries, such as Belgium and Germany, have seen an increase in numbers of young farmers as a percentage of the total. These figures conceal other interesting facts: for instance, in Italy, Portugal, and Greece about one third of farmers are over 65 (and Spain's figure is around 30%). The figure for Austria, Finland and Germany is below 10%.

Figure 13. Change in young-farmer numbers in the EU (1997:1990)

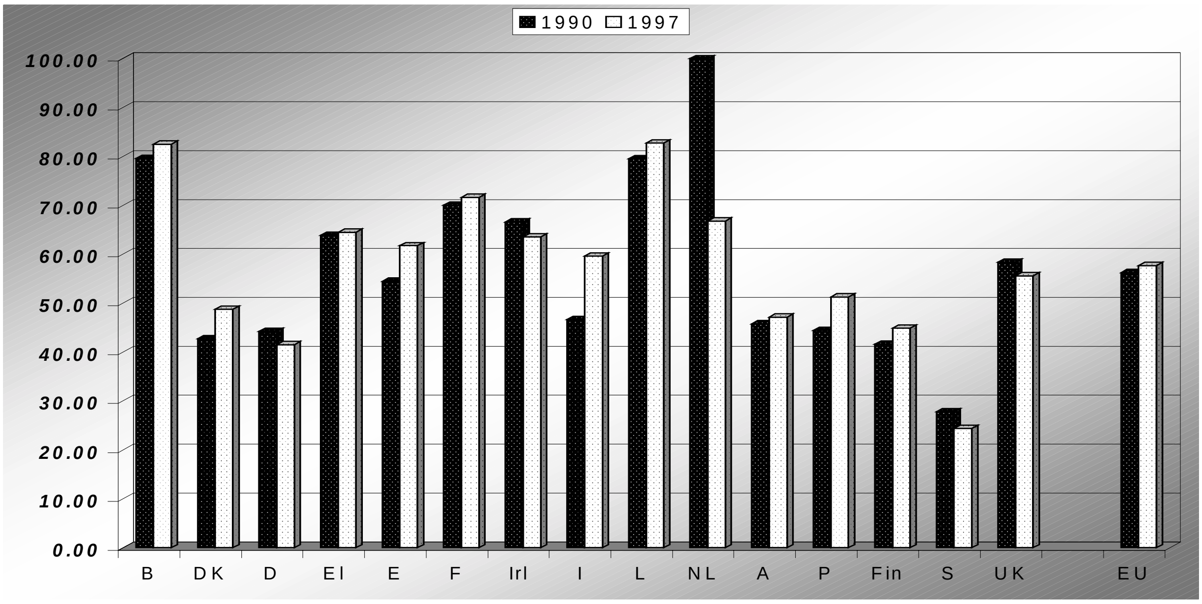


Source: EUROSTAT

Figure 13 shows that actual numbers of young farmers have fallen in all EU member states and that the actual fall in numbers is most acute in Spain, France, Greece and Portugal.

A crude, straight-line extrapolation of these figures, although not an accurate reflection of current and future farmer numbers, would suggest that the number of young farmers (under 35) would reach zero by 2020. Thereafter, assuming a working life of 35 years, total farmer numbers would reach zero by 2055!

Figure 14. Proportion of full-time EU farmers (% of total farmer numbers)

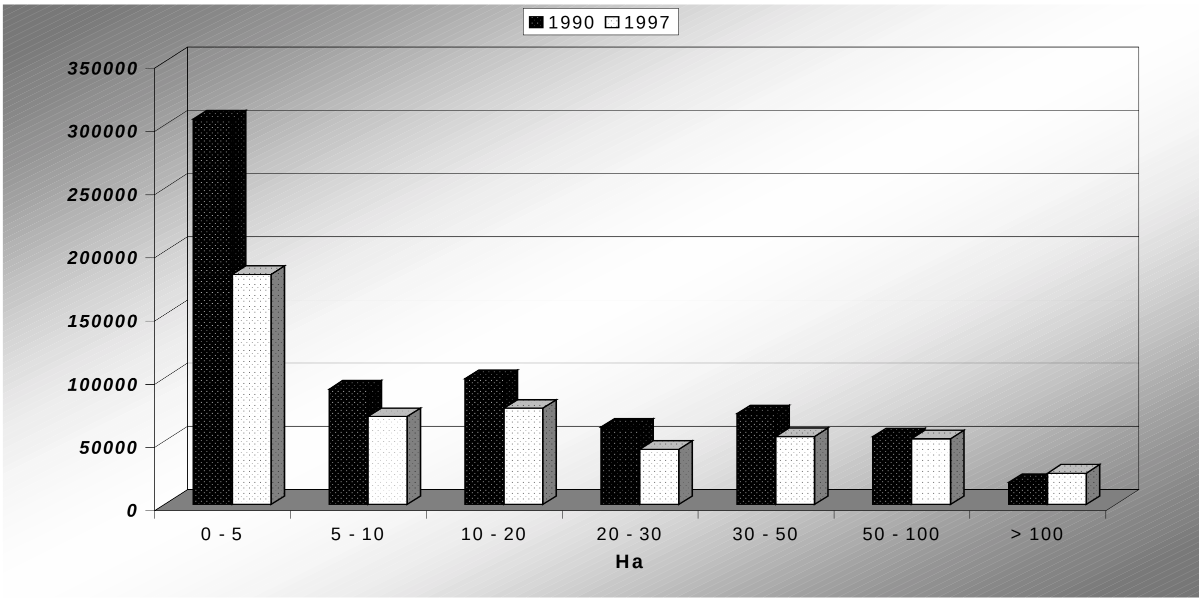


Source: EUROSTAT

Figure 14 shows that, in many countries, young farmers are increasingly engaged in farming full-time. In the Netherlands, however, the number of full-time young farmers has fallen dramatically. This probably reflects the economic situation for young farmers, and the Dutch government's policies towards young farmers, but also the opportunities for alternative/part-time employment in a country where unemployment is very low and mobility easier due to the relatively small geographical size.

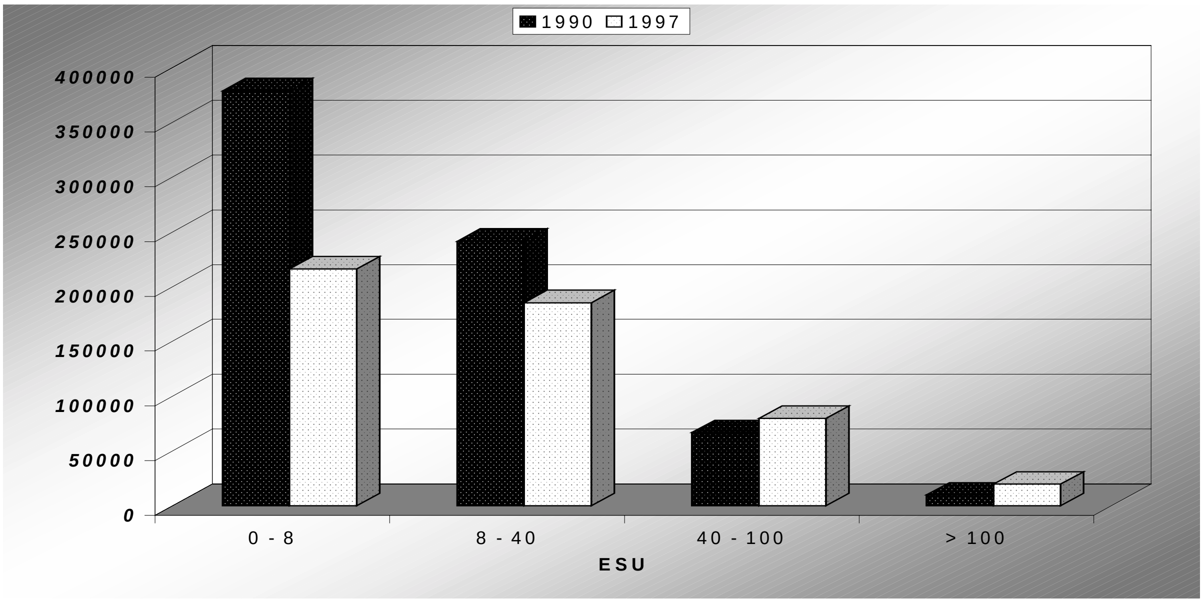
Overall farmer figures would suggest a far higher percentage are part-timers, especially in southern Europe (perhaps 50%). Past EU measures to assist young farmers discriminated against part-timers, but new measures applicable from 2000 should not, so the full-time/part-time split becomes less relevant.

Figure 15. EU young-farmer numbers by farm size



Source: EUROSTAT

Figure 16. EU young-farmer numbers by economic size (ESU)

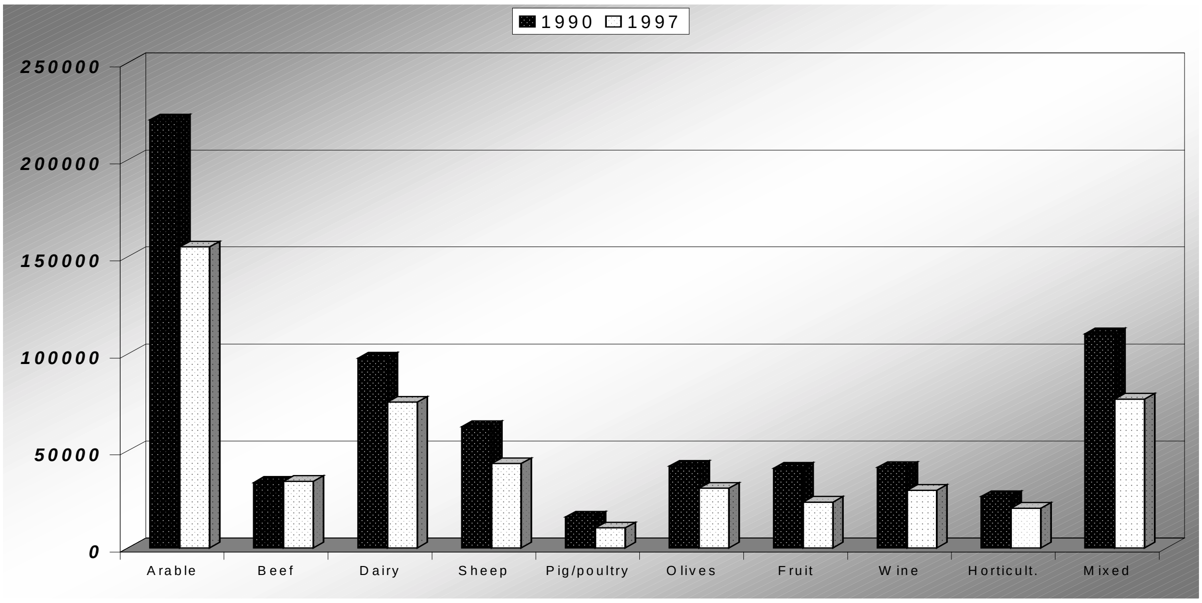


Source: EUROSTAT

Figures 15 and 16 suggest that the trend identified in this report for all farmers - a significant decline in numbers of farmers on small and/or less-economically-viable farms, and a rise in numbers farming larger/more viable farms - is apparent for young farmers also. If anything, the trends are more extreme. Young-farmer numbers are falling more dramatically in the smaller and less-economically-viable farms than equivalent figures for all farmers.

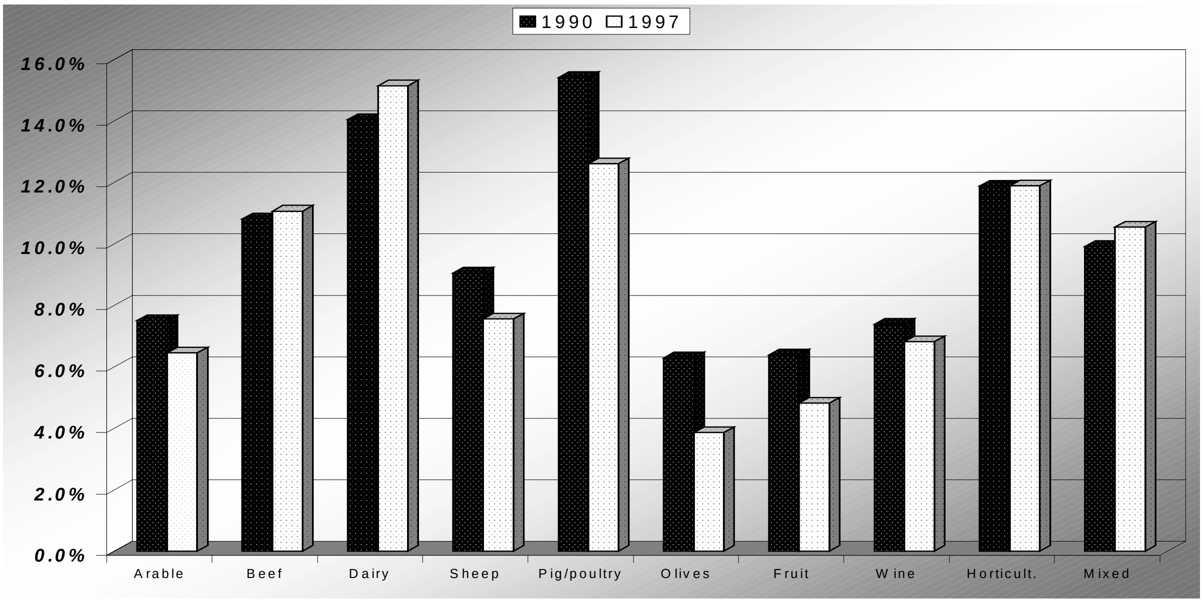
The concept of the "family farm" is often invoked when talking about farm size. It is often contended that this epithet be synonymous with "small farm". EU statistics, as compiled by EUROSTAT, however, show that farms owned or managed by family members represent almost 100% of all farms (alternative ownership being in the domain of companies or other "legal persons"). For this reason, family farms are not singled out for special treatment.

Figure 17. EU young-farmer numbers, by agricultural sector



Source: EUROSTAT

Figure 18. Percentage of young farmers total, by agricultural sector



Source: EUROSTAT

Figures 17 and 18 give a sectoral illustration of how young farmer numbers are changing in the EU. The most significant increase between 1990 and 1997 can be seen in the dairy sector, while the percentage engaged in some other sectors has fallen significantly. The dairy sector is interesting since the operation of milk quotas often acts as a hindrance to new entrants because of the value they add to a farm purchase price (which acts as a barrier to young farmers). Of interest also is the olive-growing sector, where the percentage of young farmers has fallen significantly, whereas the figures for all EU farmers showed an increase in numbers. The opposite is true for mixed farming, where the percentage of young farmers engaged has risen while the total numbers of farmers in this type of production has fallen.

2.2. The situation in the candidate countries

Due to the lack of a complete set of statistics on the farming situation in the candidate countries, a compilation of statistics is presented in Table 1. Please note that the year of reference varies per country. In several countries operating under the Communist system, earlier figures could be meaningless, unreliable or both.

Table 1. Statistics on farming in candidate countries

<table>
<tr><th></th><th>Cyprus (1994)</th><th>Czech Republic (1995)</th><th>Estonia (1999)</th><th>Hungary (1998)</th><th>Poland (1996)</th><th>Slovenia (1997)</th></tr>
<tr><td>Number of farms of which:</td><td>51,164</td><td>23,644</td><td>42,213</td><td>40,178</td><td>3,066,535</td><td>90,820</td></tr>
<tr><td>- family type farms</td><td>51,164</td><td>21,156</td><td>41,446</td><td>27,848</td><td>2,041,380</td><td>90,612</td></tr>
<tr><td>- other</td><td>0</td><td>2,488</td><td>767</td><td>10,028</td><td>1,025,155 (a)</td><td>208</td></tr>
<tr><td>Family type farms by farm size (%):</td><td colspan="6"></td></tr>
<tr><td>- > 1 ha</td><td>36.6</td><td>3.0</td><td rowspan="5">15.1</td><td rowspan="13">n.a</td><td>n.a</td><td rowspan="2">29.0</td></tr>
<tr><td>- 1 – 2 ha</td><td>19.5</td><td rowspan="2">9.3</td><td>22.6</td></tr>
<tr><td>- 2 – 3 ha</td><td>12.8</td><td rowspan="3">32.8</td><td rowspan="3">40.0</td></tr>
<tr><td>- 3 – 4 ha</td><td>7.4</td><td rowspan="2">16.4</td></tr>
<tr><td>- 4 –5 ha</td><td>5.7</td></tr>
<tr><td>- 5 – 10 ha</td><td>11.5</td><td>20.7</td><td>17.2</td><td>25.5</td><td>23.9</td></tr>
<tr><td>- 10 – 15 ha</td><td rowspan="2">4.3</td><td rowspan="2">21.1</td><td rowspan="2">27.6</td><td>10.6</td><td rowspan="2">6.5</td></tr>
<tr><td>- 15 – 20 ha</td><td>4.4</td></tr>
<tr><td>- 20 – 30 ha</td><td rowspan="5">2.1</td><td>9.2</td><td>17.5</td><td rowspan="2">3.7</td><td>0.5</td></tr>
<tr><td>- 30 – 50 ha</td><td>7.5</td><td>15.4</td><td>0.1</td></tr>
<tr><td>- 50 – 100 ha</td><td>6.4</td><td>6.5</td><td>0.2</td><td>0.0</td></tr>
<tr><td>- 100 – 500 ha</td><td>5.2</td><td rowspan="2">0.7</td><td rowspan="2">0.2</td><td rowspan="2">0.0</td></tr>
<tr><td>> 500 ha</td><td>1.3</td></tr>
<tr><td>Average size of family type farm (ha)</td><td>3.6</td><td>37.6</td><td>21.2</td><td>170.4</td><td>7.9</td><td>10.1</td></tr>
<tr><td>Number of workers (holders) on family type farms of which (%):</td><td>94,608</td><td>36,212</td><td rowspan="13">n.a</td><td>70,300</td><td>n.a
(2,035,664)</td><td>249,345
(90,612)</td></tr>
<tr><td>- < 18 years</td><td></td><td>0.9</td><td rowspan="11">n.a</td><td></td><td rowspan="4">30.4 (6.2)</td></tr>
<tr><td>- < 25 years</td><td>9.6 (0.5)</td><td></td><td>(3.3)</td></tr>
<tr><td>- 19 – 30 years</td><td></td><td>18.3</td><td></td></tr>
<tr><td>- 25 – 34 years</td><td>16.3 (10.5)</td><td></td><td>(14.2)</td></tr>
<tr><td>- 31 – 50 years</td><td></td><td>54.7</td><td></td><td></td></tr>
<tr><td>- 35 – 44 years</td><td>24.0 (24.9)</td><td></td><td>(26.9)</td><td rowspan="3">32.1 (36.2)</td></tr>
<tr><td>- 45 – 54 years</td><td>22.9 (25.6)</td><td></td><td>(22.5)</td></tr>
<tr><td>- 51 – 54 years</td><td></td><td>10.8</td><td></td></tr>
<tr><td>- 55 – 59 years</td><td rowspan="2">15.2 (18.8)</td><td>7.4</td><td>(9.4)</td><td rowspan="2">18.0 (27.3)</td></tr>
<tr><td>- 60 – 65 years</td><td rowspan="2">7.8</td><td>(8.4)</td></tr>
<tr><td>- > 65 years</td><td>11.9 (19.7)</td><td>(15.2)</td><td>19.4 (30.3)</td></tr>
<tr><td>Share of women in total workforce (holders) on family type farms (%)</td><td>42.4 (11.9)</td><td>32.6</td><td>30.2</td><td>(27.6)</td><td>47.5 (28.0)</td></tr>
</table>

(a) Includes 2,467 co-operatives, 2,016 public sector farms and over 1 million individual plots
Source: RGC compiled from national sources

The number of family-type farms in **Cyprus** has been increasing over the last few decades. The share of young farmers (under 35 years of age) declined from 17.2% in 1977, 15.1% in 1985, to 11.0% in 1994. In absolute numbers, there was a 22% decrease between 1985 and 1994. The average size of family-type farm was only 3.6 ha, the smallest size of the reported candidate countries. Women make up 11.9% of all holders.

Research by the Cypriot Agricultural Research Institute revealed that 14% of all operators of agricultural holdings were reported as yielding no agricultural income, while a further 24,6% produced agricultural income less than C£360 (€626). Both categories of farms can be considered as not economically viable or hobby farms. This is almost 40%!

Of all agricultural holdings only 25% have agriculture as their exclusive source of income. Over 90% of the part-timers earn more than 50% of income from off-farm employment. Part-time farmers are generally younger than full-time farmers. Holding size of part-time farms, for which the main source of income is agriculture, is twice the size of full-time farms.

Changes in land tenure in the **Czech Republic** occurred after 1989. Privatisation of Czech agriculture, which in the pre-transition period was dominated by very large-scale collective ("old" co-operatives) and state farms, has led to the emergence of basically three new forms of farming: the transformed co-operatives; other companies (joint stock or limited liability); and, individual farms (family or otherwise). In 1995 the legal entities made up 10.5% of the number of holdings and individual private farmers 89.5%. The share of agricultural land area farmed by individual private farmers was 22.7%. The average size of holdings was 1,086 ha for the legal entities and 37.6 ha for the farms owned by a natural person.

In the Czech Republic, only 16.3% of all permanent workers in agriculture were employed by family-type farms in 1995. Of the permanent workers on family farms 19.3% were younger than 30. In this age category, 25.2% were female compared to 32.6% in the total workforce on family farms.

Estonian farm structures during the Soviet era were characterised by large *kolkhosy* (state farms) and *sovkhozy* (collective farms), each typically having some 3,500 ha and 300 employees. Following independence, the *kolkhozy* were privatised and transformed into legal enterprises and the land was reinstated to former owners and their heirs.

The transformation process has led to three different types of farms: firstly, transformed co-operative farms, which still manage around 26% of the agricultural land; secondly, private family farms, which account for 37% of the land and have an average size of about 23 ha; and, thirdly the household plots, consisting of part-time farms with an average size of less than 2 ha and which are to some extent still dependent on the co-operative farms.

In January 1999, the Estonian agricultural sector had 767 farm enterprises (734 co-operative and state farms, and 33 agricultural auxiliary enterprises) and 41,446 private family farms. The average size of the private family farms was 21.2 ha, approximately 9.9 ha of which was agricultural land with the remainder forest or other land. Almost one third of farms are less than 10 ha, and some 60% are between 10 and 50 ha.

The main characteristic of the **Hungarian** farm structure in the past has been the predominance of large-scale farms, co-existing with a large number of small individual farms and household plots. The situation is evolving towards a more balanced situation between large corporate farms and co-operatives on the one hand, and individual farms on the other hand. In 1998 there were 8,313 corporate farms, 1,715 co-operatives, and 27,848 private enterprises. Additionally, it is estimated that there are around 1 million individual small plots.

Due to privatisation and other transitions, private farmers have begun to play a larger role in land use. Just over half of the land in Hungary is farmed by private farmers. Although the average size of a private farm is 170 ha, not all of this land is productive and/or used for agriculture. The average agricultural area comes to 130 ha of which 92 ha is arable land.

The exact number of young farmers is currently unknown. Based on the estimation by the national young farmers' association AGRYA, they represent close to one third of the total number of farmers. The ageing of generations means a considerable problem, since many of old farmers are "compulsory entrepreneurs". These persons, after losing their former jobs, try to live on their own land. Thus, they often continue agricultural production after retiring to complete their pension. The ratio of farmers older then 60 is higher than that of young farmers. On the other hand the proportion of middle-aged generations (40-60 years) is small.

Farming was never comprehensively collectivised in **Poland**. Several attempts between the 1950s and the 1980s were defeated as a result of continuous resistance by the farm population. Successive communist governments finally accepted the private farm as the main base for food production in Poland. There were some state-owned farms, however, mainly concentrated in the northern and western parts of Poland where they made up almost 40% of agricultural land use in 1990 compare with the national average of 18%.

Although most of this land is still state owned, much of this is now rented to private managers so that the land managed by the state sector has been reduced from around 20% in 1990 to 7.5% in 1996. These farms used to be important employers and had important service activities such as repair shops and grain storage. The co-operatives, like the state-owned farms, were also concentrated in the mid-western part of Poland. The co-operative share in land use fell from 3.9% in 1988 to 2.6% in 1996.

Private farms are the dominant feature of Polish agriculture, particularly in the east of the country. In the south, non-agricultural income is traditionally fairly well established and agriculture is a part-time occupation for many. However in the central and eastern parts of the country, this non-agricultural income plays a smaller role.

The public view of the Polish Agriculture Ministry is that, in the medium term, only 400,000 to 500,000 farms are sustainable. According to the Institute of Agricultural and Food Economics (IERiGZ), only 200,000 to 300,000 agricultural holdings could generate enough capital to expand. In a survey of farmers carried out during the 1996 census, only 17.2% of farmers responded positively when asked if their farm had development potential. Yet given the strong cultural attachment to "small-scale farming" in many areas, typified in south-east Poland, significant changes to the size and number of small holdings cannot be expected. This phenomenon has a strong social impact. If this population stays attached to the land on increasingly unsustainable holdings, then important rural development policies will be necessary.

In 1996, 17.5% of the holders of individual farms were younger than 35 years. Of this age group 20.8% were women, compared to 27.6% in all age categories.

Along with the increasing number of the younger farmers, the average level of education of the population involved in individual farming has increased as well. However, it still remains significantly lower than the average education in other sectors of the economy. The low average education level of the farmers seems to be one of the major problems. In 1996, only 12.4% of the farmers obtained an agricultural education, preparing them to perform their duties as the farm managers. About 29% of farmers attended certain agricultural courses and training, while 58.6% of farm managers did not have any appropriate agricultural training. The low level of education not only prevents a faster development, but makes the mobility of the excessive labour very difficult.

In the pre-independence period, more than 90% of the UAA in **Slovenia** was in the hands of small independent farmers and only about 8% was occupied by "socially-owned" holdings, today known as "agricultural enterprises". This was the result of the Land Property Law of May 1953, which limited the size of private farms to 10 ha of arable land (or 15 ha in some cases). Any excess was transferred to the agricultural enterprises. Most private holdings were involved in cattle and dairy production, whereas the "socially-owned" sector tended towards intensive animal production, in particular pigs and poultry.

The main objective of agricultural reform has been to encourage the development of agricultural holdings of a viable economic size; the privatisation process could not lead to any major or rapid change in agricultural structures.

Based on EUROSTAT standard definitions, the 1997 Farm Structures Survey showed that in 1997 there were about 91,000 agricultural holdings in Slovenia. The "agricultural enterprises", with an average area of 390 ha, account for only 0.2% of this number. Family farms have an average area (including forests, wooded land, fallow land and other non-cultivated land) of 10 ha. Their average agricultural area is only 4.8 ha.

The remainder of the land, belonging to holdings too small to meet EUROSTAT standards, is divided between alpine pastures, communal areas, kitchen gardens and other unused land. It includes 64,000 ha of arable land and 230,000 ha of permanent pasture and adds a further 330,000 ha to the EUROSTAT figure to give a total UAA of 787,000 ha. Some of this land is farmed by family holdings, but most is overgrown and not cultivated.

In Slovenia holders make up 36.3% of the farm labour force. Spouses provide 23% of the labour force while other family members and non-family labour make up 40.1% and 0.2% respectively. Of the holders, 6.2% are younger than 35 years. Of the holders under 35 years of age, 23.7% are female.

3. Observations

3.1 The situation of farming in the EU-15

3.1.1. Lower overall numbers of farmers

Lower overall numbers of farmers in the EU and candidate countries, and the increase in farm sizes, logically means fewer start-up opportunities for new entrants to farming overall. Thus the opportunities for young farmers to enter farming are reduced.

To alter the trends observed in overall farmer and young farmer numbers would thus probably require a fundamental shift in EU agricultural policy. Policy would have to move away from the restructuring of farms into more economically-viable units (more attractive to young farmers) and towards the maintenance of as many farmers as possible on the land, particularly in certain regions vulnerable to farmer loss. Such a shift seems unlikely in present political circumstances, given that the European Council decided on significant (and long-term) reforms to the CAP as recently as March 1999.

This does not mean to say that measures to assist young farmers are not worthwhile. It means simply that, within the present policy framework, such measures will help young farmers but probably not reverse the broad trends observed.

3.1.2. Lower young-farmer numbers as a proportion of the total

That young farmer numbers are falling in absolute terms is perhaps unsurprising. However, the fall in young farmer numbers as a percentage of the total (in most member states) is obviously a cause for concern.

The more dramatic observation to be drawn from the data is that older farmers are not declining at the same rate, indeed hardly at all. This will clearly have a serious impact on the ability of young farmers to take over farms.

3.1.3. Reduced importance of farming in society

It is perhaps going too far to suggest, from the statistics alone, that farming is now unimportant. Society’s view of farming is based on many complex interactions. However, looked at in purely economic terms, farming is clearly of declining importance throughout the EU. In some countries, its economic weight has reached very low levels. This is relevant when considering the political importance of the sector. In particular, public attitudes to spending taxpayers’ money on farmers may be coloured by such figures.

3.1.4. Encouraging the retirement of older farmers

The data in Figure 11 show that there is only a slightly downward trend in the number of farmers over 65 years of age. This suggests that older farmers are working until a later age and that they have not been ready to hand over their farm to another family member or third party, or have not found a successor.

Assuming that EU policies are to encourage a shift in the age structure to younger farmers (as evidenced by the continuation of measures encouraging farmers to retire early and to pass their enterprise to a younger farmer), then further measures of encouragement seem to be necessary.

3.1.5. Sectoral points

It is difficult to draw conclusions from the sectoral data. It appears that, despite the barriers to entry into farming in the dairy sector, for example, this is a sector where young-farmer numbers have been declining less rapidly than total farmer numbers. This suggests that the relative economic attractiveness of the sector outweighs the barriers to entry.

3.2. The situation in the candidate countries

As the statistics available from the candidate countries are far from complete, and often outdated due to further restructuring of agriculture, a comparison over time is not very useful. Nevertheless, some comments can be made.

It is interesting to examine whether a similar family-type farm structure can be seen for the candidate countries as for the EU-15. In general, family farms do seem to account for the vast majority of farms in the candidate countries. However, there are two major exceptions: in **Hungary** (and, to a lesser extent, the **Czech Republic**) there is still a significant proportion of co-operatives/other structures involved in farming; and, in **Poland**, there are over a million farms not classified as “family” as they are very small, more-or-less subsistence operations.

In general terms, numbers of younger farmers as a proportion of the total appear to be rising in the candidate countries (except in Cyprus). This reflects the general restructuring of agriculture underway, and the tendency for younger farmers to be more dynamic. Such farmers tend also to take over larger farm holdings.

Chapter II
PROBLEMS ARISING FROM THE PRESENT SITUATION

This chapter does not present an exhaustive account of every problem faced by young farmers in every country under examination. Rather, it draws from the research undertaken and presents an objective view of those problems seen from a European perspective.

Nevertheless, the chapter does include significant issues which have been raised and which, while not apparent in all countries, seem to indicate trends of importance for more than one country, or even warnings of problems which could occur at EU level in the future.

1. Installation process and costs

The installation process/costs are cited by all correspondents in *RGC's* research as the most important barrier to a young farmer wishing to set up in farming. The problems include: availability of land (especially to young people not coming from a farming family); the price of land; the cost of machinery; the need to purchase production rights (to qualify for CAP subsidies); and, indebtedness.

The main specific problems facing a young farmer wishing to set up in farming (the process of installation) appear to be:

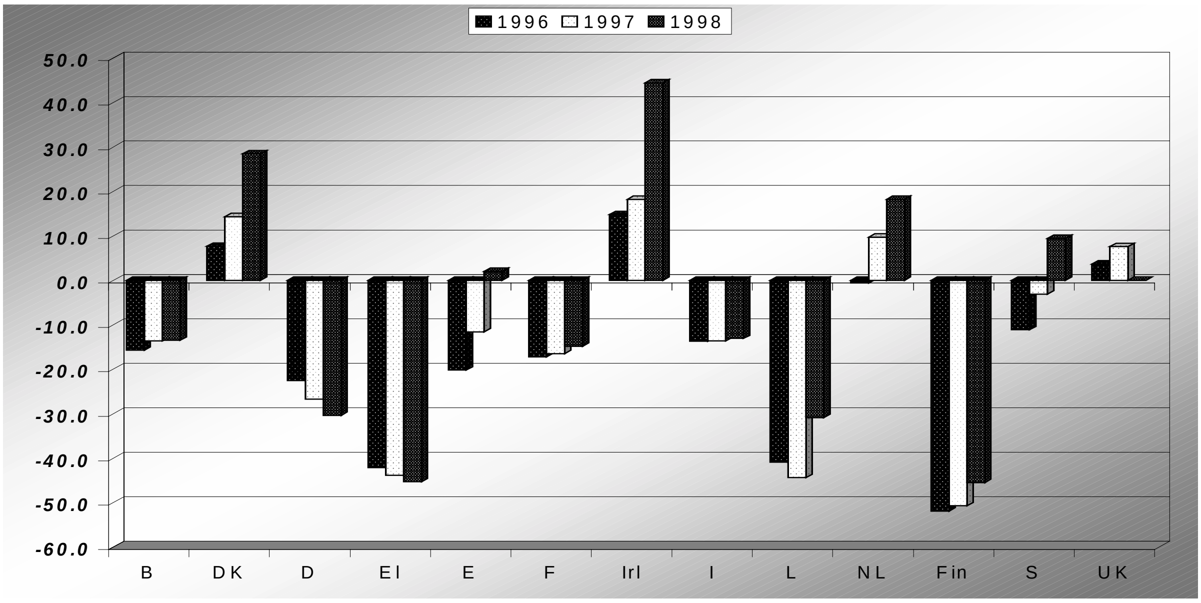
- availability of farms (especially if the young farmer is a not a family farm member);
- high costs: these include the price of land, the cost of machinery etc;
- indebtedness: as a result of high costs young farmers are forced to borrow large sums of money. Levels of indebtedness vary between member states.

These problems are faced by young farmers at a time when their incomes are relatively low.

1.1. Observations on land prices and subsidies

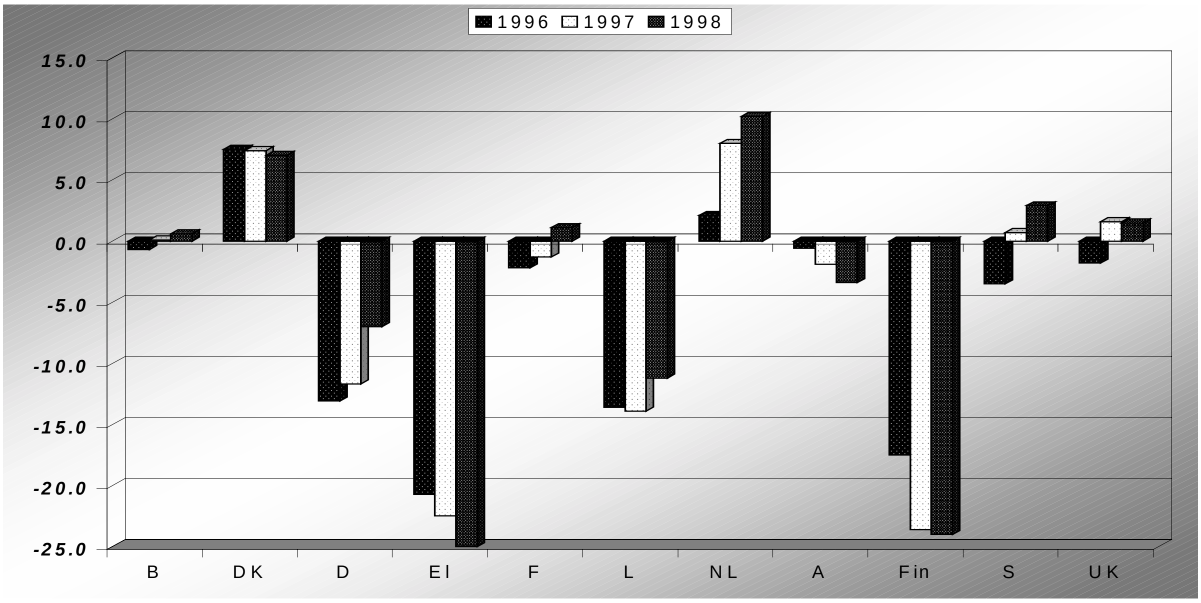
Farmers' mobility and young farmers' ability to start farming are profoundly affected by land prices and the effect of CAP direct support payments on values. Where there are limitations on farmland ownership, through availability or simply because of very high prices, the rented sector plays a more important role in ensuring that there is mobility within the farmland market. In some member states, such as Ireland, overall improvements in the economy and competition from urban encroachment have helped to drive land prices up.

Figure 19. Percentage change in EU land prices (1990:1996-1998)



Source: EUROSTAT

Figure 20. Percentage change in EU land rental prices (1990:1996-1998)



Source: EUROSTAT

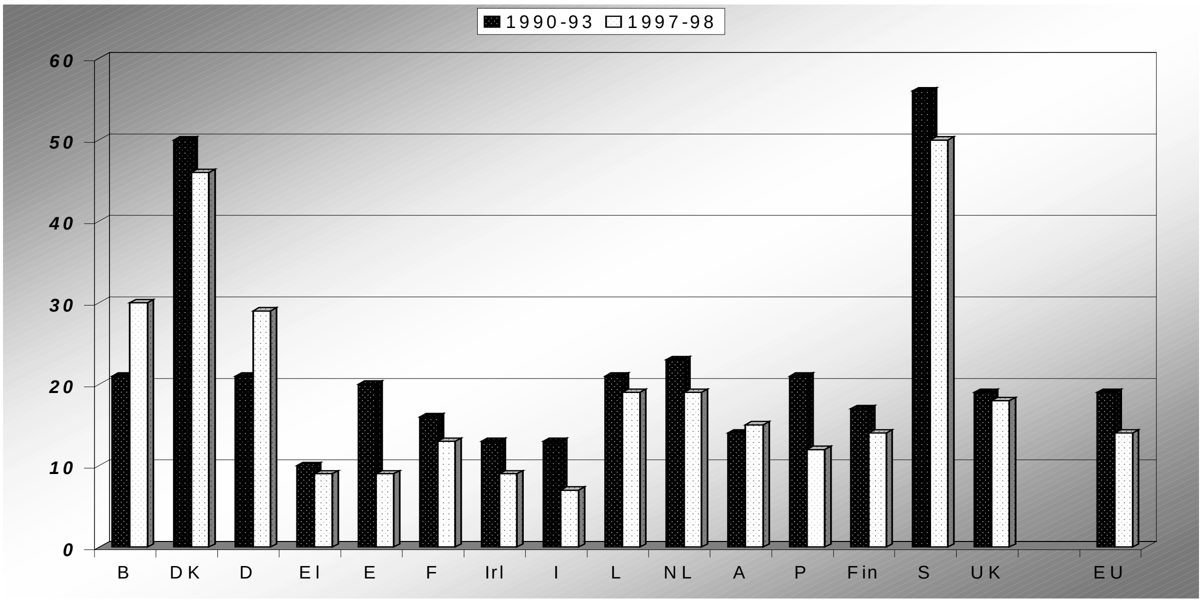
Figures 19 and 20 show the development of land prices and rental costs. The years 1996, 1997 and 1998 are shown in relation to the index year of 1990.

Data were not available for all EU member states.

As shown, there is no consistent land-price market in the EU (and this is true also regionally). They also show the volatility in land prices and rents, with significant changes in this cost occurring, for example, in Denmark and Ireland (land prices), and Germany and Sweden (rents), over only a three-year period.

High land prices and land taxes, as well as the burden of inheriting debts, discourage young farmers. New entrants must secure enough equity to overcome the difference between the market value and agricultural use value of land in areas where there are competing pressures.

Figure 21. EU farm-rent and interest-rate burden (% of net farm income)



Source: Agriculture in Denmark 1999

Figure 21 further emphasises the problem of farmer indebtedness by comparing it with farm income. The problem is most severe in Sweden, Denmark and Germany.

The main factor influencing prices in the EU are support payments and quotas. The OECD points to a significant increase in land prices coupled to arable area aids. Various studies cited by the OECD highlight land price increases linked to subsidies. Based on a 1% increase in wheat payments (measured in Producer Subsidy Equivalent), there is a 0.4% rise in land value. In the UK the land price rise was estimated at 0.25% for a 1% increase in gross farm income. Quota systems, such as dairy or sugar, when tied to land, will tend to be capitalised into the land value, doubling the negative impact on a young farmer who has to find capital not only for the quota in the first place, but also because of the land value.

In practice, high land prices caused by support for commodities or quotas not only add to the capital intensive demands faced by young farmers, but force them to channel assets into areas which may not bring a return if land prices fall. Subsidies to farmers in any form have a similar impact by increasing individual wealth. If the subsidies are then cut or reduced, new entrants are forced to finance assets at a price kept artificially high relative to the market and with the added risk that the assets may fall in value.

The greater the direct influence of the market on land demand, the more responsive land values are to changes in farm incomes and non-agricultural use pressures. While farm support payments capitalised into land values have an impact on the market, the more significant short term variables, such as national interest rates, inflation rates and capital costs, usually have a greater effect on land prices.

Farmers' increasing dependence on direct aid payments, intensified by the recent Agenda 2000 reforms, will continue to support the trend for high land prices and exacerbate the problems of young farmers. Farmland is agriculture's most capital-intensive outlay (compared to machinery and other input costs). Farmers in the UK, Germany and Italy face average prices of about £4,600 (€7,686), DM18,000 (€9,203) and LIT 24 million (€12,395) per ha. Even a crude multiplication of these values by the average farm size in each country provides some guide to the enormous capital required for a new entrant.

This assumes that a young farmer will attempt to establish a holding close to the average size, on the assumption that this represents a viable norm. While many farmers will inherit land in some form, the scale of the capital required makes it extremely difficult for a new entrant to begin farming as an owner, and increases the importance of the rental market.

Land ownership, where land is registered as eligible for arable payments or with quota rights, “attached” acts as an income guarantee. As was clear from the 1992 CAP reforms, compensating farmers for commodity-price falls results in record land prices.

Since headage premium rights for livestock are held by a farmer and not attached to the land, such premiums have no direct effect on land values. However, extensification conditions apply to area and premiums and so the two cannot be divorced entirely.

Other factors, such as tax regimes and local planning restrictions, will also change market values considerably, and some investors, particularly in high value markets such as the UK, treat farmland as a tax shelter for non-agricultural assets.

Direct aid also has the effect of enriching the landowner, often at the expense of the tenant. This could be the case where a tenant has increased a dairy herd through buying milk quota, which would then remain attached to the land. The other extreme would be if sales of quota are allowed, the tenant can effectively reduce a farm’s value by selling the quota.

Lower land prices resulting from lower subsidies could also increase gross margins and encourage agricultural practices more environmental than profit-oriented. With initial farmland investment costs lower, farmers would not be obliged to farm the land so intensively in order to make a return on their investment.

1.2. Specific observations about individual countries

Installation costs vary widely per member state and candidate country, as might be expected, and also within countries. Below are some examples of how such costs occur. It is not possible to produce a complete comparative picture, due to lack of available information/incompatibility of national data. One particular problem for comparison purposes is that different sources use different definitions of “installation costs”.

In **Belgium**, both **Wallonia** and **Flanders** have agencies empowered to purchase marketed farmland in the interests of farmers, and have pre-emptive rights over non-farmers. However, this is only possible where the land will form part of a broader land redevelopment programme. Only around one third of Belgian farmland is owned by the producer.

Belgian land prices are driven up by Dutch farmers buying at the border and by urban dwellers moving to the country (the latter also encroaching on farmland).

Denmark applies a maximum upper limit of 150 ha to the aggregate farm area that can be owned by one farmer. Landowners are allowed a maximum number of five holdings adding up to no more than 150 ha. The road distance between holdings cannot be more than 2 km.

Land ownership or leasing is subject to strict conditions designed to maintain Denmark's rural farming structure. Farmers wishing to rent or buy agricultural land are required to live on the holding for at least eight years. If the area rented or bought is more than 30 hectares, they must show professional qualifications and make a commitment to farm, i.e. not lease out, the land for eight years. Farmers are limited to owning three farms, on the condition that they are all within 10 km of one another.

Measures to encourage a family-farm-oriented structure in **France** include a system of regulating both farm sales and leases. These require authorisation unless the transfer satisfies the concept of ensuring the continuance of a "family holding with personal liability". Authorisation is needed even where an owner wants to recover tenanted land to farm himself.

One way around high installation costs is for farmers to group together and take over a farm. Thus, in France, there has been a rise in the presence of such groupings (e.g. GAEC, CUMA, EARL and GFA).

France has directly addressed the problems of farm structures and problems faced by farmers in securing access to land markets. Rather than entrust farmland regulation to legislation, or leave it entirely to market forces, France has, since 1960, used a system of non-profit making institutions called the SAFER (*Sociétés pour l'aménagement foncier et l'établissement rural*). SAFERs are government controlled but owned by farmers' organisations, mutual societies and administrative bodies or companies. SAFER's buy about 45% of the agricultural land for sale each year.

The role of SAFERs is to improve the structure of farming by acting in the farmland market, either as purchasers of land on the open market, or leasing land. Where one of France's existing 26 SAFERs buys land, with the option of exercising pre-emptive rights over all others, it must resell its purchase within between five and ten years either to young farmers or to improve the viability of a less-sustainable holding such as a family farm. Its purpose is to build an ideal structural type, defined as a family farm with personal liability.

In **Germany**, a regional agency for the buying of land from farmers on behalf of farmers, (*Siedlungsgesellschaft*) is authorised to purchase marketed blocks of land with a minimum area of 2 ha, but only where there are no farm buyers. The agency's pre-emptive rights only apply over non-farmers.

Around 50% of German farmland is farmed by the landowner (nearer 90% in the new *Länder*). Rural land is protected for agricultural use by planning principles. These are specifically supposed to favour extensive, family-farmed agriculture and to discourage alternative, non-agricultural land uses.

The productive value of land in Germany is calculated as the annual net revenue multiplied by 18. This reflects the maximum lease length available for a whole farm (in the case of plots, a 12-year maximum applies). Otherwise no special arrangements, other than market supply and demand are applicable, with no preferential arrangements for young farmers.

Greece, in common with Italy, Ireland and Denmark, all of which share a commitment to family farming, has a very small rented sector, at just 22% of the farmland area.

Ireland has the lowest share of rented land in the EU, thanks to a system that actively works to promote ownership by requiring authorisation for sub-letting. Ireland has the highest proportion of owner-occupied land in the EU, with just 12% of farmland leased.

Italian farmers face the problems of high land prices and lack of help to acquire land. Competition with housing, industry and services keeps land prices high. Unlike many other EU nations (Germany, France, Denmark, Belgium and the Netherlands) there is no legislative or zoned planning protection for rural land. This means that land competes with other potential uses, and makes land unaffordable for farmers on urban fringes where there is building potential, especially in the North.

A national agency in Italy, the (*Cassa per la formazione della proprietà contadina*) has the right to mediate between vendor and purchaser in farmland transactions. The agency also offers long-term credit to purchasers and can intervene to buy farmland for suitably qualified farmers. These farmers can then take advantage of the agency's 30-year low interest mortgage loans (at as low as one third of the market rate). In order to qualify, the farmer must be a resident farm owner and family labour must make up at least one third of labour. In addition, a condition stipulates that the land cannot be divided nor converted from farm production for a 30-year period. The agency is not designed to assist young farmers in particular.

In **Luxembourg**, 46.6% of landowners farm their land, the remaining land being leased. A 1982 law regulates farm rents, which stipulates a minimum contract length of nine years in the case of a whole farm and where the contract is not ended by the lessee. Successive three-year contracts are possible. For plots of land, the minimum rental period is six years, although three-year contracts are possible, annually renewed thereafter. There are no specific professional requirements attached to renting land.

In the **Netherlands** the price at which a young farmer can take over a farm is particularly high. Prices of one million guilders (€453,780) are no exception. On top of this there are costs for legal fees, taxation, advisory services and sometimes Property Transfer Tax, Gifts and Inheritance Tax. These additional costs can easily amount to 30,000 guilders (€13,610), an amount needing to be financed as well.

More than 30% of total farmland area in the Netherlands is leased, and approximately 50% of farm holdings. Authorities in the Netherlands must approve a sale or lease, according to criteria including whether a rent is reasonable.

The national Bureau for Agricultural Land Management has pre-emptive rights over other purchasers in rural regions, but must buy land at market values and can then temporarily manage land in order to fulfil improvement or development projects. The Netherlands imposes strict rural land use development conditions, at a municipal level.

In the **UK**, although it is argued that tenancy reform and especially the introduction of short-term tenancies was an advantage to young farmers in helping them get a foothold on the ladder, this argument is not proven. The tenanted land market is not the exclusive domain of young/new entrant farmers. Consequently, young farmers often face stiff competition from existing farm businesses wanting to expand their present holding but without the necessary capital to purchase additional land.

This problem of new-entrant opportunities is being exacerbated by what is happening to the local authority farm estates in many counties of the UK. Traditionally regarded as a first rung on the farming ladder, the farm estates in many counties has diminished over the years. Indeed, over the past 12-18 months, at least 3 county councils who have put their entire farm estate on the market.

2. Succession and inheritance problems

The vast majority of European farms are family farms. This means that the best opportunity for a young farmer to set up in farming is by taking over the family farm, if such a situation pertains. The situation for people from a non-family-farm background is thus rendered very difficult, as well as expensive. Even for the family-farm members there can be significant problems and extra costs.

2.1. The situation in the EU-15

A very high percentage of new entrants to farming comes from within the family. The overall average for the EU could be as high as 80-90%.

There is an important distinction to be made between:

- **inheritance**, a legal transfer of rights, and;
- **succession**, the process of taking over a farm business which may last many years.

While inheritance is a relatively rapid legal process transferring wealth, succession is a much slower social one that may take many years of gradual handing over of management decisions. This hand-over includes the actual skills of farming as well as the preparations to continue the business of farming.

In order to address this, government policies often aim to maintain family holdings and encourage a smooth transition from one generation to the next by offering preferential tax breaks. Nevertheless, whatever the value of tax breaks, they appear to have a less direct effect than subsidies and grants on routine farm management because their most profound impact is at the moment of inheritance, i.e. once decisions about handing over a holding have already been made. Government or CAP subsidies and grants can have a direct and distorting impact on the value of land and are a factor more easily calculated by farmers (with the information freely available from farming organisations and companies) than information on personal taxation.

Studies conducted among UK farmers showed that age had less of an effect on farm management decisions than whether there was a clear successor to a holding. Potter and Lobley argue that patterns of inputs, simplification of the business and share of income derived from farming are all more similar amongst farmers without designated successors. "Farmers without successors, regardless of age, manage the smallest-farmed areas and are least likely to have acquired or rented additional land in the last ten years."

This "successor effect" may be present throughout a farmer's career. Where there is no foreseen or designated successor, farms not only suffer once a farmer retires or dies, but also suffer during their working life. Young farmers may be more open to risk when making business decisions compared with their older colleagues who have a successor to consider. However, the Potter and Lobley study concludes, "differences between successor and non-successor farms may therefore be at least as significant as differences due to age."

Farmers without successors may even run down or gradually disengage from farming compared to those with successors who make greater capital investments. Young farmers early in building their farm businesses are more likely to be looking for ways to expand their production as they build on capital. But this also means that farmers engaged in the process of handing over a farm to a son or daughter over many years are more likely to make longer-term investment decisions.

The process of succession can be complicated by the obligation to compensate eligible relatives who do not inherit property. Where a young farmer taking over a holding has to compensate other eligible heirs, there are likely to be significant additional installation costs. In the EU there is a clear split between those countries with a system of succession through a single heir who pays compensation to other eligible heirs (**Denmark, Sweden**, **Finland, Austria, Greece**), and systems which demand that all heirs are treated equally (**France, Italy, Spain, Portugal, Belgium, the Netherlands, Luxembourg**).

Only in the **UK** and **Ireland** is there a simple system of single inheritor who has no requirement to compensate others. In terms of avoiding the splitting up of farmland into smaller holdings and ensuring that larger holdings remain intact, this is probably the most effective method of keeping larger units operating in the EU. While there appears to be some correlation between the larger EU farm sizes and the single heir system, this is complicated by other factors.

Any mechanism, including succession, which diverts assets away from the business of farming is bound to have a negative effect on the farm itself for a young farmer. After the Irish and UK single, non-compensatory inheritance systems, the most beneficial systems are those allowing farmers to compensate other eligible heirs over a long period of time.

There is clearly a case for encouraging succession as early as possible (and wherever feasible) in the interests of continuity and more efficient land use. This encouragement may include better provisions earlier in the farming career of young farmers with benefits for children succeeding and financial inducements to maintain family labour on farm so that skills are passed on.

Farming in **Belgium** takes places predominantly on leased land and this is a big advantage to young people who can enter without the costs associated with land purchase. In theory, this should help access for those without a farm background, but in practice only farming families lease land for farming purposes and they are as rooted to the land as if they owned it.

Farm transfer is a family matter with **Danish** farmers – younger farmers taking over land from their parents. The transferee acquires the land, house and capital. However, although land still passes in a preferential way from parent to child, Danish farmers have to pay for take-over and therefore their debts are the highest of the young farmers in Europe. It is essential for the farmer or spouse to have an outside job to manage the costs of the loans when taking over initially. State policy aims to reduce the cost of loans.

French agricultural policy first recognised the need to support young farmers in 1973. Transfer is still a family matter and it is three times more expensive for non-farming individuals to enter farming than it is for farmers' children. Larger farms manage transfers well, usually giving the chosen transferee a part of the farm to be responsible for prior to transferral of the entire holding. According to responses to *RGC's* research, for less-prosperous holdings the transferor tends to work for the parent as a farm help or is often the youngest son with the worst academic record who cannot obtain other employment. French policy has been considered successful. However, the government target of 12,000 new entrants a year is not being met and land released by retiring farmers is mainly purchased by existing farmers. Despite all expenditure since 1993, people have been leaving farming in France at a rate of 4.2% per annum since 1993.

In **Germany**, farms are small- to medium-sized. Approximately half are part-time. Take-over favours the retention of a viable undivided farm. In general young farmers take over after helping out on the farm. The real cost of taking over is the cost of supporting one's parents until they die (*Allentein*). It is possible that payment to other heirs is required but parents usually give money to the other heirs. Young farmers invest more than their parents and have higher debts.

Studies on the issue of finding a "successor" in Germany confirm the EU experience that larger farms have less difficulty in finding a successor than smaller holdings. (Only 8% of farms over 100 ha have no clear successor, whereas 39% of farms from 10-20 ha face uncertain futures in this regard). There are regional variations, too, with 43% of Northern German holdings "certain" of their successor, compared to 24% and 29% in Central and Southern Germany respectively. Although this may largely be due to farm size, it can also be linked to the fact that there are no uniform rules on inheritance of farmland in Germany. Common rules apply in Schleswig-Holstein, Hamburg, Niedersachsen and Nordrhein-Westfalen in the North and West, but separate regional laws apply in Bremen, Rheinland-Pfalz and Hessen. The *Land* of Baden-Württemberg even has three different sets of rules within its region. The concept of splitting farms equally among all heirs (*Realteilung*) is the tradition in the south-west and areas of North Germany, whereas other regions tend to maintain the uniformity of the holding, with other heirs being "compensated" or bought out. This practice has become more and more widespread, with the successor often assisted by the use of tax value or yield value of a holding rather than the (normally higher) market value in calculating the "compensation" payable to other heirs - a practice unique to farmland.

A recent study concludes that the current rules maintaining the unity of farm ownership is outdated and hinders flexibility. It recommends that Germany should consider elements of French inheritance law which allow for the division of the holding, but linked to long-term leasing of the land to the heir that succeeds the overall running of the farm, i.e. maintaining the unity of the farm, but avoiding the large financial burden required to compensate fellow heirs. It welcomes the decision of Baden-Württemberg to remove the current special inheritance status rules (*Sondererbrechtsregelungen*) for agriculture at the end of 2000, which is considered "no longer appropriate" because of the importance of leasing agricultural land in the new agricultural structures of Germany.

Research shows that succession "rates" are more certain in the five new *Länder*, but this is probably due to the larger farm structures, and to social questions following German unification (e.g. the far greater entrepreneurial spirit found in the younger generation) and, above all, the higher levels of unemployment.

In **Greece** availability of farmland is a serious problem. Parents normally split their farm amongst their sons and daughters, thus dividing it into smaller segments.

In **Ireland** take-over between family members involves virtually no cost. Although there is a high rate of renewal of farms, small farm size leads to persistent structural problems. Therefore farms generate low levels of income.

Italian farm structures are based on the principles of "equity between heirs" and "family before business". Fathers retain control until death and, after that, farms are legally split between heirs. In reality, one heir will continue farming and lease land from the others. "Young" farmers are, in fact, old by the time they inherit. Responses to *RGC's* research suggest that they often have very low levels of education and they do not necessarily farm in a different way from their parents.

Italy, similarly to France, operates a succession system that treats all heirs alike. However, Italy has specific family-farm-oriented legislation designed to keep holdings together. A right of pre-emption, i.e. first refusal, operates for family members when one decides to sell. If one member of a family no longer actively farms and does not sell within five years, other family members have a purchase right at a price determined by local agricultural authorities.

Problems of succession in the **Netherlands** do not arise from a lack of candidates. Take-over of capital-intensive farms in the Netherlands is organised so that successors can try and minimise financial difficulties. The system is based on a (*maatschap*), an arrangement whereby there is an association between parents and successors for the period of transition between the generations. This period of transition has lengthened as farm prices increased. Nowadays these associations run for 10-15 years and 70% of entries into farming are based on them. Land is progressively acquired. Dutch agriculture is therefore effectively only available to farmers' children.

Another problem in the Netherlands arises in farm take-overs other than in a direct family line. Farm take-over in a direct family line is exempt from Property Transfer Tax. However, this exemption does not apply when a farm is handed over in other cases e.g. from an uncle to a nephew or where there is no family relation.

An additional problem in the Netherlands is linked to the young farmer's brothers and sisters. Legally, parents are free to hand over their farm at whatever price they prefer to whomever they wish. At most they can incur a large claim from the tax authorities for Gifts Tax. However, in practice, parents will try to treat all children as equally as possible. Still, by handing over the farm against a value below the free market value it is possible that the other children will regard this as a preferential treatment. Farm take-over is very complex in itself. While the brothers and sisters of the young farmer may understand the emotions around the farm, this is not the case with their partners who may feel they "lose" a lot of their prospective inheritance.

In **Portugal** inheritance takes place amongst the family. There is a practice known as *morgadio* where the farm is maintained as one unit. The family provides cheap labour. *RGC's* research indicates that younger farmers are becoming more educated and this will promote change.

In **Sweden** it is estimated that 65% of farm transfers are between family members. Some recent statistical work suggests that the share of young farmers in the total number of new farm ownerships has fallen during the 1990s, suggesting that younger farmers are finding it increasingly more difficult/less attractive to go into farming. These are preliminary results only and could conceal other reasons for apparent changes, such as the domestic agricultural reforms of the early 1990s and the impact of EU accession after 1995. The figures also suggest that, in cases where installation aid is granted, new farmers are younger when the farm is transferred to a non-family member than when it is a transfer within a family. Succession in Sweden usually involves splitting farms between the farmer's offspring.

Promoting young farmer entrants is not considered a priority in the **UK**. Most people inherit from their parents with very low costs involved. Farms are large and two generations can usually make a living. In general younger people do not farm in a significantly different manner from their parents. The extent of large estates makes it easier for people from a non-farming background to gain access to farming. However, this picture is typical only for central and southern England and conditions would vary considerably in other English regions, Wales, Scotland and Northern Ireland.

2.2. The situation in the candidate countries

In **Poland** a considerable constraint, which is currently limiting agricultural restructuring and modernisation, is the lack of a full and effective land registry. At present there are three separate systems operated by three different ministries, none of which constitutes a complete operational land register containing all the information necessary in a market economy. The Ministry of Interior and Public Administration is responsible for a land register which contains a description of land plots and their "holders" but does not grant legal title or ownership, and does not cover the whole country in a consistent fashion. The Ministry of Justice is responsible for the district property registers which contain details of ownership and property rights, but coverage is incomplete and out of date (only about 30% of property is currently included). The Ministry of Finance holds a fiscal register used to determine property taxes. In addition, a fourth ministry, the Ministry of Agriculture and Food Economy, is responsible for surveys of agricultural land and soil quality and for the calculation of taxes on rural property.

This complex situation causes problems in the land market, which slows down farm consolidation and restructuring, results in a lack of collateral to obtain credit for investment, and creates uncertainties for land managers that affect their long-term decisions.

In April 1998 the Surveyor General presented a draft programme to modernise the land registry system and to create an integrated system linking together a Real Estate Cadastre (containing physical details of property), a Real Estate Register (containing details of property rights and ownership) and a Fiscal Cadastre (containing valuations and tax liabilities). This will provide security for property buyers and sellers, will facilitate the process of land consolidation, strengthen the financial position of local authorities and support the operation of the market economy. It will, however, take considerable time and resources to implement the new system.

In **Slovenia** farmers tend to inherit the farm when they are around 40 years of age. There are very few new entrants into farming (1%) from a non-farming background. Most farmers take over the parental farm. Statistics are not very accurate as many young farmers work on the farm together with their parents.

3. Specific problems for women farmers

While women young farmers clearly face significant barriers to entry to farming, there is little evidence to show that they are subject to significantly more difficult or different problems from those of young male farmers. The data show that women-farmer numbers are rising as a proportion of the total.

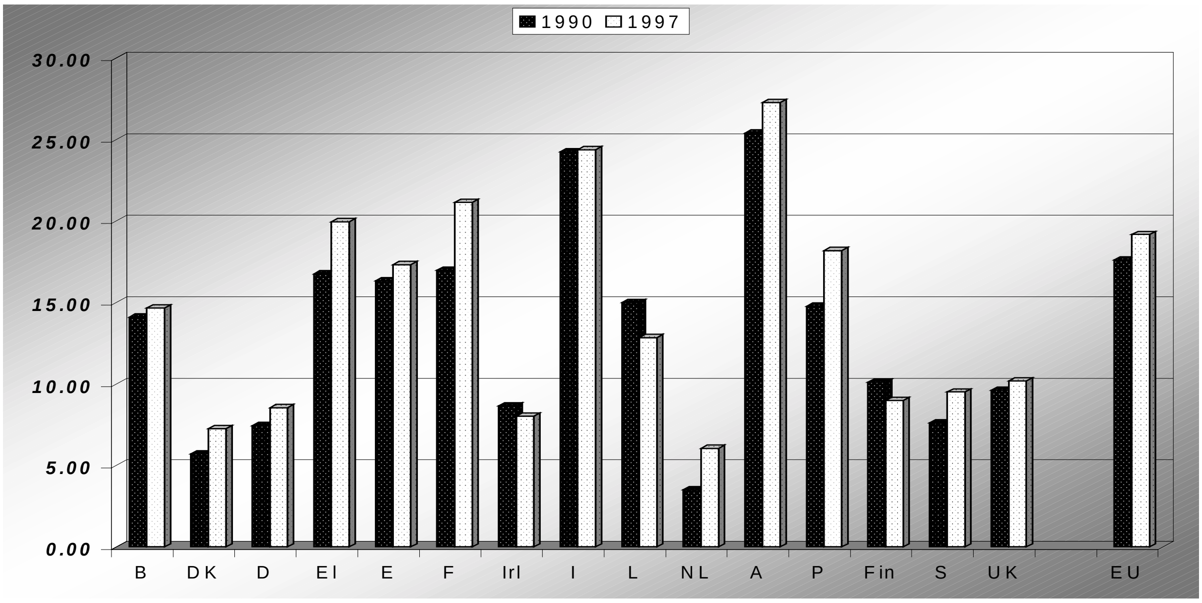
3.1. The situation in the EU-15

As is outlined in the CAP study "Labour situation and strategies of farm women in diversified rural areas of Europe", women perform a number roles and activities related to farming. These range from domestic work/family raising, through on-farm activities to providing important additional income from off-farm labour.

On-farm work is often seasonal, part-time or occasional and often unpaid. Self-employment is frequently the status given to women on the farm. This can carry lower social-security benefits.

It is very difficult to generalise about the situation of women in farming in the EU. Women certainly face many challenges in setting up in farming, and are subject to similar disadvantages to women in other professions/walks of life (lack of maternity provision, need to take time off for maternity etc). However, these problems do not seem to be more acute in farming than they are elsewhere. Nor does it seem possible to differentiate between the problems faced by young women farmers and those of their male counterparts. *RGC's* research suggests that young women farmers do not feel discriminated against. Figure 22 suggests that, in most member states of the EU, the ratio of women farmers is generally growing. Some specific issues have been raised.

Figure 22. Percentage of women in total EU farmer numbers



Source: Eurostat

3.2. The situation in the candidate countries

There is very little information on the situation of women farmers in the candidate countries. However, one example (below) might be considered to be typical.

In **Slovenia** the position of women is described as marginal. It is not a "real" economic role in farming terms but that of household management. Working conditions on farms in Slovenia are difficult. A large number of farms lie in mountainous areas. Also, some correspondents claim that many young women do not favour a life of hard work in remote areas so they decide not to marry a young farmer. This has obvious consequences for the next generation of farmers.

4. Education and training

Meaningful data on the state of education and training for young farmers have been difficult to amass. Figures on numbers of students following various courses vary according to the country concerned's educational system and traditions. However, responses to *RGC's* research suggest that this is a major area of concern for young farmers. The concern is rather general – young farmers do not feel that they are being properly prepared for the difficulties of managing a complex business in a difficult and changing socio-economic period.

4.1. The situation in the EU-15

It is difficult to obtain reliable statistics on the numbers of students enrolling on agricultural courses in the various member states. EUROSTAT has been unable to provide these. Some national statistics indicate the general trends.

In **Denmark** about 1,000 young people start agricultural education each year. There are about 800 new entrants to farming each year. The average age of farmers setting up is 29. The average age of all farmers is 52. Approximately 50% of new entrants succeed family members.

The **French** government agrees that agricultural student numbers are declining, though the figures available are for numbers of students from an agricultural background (though extrapolating from the numbers/percentages below, total students are around 185,000 annually).

The French government points to the declining numbers of farming students coming from an agricultural background. In 1998 they accounted for just 19.09% of the total, compared to 19.5% in 1997, 21.4% in 1995, 34% in 1990 and 40.1% in 1985. By adding in those from families of salaried farm workers, the numbers do not rise much (to 20.8% in 1997 and 42.4% in 1985 for example). Nevertheless, says the French Ministry, while the proportion of students coming from an agricultural background is falling, the numbers remain relatively constant at around 37,000 annually since 1995.

In France, some 11,089 were enrolled in 1999 in higher education (*enseignement supérieur*) in agriculture (including research students). Technical education figures were 177,294, apprenticeships 24,966 and continued professional training 134,108. France spends a total of approximately FF7 billion (just over €1 billion) on agricultural education annually.

In **Germany**, young farmers' representatives stress that ways and means of keeping abreast of latest techniques and technological developments are needed, not on a full-time basis, but in the form of "entrepreneur schooling" and a greater series of exchange programmes. More globally, the training of more people in rural areas with regard to new media (Internet etc.) will do much to help these areas.

Recently-released figures in Germany highlight the difference in young farmers attitudes between the "original" 11 *Länder* and the five new *Länder*. In 1999 the number of completed agricultural diplomas fell by 0.7% relative to 1998, falling 3.2% in the "West", but rising by 6% in the "East". German Farm Ministry officials put this trend down to the lack of alternatives open to young people in rural areas in the five new *Länder*.

Since 1995, the general trend has been upwards, with the number of completed agricultural qualifications in Germany rising by 21% since 1995 from below 13,000 to over 15,650.

Numbers of students enrolling for agricultural courses at universities in the **UK** are declining. This a worrying trend given the increasing technical sophistication of farming.

In the UK, the cost of attending the Royal Agricultural College at Cirencester for a three year bachelors degree in farm management is £5,500 (€9,190) annually in fees. Neither the College nor UCAS (the university enrolment organisation) have figures for UK enrolment generally.

4.2. The situation in the candidate countries

Although the level of education of young farmers is better than that of their older counterparts there is no specific agricultural training to be had in **Cyprus** apart from some short-term courses organised by the Department of Agriculture. This means young farmers have to travel abroad to attend an agricultural college. The Ministry of Agriculture, Natural Resources and Environment is in the process of drawing up a policy instrument to provide training at an intermediary level.

In **Estonia** the level of professional education is low, especially in the case of smaller family farms. Many private enterprises do not have the necessary experience to manage a farm. Improvements in education however are taking place.

A major handicap for rural people in **Poland**, which has knock-on effects throughout the entire rural economy is access to the education system. The state system consists of eight years of general education from 7 to 15 years of age, followed by attendance at a grammar, technical or vocational school. New proposals will change this to six years of primary school, three years of junior high and then either three years of grammar/secondary school or two years of vocational school. In rural areas, normally one school catering for all pupils aged up to 15 is available locally. Then pupils must travel to a grammar, secondary or vocational school. Although tuition costs are met by the state, families must pay for travel, and frequently also accommodation as it is often not possible to commute daily from rural areas. This is an additional burden on the rural population and significantly reduces the numbers of students who continue their education beyond the age of 15. More than half of all farmers have no secondary-level education at all, nor any formal agricultural training.

In rural areas, only 2% of the population has a university-level education, compared to 9.8% for Poland as a whole, and those working in agriculture are five times less likely to have completed any form of higher education than people working in other sectors. There are not yet any signs of improvement in this imbalance as, although rural communes represent 38% of the total population, only 2% of students in higher education come from these areas.

5. Decline in rural areas/infrastructure

This section raises, briefly, some of the concerns young farmers have about the general decline of the quality of rural life. This decline, experienced in most rural areas of Europe, results in young people preferring not to remain in those areas. Furthermore it can mean that the quality of life, even for those who do remain, is much reduced.

5.1. The situation in the EU-15

The "decline in rural areas" described by many sources in *RGC's* research manifests itself in many ways. Some examples are given below.

Italian young farmers describe the lack of services and amenities as the reason young people prefer to live in urban areas and work in non-farming industries.

In **Germany**, the recently-introduced eco tax will clearly hit rural areas harder than urban areas due to the greater need for mobility and lower levels of transport in the countryside.

In **Sweden**, as in many other countries (but not all), the rural population is declining in many areas of the country. There is a general trend that young women leave the countryside to a greater extent than do young men. Other problems such as lack of transport, employment and services (schools, healthcare, post offices etc) are involved. A vicious circle seems to have been created. The main areas affected are the non-coastal regions of the north of Sweden.

In the **UK** loss of facilities in rural areas, transport being the most significant, is often cited as a problem. This is not a problem confined to young farmers but adds to the perceived burdens of living and working in the rural environment.

This study does not develop these points further. The EU's several structural and social policies over recent years point to a recognition of the problems experienced in rural areas. These problems affect the entire farming population, and not just young farmers, though young farmers certainly feel that they are more affected.

5.2. The situation in the candidate countries

The same trends are apparent in the candidate countries. Some examples follow.

The **Estonian** government is worried about the decline of rural areas as is shown by one of the proposed measures under the SAPARD programme. This consists of support for the renovation and development of villages and the protection and conservation of the rural heritage and improvement of the rural infrastructure.

In **Poland** the dispersed settlement pattern and resultant high costs of infrastructure provision in rural areas, along with generally low incomes derived from farming and high unemployment (registered and hidden) are responsible for the fact that infrastructure tends to be poorer in rural areas than in urban regions. This results in more difficult rural living and working conditions as compared with towns. In many places the road network is inadequate, energy lines require modernisation; telephones are lacking, water and sewerage facilities are considerably worse than in towns, whilst access to banks, post offices, schools, cultural institutions, as well as health-care facilities (particularly specialist centres), is much more difficult. These difficulties significantly hamper the development of off-farm activities and discourage new settlement in rural areas.

The situation is worse on farm holdings, due mainly to the dispersed building layout and the high cost of installing connections together with insufficient funds to co-finance the costs.

A further problem is the social infrastructure, which is underdeveloped and does not satisfy rural needs. The considerable progress made in the provision of technical infrastructure in the last decade has not been accompanied by improvements in social infrastructure. No progress has been made, in particular, in the provisions of cultural facilities, schools and health care facilities (e.g. the number of people per doctor is still four times higher in rural areas than in towns whilst the number of patients per dentist is twice as high).

The **Slovenian** government is aware that the decline of rural areas should be prevented or stopped. To this end the Department of Rural Development within the Slovenian Ministry of Agriculture, Forestry and Food (MAFF) has adopted an integrated rural development and village renovation project (CRPOV project). Various types of sub-programmes are being established, focusing on the living and social environment, social and cultural activities as well as the economy. To stimulate economic diversification, additional activities on farms, to develop artisan trade and rural tourism as well as additional sources of income on holdings, various activities are carried out. The aim of these projects is to maintain the population density of the Slovenian countryside, to find new sources of income via diversification, to carry out multi-activities and to develop rural tourism.

In recent years, differences between cities and villages, urban and rural environments in Slovenia have been increasing though. Rural areas are losing their economic strength, their infrastructural development is lagging behind, and some parts of the country also exhibit negative demographic trends and depopulation.

6. Depopulation

Depopulation could be seen as synonymous with the decline of rural areas. However, in some cases one can occur without the other. In some regions farming may be prosperous relative to other regions, while experiencing depopulation. In other cases the opposite is the case – farming can be in decline, while the countryside is in fact experiencing an increase in population. Again, this is a problem that is not directly related to young farmers alone.

6.1. The situation in the EU-15

Depopulation is a serious problem in some countries, and not an issue at all in others. The issue varies within countries as well as between them.

In **Finland**, for example, migration from the countryside to population centres has been particularly strong in eastern and northern parts of the country and many rural areas are depopulating. EU aid has slowed the decline of rural areas, according to the Finnish Ministry of Agriculture. Aid, however, is not sufficient to maintain the population base in all rural areas. During the present period of rapid economic growth, in particular, demand for labour in the population centres is great and people are moving from agriculture into other occupations. This is problematic not only for rural businesses but also in terms of business activity in general. Services deteriorate as far as both agriculture and other businesses are concerned, which makes it difficult to maintain and start business activity in these areas. An area density of farms which is too small endangers the practice of agriculture particularly in remote rural areas. Transportation distances for milk and livestock for slaughter are long in north and east Finland, which raises transportation costs and presents the risk of a fall in producer prices. To make production feasible, everywhere in the country, substantial regional aid is needed.

In **Greece** the significant difference in economic prosperity between rural and urban areas has caused a (continuing) migration of young people (men and women) from the countryside to towns and cities. There they pursue further educational studies or find non-agricultural jobs. Anecdotal evidence suggests that they find it difficult to return to the countryside. Those who do not migrate permanently face difficulties in finding a spouse, with obvious implications for the next generation.

In contrast, in the **Netherlands**, depopulation is not an issue. On the contrary, more people are tending to move to those rural areas with attractive living conditions and a good infrastructure for commuting to other areas.

6.2. The situation in the candidate countries

Depopulation of rural areas in **Cyprus** is obvious, especially in mountain areas, far from the cities. Young people are almost systematically looking for a “better future” in the towns, deserting mountainous villages. As a result, agricultural land is gradually being deserted and replaced by natural vegetation. Agricultural practices are performed mainly by older people who are not efficient in new methods. Agriculture, as a whole, is therefore declining in these areas.

The Cypriot government is making an effort to construct new roads in the mountainous areas, to establish regional schools and small hospitals, to improve social life, to promote agro-tourism etc., but results are so far poor. The most encouraging sign so far is that retired people are gradually moving in the opposite direction, from the towns to their native villages looking for a better quality of life in the countryside. However, this trend can give little comfort to potential young farmers.

About 25% of the population in the **Czech Republic** live in rural communities with less than 2,000 inhabitants. Rural areas are characterised by an insufficient technical and social infrastructure such as limited public transport, an underdeveloped communications network and a lack of schools. A tendency to de-population has negatively affected the demographic structure of rural areas, leading to an over-representation of the 55-plus age group.

In **Estonia** the size of the rural population, its relative share and population density has not substantially changed in recent years. However, the importance of the agricultural sector in rural employment has fallen from 56.4% in 1989 to only 26% in 1998.

Around 40% of **Hungary's** 10 million inhabitants live in small towns and villages, a share which (in contrast to the trend elsewhere) has increased in recent years while urban population has fallen. Within the rural population, inhabitants of small villages have moved to bigger villages, where activities other than agriculture may have better resisted the recession.

Some 38% of the total population of **Poland** is located in rural areas (of which 51% is involved in farming). After the privatisation of the state industries there was a trend that people went back to rural areas where they could at least grow their own food. More recently, however, this trend has been reversed so that there is a steady population drift from countryside to town, but at a relatively slow pace, partly due to a housing shortage.

In the countryside the share of people below 14 years of age and above 70 years old is much higher than in towns. The percentage of multi-generation families is also much higher than in towns. Households with five people or more account for 12% of the total number of households in towns whereas in rural areas they constitute 30% of families.

Preservation of the population density in the countryside is one of the objectives of **Slovene** agricultural policy. Like the CAP, Slovene agricultural policy also emphasises the multi-functionality of agriculture, which it perceives as an economic activity in conjunction with environmental, spatial and social functions. The presence of a "Fund for Regional Development and Maintenance of Population Density of the Slovene Countryside" indicates the importance the Slovene government puts on preventing depopulation of rural areas.

For many of the very small private farms, income from agriculture is not - and has not been in the past – the main source of income. This is an essential characteristic of Slovenian agriculture, favouring the development of pluri-activity and keeping an important share of the population in rural areas. This balanced rural development, an important aspect of Slovenian society, has played the role of social buffer in certain periods. This role seems to have been very important between 1990 and 1993.

7. Social problems

In this section various other sociological concerns raised during *RGC's* research are aired. Though not specific to young people, social concerns, such as the poor prospects of finding a spouse, are clearly more serious for younger people than for older generations.

7.1. The situation in the EU-15

Within many member states one can identify a number social problems.

Family tensions can be caused by having to negotiate over farm take-overs with parents. In addition, in some cases, it has been established practice that parents and/or grandparents remain to live on the farm after take-over. Having more than one generation can create problems with people not feeling free to do as they please.

Also, when a farmer retires or hands over the farm, there is often a need to find alternative accommodation. This can be expensive and a psychological barrier to giving up a farm.

Another problem arises from the proximity of non-farmers. Non-farmers increasingly buy houses or former farmhouses outside towns and villages and become neighbours of farmers. Although they have moved to the countryside they do not always appreciate farming odours and noises. Also, it becomes harder for farmers to obtain environmental permits to change or expand the farming business as there are non-farming buildings in the vicinity.

7.2. The situation in the candidate countries

Social problems in the candidate countries run deeper than just those experienced in agriculture. Nevertheless, the change from the Communist regime has had a disproportionately-large effect on the agricultural community.

8. General problems

In this section the overall problems of agriculture are raised. It is important to recall that young farmers operate within the general system and situation of the farming industry. Their problems cannot in most cases be separated out from the general problems of agriculture as a whole.

8.1. The situation in the EU-15

A major cause of the reluctance of young farmers to enter the industry is the poor income situation and prospects in farming. Below are some examples/anecdotes illustrating this.

The **Danish** farmers' union points out that younger farmers are particularly vulnerable in this respect because of the large investment need to establish themselves and the often high debt load they carry as a result. The decline in farm incomes/profitability for a large number of farmers is leading to the erosion of the rural infrastructure in many areas.

In reviewing the current situation in **Germany**, there are clearly many discrepancies between the trends in the five new *Länder* of the former German Democratic Republic and the "original" 11 *Länder*, most notably the higher proportion of young farmers, and the increasing level of installation. While part of this can be explained by the generally larger farm structures and the modernisation process that agriculture in the five new *Länder* has undergone since 1990, there are a number of social issues which affect attitudes. Most obviously, the relatively high levels of unemployment, especially in the cities, frequently mean that children in rural areas have few tempting employment alternatives. Furthermore, one of the legacies of the planning system of the old GDR was that, after 1990, many people who had previously farmed the land were unwilling to take on the additional personal risks of farm ownership or, in some cases, did not have the necessary management or all-round agricultural skills. There is strong anecdotal evidence that the generation of "East Germans" who had not finished full-time education before the fall of the Berlin Wall in November 1989 are more willing to take on risk and additional commitments (e.g. investment loans) than their parents' generation.

In **France** it is recognised that economic difficulty is not peculiar to young farmers. Indeed, the uncertainty of the economic future of agriculture seems to be better handled by the young. Nevertheless, it remains a problem, especially in non-regulated sectors.

In **Ireland** two recent surveys have shown that, even on farms where a family succession could be guaranteed, in only 10%-40% of cases could the farm alone provide secure income.

In **Italy** the young farmers' organisations expressed similar doubts about the lack of economic returns on heavy investments as the principal problems facing young farmers.

In the **UK** there is a general economic malaise throughout the industry and an associated lack of confidence in an assured future. Whilst some young farmers see this as a challenge to their entrepreneurial and innovative skills, for others it represents a bleak future and one to which they do not wish to subscribe. This was highlighted in a recent survey conducted by the NFU (National Farmers' Union of England and Wales) for a publicity initiative on LFAs where over 40% of LFA farmers were found either to have no successors at all or had family that did not want to take over the business.

The speed of structural change in farming is cited as a particular problem in **Sweden**.

Farmers' organisations in several member states cite the poor image of farming as playing an important role in dissuading new entrants. There are many reasons for this (e.g. food safety scares, criticism over environmental and animal welfare matters etc). Combined with the poor economic prospects in farming, this negative image plays an important deterrent role.

Several correspondents cited the stress and expense of handling the bureaucracy involved in obtaining assistance for young farmers as a significant problem.

8.2. The situation in the candidate countries

In the **Czech Republic** economic development of farming has not been favourable in recent years. Almost 50% of farms have not been profitable for many years and there is substantial indebtedness and low financial liquidity. Thus some 70% of farms have serious financial problems.

According to Czech sources, the causes may be found in the stagnation or very low growth of agricultural incomes with concurrent rapid growth of input prices and lagging behind of technologies and investments. The net value added by the agricultural sector is reduced due to the above shortcomings and thus does not adequately cover costs and does not lead to the generating of operating surpluses for the further adequate development of farms.

For **Hungary**, since 1990, the recession in agriculture has been even more pronounced than in other sectors in the economy, leading to a sharp reduction in agricultural employment and social problems in rural areas; the main reasons being the restructuring of land ownership and the collapse of traditional export markets. Recovery has been visible since 1994, however, and has been faster for agriculture than for the economy in general.

During the economic and social transitions of the 1990s, the Hungarian government started land reform. In that framework older farmers have been able retrieve their one-time properties, but only a few young farmers have been able to buy land. During the early 1990s young farmers took an active role in family farming and, in the second half of the 1990s, they started establishing their own individual family farms. They had two alternatives: tenure of older farmers' land or intensive production on a detached part of the family farm. Tenure caused important problems since young farmers had little capital and farming equipment and thus could not achieve high crop yields. The income from these smaller yields was even further reduced by the additional rental costs. Farmers using intensive production methods have been in a slightly better situation as they could use their up-to-date knowledge in modern production technology. The lack of previous reliable bank records makes it difficult for young farmers to receive loans from banks. A number of initiatives have been started to solve this problem but gaining the necessary financial resources remains difficult to young farmers as a direct consequence of the low profitability of the farming sector.

A thorough analysis of the situation in rural areas, and in agriculture, in **Poland** has made it possible for the Polish government in its policy strategy to identify the most important problems to be addressed in the EU pre-accession and post-accession periods. Some of the problems derive from historical circumstances, others spring from the introduction of a market economy.

The main problems in rural areas are listed below:

- poor development and maintenance of physical, social and cultural infrastructure;
- mono-production in some regions, dependence by too many people on agriculture for their livelihood coupled with limited opportunities to earn non - agricultural income;
- difficult access to business support services;
- little entrepreneurship, social and cultural activity;
- high unemployment (both recorded and hidden);
- low incomes of the rural population resulting in reduced demand for non-agricultural goods and services;
- weak institutions to support rural development;
- endangered rural cultural heritage.

Major problems facing the agricultural sector are:

- fragmented farm structure;
- production which does not match market needs, both in terms of quantity and quality;
- underdeveloped market organisations and insufficient integration within the food marketing chain;
- insufficient on-farm investment, both for replacement and modernisation;
- lack of skills in production, technology, marketing and management;
- weak farmers` organisations.

Most aspects of Polish rural areas are in need of urgent modernisation. The intention of the Polish government is to raise standards of the quality of life that will ensure that rural dwellers can actively participate in the whole country's economic and social life.

One of the more important initial challenges is to halt a decline in rural incomes and to put in place mechanisms which can stimulate income enhancing opportunities such as, incentives designed to promote job creation. The low incomes of rural families have multiple impacts, such as worse standards of living and social and political conflicts. Moreover, the financial problems of rural families mean that fewer and fewer young people have the chance to improve their knowledge and skills and, as a result, rural disadvantage tends to linger on, or even deepen.

9. Summary

This section brings together the points made in the previous sections, and sets the scene or an analysis of the ways in which the EU and member states attempt to address the problems raised above. These problems are:

- **Installation costs** are too high.

- Young farmers need to borrow heavily in order to overcome this problem, at a time when their borrowing ability is low. **Heavy indebtedness** is therefore a feature of young farmers' business lives.

- This comes at a time when prospects for a reasonable **income** from farming are **poor**.

- The **image** of agriculture is also **poor**.

- The **CAP** is a major factor behind high installation costs.

- Creative solutions and strong business training are necessary for young farmers to be able to escape from these combined problems. And yet, young farmers feel, there are **insufficient education** and training opportunities available to them.

- Taking over a farm carries further complications for a young farmer. **Inheritance** is not always straightforward. And, the process of **succession** can take many years, involving not just the heavy costs cited above but the additional problem of (often) having to support more than one family on the income from one farm.

- One particular problem, addressed in a variety of ways in the different countries of Europe, is that of inheritance of a farm where there is more than one heir involved. The person taking on the farm may have to pay siblings significant "**compensation**".

- There appear to be few significant identifiable problems specific to **women young farmers**.

- **Inadequate education** and training possibilities for young farmers is a particular concern, though the data to back up young farmers' views is not clear.

- The **decline of rural areas** is clearly a problem. However, it is not confined to young farmers, and nor can specific measures for young farmers really address the many interlocking problems involved.

For young farmers, whose numbers are already declining fast, all of these problems come in addition to the problems faced by all farmers – the declining situation of agriculture in the economy and the apparent inability of the CAP to reverse this trend.

Part Two
EU AND NATIONAL MEASURES IN FORCE

This part of the study examines the EU and national measures currently in force which are aimed at addressing the particular problems of young farmers, as perceived by national authorities and the European institutions.

This examination is in two parts.

The first chapter describes measures introduced under EU-level rules. This chapter is in turn split into two sections – one examines measures aimed exclusively at young farmers; the second outlines how measures designed for other purposes have been formulated in ways that young farmers might derive a special benefit from them.

The second chapter analyses the situation at national level, with the same distinction being made, between measures targeted specifically at young farmers, and others from which such farmers derive a benefit.

Chapter I
MEASURES AT EU LEVEL

1. Measures targeted specifically at young farmers

Problems of young farmers in the EU have over the years mainly been addressed via structural policy regulations. There are no regulations specifically directed at young farmers. Rather the rules for all farmers contain special measures for young farmers. The Agenda 2000 agreement of 1999 brought refinements to the structural measures operated for the agriculture sector. The main development has been to bring various measures, including those for young farmers, into one regulation. This provides for member states, in future, to operate overall Rural Development Plans designed to assist farmers and the rural economy and society in ways adapted to national and regional circumstances. Young farmer measures will be little different under the new system.

1.1. The situation in the EU-15

Assistance for young farmers at EU level has been provided under a series of regulations, updated periodically, the essentials of which have changed little over the years.

The most recent regulation in force has been Council Regulation 950/97 of May 20, 1997 on "improving the efficiency of agricultural structures". Under Title III, Articles 10 and 11 cover the "measures specifically benefiting young farmers". This regulation has now been superseded by Council Regulation 1257/99 of May 17, 1999 on "support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)". The most relevant sections of the new regulation are Title II Chapter I Article 4, and Title II Chapter II Article 8.

The new regulation contains the same types of aid, but the conditions for grant of such aid have altered to a degree.

These regulations provide for aid to be paid to young farmers in basically two forms, installation aid and supplementary investment aids.

1.1.1. Installation aid

Member states may grant "setting-up aid" (otherwise known as "installation" aid) to young farmers under 40 years of age. Member states have enjoyed considerable flexibility over how they apply this measure. Indeed, ***it is not obligatory for member states even to apply the measure***. The main conditions laid down at EU level, in Regulation 950/97, and now in 1257/99, have been as follows (and as summarised in Table 2):

- the young farmer must be head of the holding (and thus liable or jointly liable for tax and other civil responsibilities);
- he/she must practice farming as his/her main occupation (with some flexibility, providing that non-farming activities do not account for more than 50% of the farmer's total working time);
- the young farmer must possess adequate occupational qualifications;
- the farm holding must require a minimum volume of work.

The setting-up aid may comprise:

- a single premium (aid) payment, up to a specified maximum (Ecu 15,000 under Reg. 950/97), to be paid over a maximum of five years. Member states can choose to offer the equivalent amount via an interest rate subsidy on a loan;
- interest-rate subsidies cannot exceed 15 years in duration. The capitalised value of the interest rate subsidy may not exceed the value of the single premium.

1.1.2. Supplementary investment aids

Member states may grant young farmers (again under 40 years of age) supplementary aid for investments made under a "material improvement plan". Such investments have been more generally available to farmers – not just young farmers – however the measure described here provides for young farmers to receive additional amounts of aid.

The young farmer must submit the improvement plan within five years of setting up, and must be able to demonstrate that he/she possesses the appropriate occupational qualifications.

Council Regulation 1257/99 maintains the above types of measure targeted at young farmers. However, the aid amounts have been altered, and some conditions amended. The main changes are as follows:

- the maximum aid amount is now €25,000 (whether paid in the form of a grant or an interest rate subsidy), a 67% (theoretical) increase on the previous level;
- the requirement for young farmers to demonstrate that they derive a certain proportion of their income from farming is removed. This means, effectively that part-time farmers can benefit from the measures to a greater extent than previously;
- there is now a general requirement to demonstrate that the holding is "economically viable", thus removing some of the more onerous (and administratively burdensome) elements of 950/97;
- the young farmer must comply with minimum standards regarding the environment, hygiene and animal welfare.

Other main elements of the young farmer measures remain unchanged. Commission Regulation 1750/99 of July 23, 1999 lays down the detailed rules for the application of the Council Regulation.

Although Council Regulation 1257/99 does not change fundamentally the way in which the EU offers measures to assist young farmers, its overall approach is a new one. The most notable change is the introduction of the concept of grouping most farm restructuring measures (including those that affect young farmers) in national/regional Rural Development Plans. Secondly, it reduces the previous, rather mechanical conditions about proportion of time spent on farm work/level of income derived from farming while introducing more "qualitative" criteria concerned with the "standards" practised on the farm.

Table 2. The main assistance measures available to young farmers (Council Regulations 950/97 and 1257/99).

Regulation 950/97	Regulation 1257/99
Article 10 - Installation aids	**Article 8 - Installation aids**
Member states may (voluntarily) grant an installation aid:	Member states may (voluntarily) grant an installation aid:
• Farmers must be under 40	• Unchanged
• Farmer must be head of holding (liable for tax, management etc.). Joint liability OK	• Unchanged
• Must farm full time	• May farm part-time
• Member states can allow less than full time on certain conditions related to share of income derived from farming	• General requirement that farm must show that it is economically viable
• Satisfactory occupational qualifications	• Unchanged
• Farm requires minimum volume of work	• No longer required
	• Farm must comply with minimum environment, hygiene and welfare standards
Aid comprises:	Aid comprises:
• Single premium = Ecu 15,000 (maximum paid over maximum of 5 years), or	• Single premium = €25,000 (maximum)
• equivalent amount in form of interest-rate subsidy, paid on a loan, over maximum 15-year period	• Unchanged
Member states may define:	Member states may define:
• Installation conditions	• Unchanged
• Rules regarding joint liability (e.g. in case of co-operative or association	• Unchanged
• Agricultural qualifications	• Unchanged
• Conditions for maximum volume of work	• No longer required
Article 11 - Investment aid	**Articles 4-7 - Investment aid**
Member states may grant additional aid for investments to young farmers, provided:	Member states may grant additional aid for investments to young farmers, provided:
• Farmers must be under 40	• Unchanged
• Farmers to submit material improvement plan	• Economic viability required and new

within 5 years • Satisfactory occupational qualifications	requirement on minimum standards met • Unchanged
Additional amount is maximum 25% of aid normally granted to farmers	Additional amount allows young farmer to be aided on 45% of investment (cf. 40% normally) and 55% (cf. 50%) in LFAs
Training/occupational assistance	**Training/occupational assistance**
Article 13 – Aid for the introduction of accountancy practices	
Not specific to young farmers	N/A – support withdrawn
Article 14 – Setting-up aid for groups	
Not specific to young farmers	N/A – support withdrawn
Article 15 – Setting-up aid for farm relief services	
Not specific to young farmers	N/A – support withdrawn
Article 16 – Farm management services	
Not specific to young farmers	N/A – support withdrawn
Articles 26, 27 & 28 – Adjustment of vocational training to the requirements of modern agriculture	**Article 9 - Training**
Vocational training, with wide range of applications allowed and including management skills such as organisation of producer groups	Vocational training to improve occupational skills, wide-ranging but unspecific, and up to member states to decide
Separate regulation – Early retirement	**Articles 10 - 12 - Early retirement**
Full-time farmers only	Eligible to part-time farmers
Requirement to enlarge total size of holding	No requirement

A list of the main regulations concerning assistance to young farmers, over recent years is contained in Annex I.

As far as training and occupational assistance measures are concerned, the new situation is not quite as clear cut as outlined above. Regulation 1257/99 (and its accompanying implementing rules) do appear to allow for some training measures to continue. However, these are much less specific than under 950/97. For instance, Article 33 of 1257/99 is an article with a very wide scope. There are few guidelines given to member states, other than the clear advice that the EU will not co-fund the activities of the official advisory services of the national agricultural administrations.

Under Article 45 of Regulation 1750/99 – the implementing rules for the Rural Development Regulation (1257/99) - a mid-term evaluation report is foreseen “not later than December 31, 2003”. In the Agenda 2000 package, it was agreed to review the budget and the arable regime in 2002, and the dairy sector in 2003, and Article 6 of the Horizontal Regulation allows for support schemes to be reviewed “at any moment in the light of market developments”.

Farm Commissioner Franz Fischler has already indicated publicly the logic behind reviewing the dairy sector in 2002, rather than 2003, as it is then that the budget is being reviewed. It must therefore make sense to look at bringing forward the review of the Rural Development regulation to take place at the same time as that for the budget. This would not require any changes to current legislation as the 2002 review will indeed be "not later than December 31, 2003". Although this would have the disadvantage of taking place with limited data on the practical impact of the new Rural Development Regulation, the key role that the budget debate has taken on in any Council discussion of the CAP means that the only changes of substance to any of the Agenda 2000 regulations will in practice only be possible at the same time that the budget is debated.

A review in 2002 would also have the political advantage within the EU of making changes to the CAP rules before the first of the candidate countries accede. If nothing else, it will be considerably "easier" to reach agreement among just 15 member states!

1.2. The situation in the candidate countries

In the context of enlargement, the EU offers pre-accession assistance to the candidate countries from Central and Eastern Europe. This assistance includes PHARE, ISPA, SAPARD and the opening of some Community programmes to candidate country participation. Cyprus only participates in the Community programmes.

During the period 2000-2006, the PHARE programme will be the main financial instrument for the candidate countries with an annual budget of €1,500 million (calculated at 1999 prices). It will focus on institution building and investment (not including projects eligible for ISPA or SAPARD). ISPA (Instrument for Structural Policies for Pre-Accession) finances major environmental and transport infrastructure measures (€1,000 million) while SAPARD (Special Accession Programme for Agriculture and Rural Development) aims to facilitate the long-term adjustment of agriculture and the rural areas of the applicant countries (€500 million). All candidate countries participate in Community programmes, in particular in the fields of education, vocational training, youth, culture, research, energy, the environment, small and medium-sized enterprises.

Under the institution building aim of PHARE one programme is of interest to young farmers. It runs across 10 countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia). This programme "assistance to the development of farmer, co-operative and young farmer organisations in the Central and Eastern European countries", running from July 1999 to September 2000, will provide information to farmers (including young farmers) and co-operative associations on structures in the EU. The overall aim of the project is to improve the economic well-being of private and other farmers and those involved in co-operative agri-business and related food sectors. The purpose of the programme is to give knowledge about institutional development, provide an advisory and information service, arrange high-level seminars and workshops, and prepare placement programmes for representatives of farmer and co-operative organisations as well as young farmers.

The new pre-accession instrument for sustainable agriculture and rural development, SAPARD, will provide assistance during the period 2000-2006 in particular in the following two areas:

- contributing to the implementation of the *acquis communautaire* concerning the CAP and related policies;
- solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the candidate countries.

It is available to the 10 candidate countries from central and eastern Europe. The financial allocation is based on farming population, agricultural area, GDP in purchasing power, and the specific territorial situation. The SAPARD regulation is not directly applicable to applicant countries because they are non-EU countries. Instead, bilateral agreements are concluded with each country. All management tasks, from the project selection stage up to payments to final beneficiaries, are devolved from the Commission to the CEECs.

Implementation methods broadly follow the rules laid down for the member states under the rural development Regulation 1257/1999, but exclude the setting-up aid for young farmers and the early retirement measures as these are deemed to be too broad and too costly. However, candidate countries are free to target the selected measures to these groups.

The candidate countries have each drawn up an Agriculture and Rural Development Plan. In these plans a number of priorities are listed picked from a number of eligible measures in the regulation i.e.:

- investments in agricultural holdings;
- improving the processing and marketing of agricultural and fishery products;
- improving the structures for quality, veterinary and plant-health controls, for the quality of foodstuffs and for consumer protection;
- agricultural production methods designed to protect the environment and maintain the countryside;
- development and diversification of economic activities, providing for multiple activities and alternative income;
- setting up farm relief and farm management services;
- setting up producer groups;
- renovation and development of villages and the protection and conservation of the rural heritage;
- land improvement and reparcelling;
- establishment and updating of land registers;
- improvement of vocational training;
- development and improvement of rural infrastructure;
- agricultural water resources management;
- forestry, including afforestation of agricultural areas, investments in forest holdings owned by private forest owners and processing and marketing of forestry products;
- technical assistance for the measures covered by this Regulation, including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns.

Development plans must give priority to measures to improve market efficiency, quality and health standards and measures to maintain jobs and create new employment opportunities in rural areas, with due regard for provisions on the protection of the environment. The Community action must complement corresponding national actions or contribute to these.

The programme may, if necessary, be revised and amended as a result:

- of socio-economic development, relevant new information and the results observed from the implementation of the actions concerned, including the results of monitoring and evaluation, as well as the need to adjust the amounts of aid available;
- of actions taken in the framework of the accession partnership and the national programme for the adoption of the *acquis communautaire*;
- of a reallocation of resources (following an applicant country's accession to the EU).

Measures financed under the Regulation must comply with the commitments given in the accession partnership and be consistent with the principles of the national programme for the adoption of the Community *acquis*. They must also be consistent with the provisions of the "Europe Agreements", including implementing provisions on State aids. They must also be consistent with the objectives of the CAP, especially with regard to the market organisations, and Community structural measures (for example, they must fulfil most requirements of Regulation 1257/1999). They must not cause disturbances on the market.

The Community will not normally contribute more than 75% of the total eligible public expenditure. In certain specific cases, it may, however, cover 100% of the total eligible. For revenue-generating investments, public aid may cover up to 50% of the total eligible cost, with the Commission contributing a maximum of 75%. The Community contribution will not exceed the ceilings on rates of aid and cumulation laid down for State aid.

The plans are currently under review by the Commission. An initial analysis shows that there are no measures specifically aimed at young farmers put forward by the candidate countries.

Finally, it is worth noting that, as defined at the March 1999 Berlin EU Summit, SAPARD and ISPA funds are only available for the candidate countries ***prior*** to EU membership. After accession, different funding would be available (according to 2000-2006 budget estimates).

2. Other measures from which young farmers derive benefits

This Section examines the common market organisations of the CAP, and other EU-level measures, which may be adapted in order to give young farmers an advantage.

Table 3 summarises these measures.

2.1. CAP market organisations

Several CAP common market organisations (or support "regimes") involve EU funds being transferred to farmers with reference to their production in a given time period. For example, support payments may relate to: arable production in tonnes, arable area, milk production quota, sugar beet quota, numbers of beef cows or ewes etc. The regimes in some cases, but not all, allow member states to favour groups of farmers (including young farmers) that they feel are at a disadvantage and therefore a priority case. Favouritism is usually conferred by granting such groups additional production rights from national reserves.

There is no compulsion at EU level on member states to apply this possibility. Nor is there any particular emphasis put on the need to assist young farmers in particular. There is wide variation in the way such additional rights are conferred. Member states have their own political and philosophical reason for adopting one stance or another.

However, all young farmers' groups believe that they are being hindered in their ability to enter farming by the difficulty in obtaining sufficient production rights in the sectors concerned. Most member states have been reluctant to designate young farmers as an absolute priority group.

A major problem is that, within a system of limited production rights, in order to favour one group another has to be "penalised" (however lightly).

2.2. Early Retirement Schemes

Since the 1992 Mac Sharry CAP reforms, the EU has had a separate Regulation (2079/92) on encouraging older farmers to retire early. It is not obligatory for member states to offer the scheme. Ten member states have offered the scheme, with criteria and aid rates set to suit their particular circumstances. There has been no requirement for early-retiring farmers to look for a young farmer to take over their farm.

Under Regulation 1257/99 both of the above measures continue to be optional for member states (that is, member states are not obliged to apply these elements of the regulations).

However, Council Regulation 1257/99 has altered the above schemes in the following ways: eligibility and aid calculation conditions have been made more simple and flexible. However, there will no longer be support for networks, nor for transfer organisations (other than - possibly - under the aforementioned Article 33).

Taken together these changes seem to give no specific benefit to young farmers. In fact, the removal of aid for networks and transfer organisations could harm young farmers' interests. One beneficial item, in theory at least, is the aim of "gender mainstreaming" to enable women to gain more from EU structural actions.

2.3. LEADER (Liaison Entre Actions pour le Développement de L'Economie Rurale)

It has been possible for member states to devise programmes under the previous LEADER Community initiatives (launched in 1991 and reviewed in 1994 and 1999) to assist young farmers. LEADER supports rural development projects designed and managed by local partners. Technical support measures and skills acquisition are major elements of the initiative. One example is a programme in the south west of England that introduced a training programme in computer and Internet use offered to young farmers' clubs.

The guidelines for the new LEADER regulation (known as LEADER Plus), approved by the Commission only on April 19, 2000 (to be published in early May, 2000) invite member states to submit applications for programmes to be co-funded by the EU. €2.2 million will be made available by the EU over the 2000-2006 period. As member state allocations within that figure are largely based on performance in previous LEADER programmes (LEADER I and LEADER II) it is already clear that France, Germany, Italy and Spain will take approximately 75% of LEADER Plus money.

The biggest differences between LEADER Plus and its predecessors are: that LEADER Plus is available in all areas (not just the old Objective 5b regions); and, that priority themes have been set at EU level, including information technology and co-operation between rural communities within and across member states. Also, under LEADER Plus, women and young farmers are supposed to be given some priority.

Table 3. Other measures from which young farmers derive benefits

Area of agricultural policy	Measure/benefit to young farmers
1. <u>Common agricultural policy</u>	
Dairy regime	Access to national reserves of milk quota
Sheepmeat and goatmeat regime	Access to national reserve of Ewe Premium rights
2. <u>Other measures</u>	
Regulation 2079/92	
Early retirement	No requirement for early retiring farmers to pass on farm to young farmer, but member states allowed to adapt rules. No encouragement at EU level
Regulations pertaining to LEADER I (1991) and LEADER II (1994	Nothing specific, but: • significant level of networking • creation of networks • co-operation between rural areas

Chapter II
MEASURES AT NATIONAL LEVEL

1. Summary of national measures

This section describes whether/how the EU level measures are implemented in EU member states, and includes measures introduced at national level only. For the candidate countries, where EU level measures do not yet apply, descriptions relate to national measures only.

Some member states (and the candidate countries) operate a variety of measures, interventions and systems that assist young farmers indirectly. As these vary so greatly, and as many of them are difficult to compare one with another, such measures are described here only because of their potential interest for young farmers in Europe.

Member states' application of measures to help young farmers falls into three basic types:

- **structural approach**: improvements in farm productivity are the main preoccupation. Countries such as **Belgium**, **Denmark**, **Finland**, **France** and **Luxembourg** intervene actively, and in a carefully-planned way, to assist young farmers, mainly through installation and investment costs;

- **spatial/environmental approach**: countries such as **Germany**, the **Netherlands** and the **UK** put their emphasis on general measures to assist farmers to farm efficiently (e.g. education and training), but with special regard for the countryside;

- **social approach**: in **Greece**, **Ireland**, **Italy**, **Portugal** and **Spain** the priority is to try to improve farm structures but not cause social problems (e.g. heavy unemployment).

Council Regulation 950/97 allows for a high degree of flexibility in the implementation of young farmer measures, at national level. Table 4 outlines how each member state currently applies these measures (Articles 10 and 11).

The table shows the measures applied, mainly in financial terms. It shows this in three columns: one for Article 10 capital grants for installation; one for Article 10 aid in the form of subsidised interest on loans for installation; and, lastly, Article 11 investment aids.

The text which follows the table gives further details about implementation of 950/97, mainly of a non-financial character, and adds information on other national measures operated for the benefit of young farmers.

Table 4. Implementation of Articles 10 & 11 of Council Regulation 950/97

Country	Article 10 2a Installation grants, capital subsidies.	Article 10 2b Installation loans for beneficiaries.	Article 11 Supplementary aid (Investment in agricultural holdings – MIP: Material Improvement Plan)
Belgium	No capital grants on a national basis, but some in the Walloon region. - 120,000 BEF (2,800 Ecu) outside less-favoured areas. - 140,000 BEF (3,300 Ecu) in less-favoured areas + provincial aid.	Subsidies (**SI**) of 5% over 18 years for the amount of 20,000 Ecu covered by the EAGGF, i.e. a borrowed capital of around 3,100,000 BEF (72,000 Ecu) over 18 years, with a three-year waiver. The interest payable by the farmer may not be < 3%. If the loan exceeds the amount of 3,100,000 BEF, national state aids are used.	Capital grant equivalent to 25% of the SI granted for subsidised investments, within the framework of the plan (SI of a min. 5% of the remaining 3% payable).
Denmark	Grant linked to an investment financed by a state loan: during the first 10 six-monthly repayments of the loan (five years), a subsidy equivalent to the six-monthly repayments, increased by a contribution to management costs. 20-year loan granted by Agricultural Mortgage Bank (DLR), < 23% of the commercial value of holding. Maximum = 1 million DKR (134,300 Ecu). Subsidy estimated at 110,000 DKR (14,773 Ecu) by the Ministry of Agriculture.		Capital subsidies: - For buildings: 8.75% of building costs. - For machinery and installations: 5% of purchase price or installation cost (= added to the aid agreed upon by MIP).
Germany	Federal State "*Länder*" framework scheme: Grant linked to the investment: max. 15,000 DEM (7,200 Ecu) for a minimum investment of 35,000 DEM (17,895 Ecu). Some *Länder* grant less: 12,000 DEM (6,136 Ecu), others more: 18,000 DEM (9,203 Ecu, = > additional regional payment of 3,000 DEM (1,534 Ecu)).	Additional aid from the agricultural credit programme (AKP) for small- and medium-sized holdings: Additional discount of 1 point (4% outside less-favoured areas - 6% in less-favoured areas), for a loan of up to 143,000 DEM (73,115 Ecu) per UTH (Man Work Unit)	Additional aid from the EFP programme in the form of: - Discount of 1% or more. - Subsidy of up to 5% of the amount of the subsidised loan, or, - Subsidy: 5% of the expenses liable to obtain a grant.
Greece	Grant amount varies according to the volume of work required on the holding. - 4 million GRD (11,951 Ecu) per beneficiary owning a holding that requires a work volume between 1 and 1.5 UTH) - Amount > for holdings that require a work volume of > 1.5 UTH.	Maximum 5% discount over 15 years.	Subsidy increased for investments made within an improvement plan.
Spain	Variable grant of 2,000 to	Maximum discount of 5% over	Supplement of 25% on the

	6,000 Ecu, according to type of transmission: - 2,000 Ecu if the inheritance does not involve compensation. - 6,000 Ecu when setting up outside the family circle or with a co-operation or participation agreement of over 50% of the business capital. - 4,000 Ecu when the co-operation and participation argument is less than 50% of the business capital.	15 years. Capitalised value < 7,000 Ecu.	aid towards the improvement plan.
France	Young farmer premium (DJA) modulates geographically between 52,000 FRF (7,500 Ecu) and 235,400 FRF (34,000 Ecu) (setting up of young married couples in mountain areas).	Specified medium term (MTS) loans aims at financing investments in fittings and property involved in the transfer of the business. Interest rate of 2.55% or 3.8%, depending on the area (less-favoured areas, outside less-favoured areas), with a maximum duration of 15 years. Duration of the benefit = 15 years in less-favoured areas and 12 years outside less-favoured areas. The maximum amount that a young farmer can borrow at those rates is 720,000 FRF (€109,763).	Loans for investment in modernisation, within the framework of a Material Improvement Plan (MIP): similar rates to MTS loans.
Ireland	Grant of 5,600 IRP (7,500 Ecu)	No discount loans.	MIP supplement.
Italy	Grant limited to 7,500 Ecu in general.	15-year 5% interest discount.	25% supplement to normal aid.
Luxembourg	Grant of a maximum amount of 400,000 LUF (10,000 Ecu)	Subsidised loans: Maximum 5% discount (with a minimum payable by the farmer of 20 years). Limit of loans depends upon a price/ha. Equivalent to the value of the agricultural yield.	25% supplement to normal aid.
The Netherlands	No installation grants are available.	No specific installation grants are available.	25% increase of the MIP grant for pig farms. Grant of up to 30% (depending on the type of investment). Investment should at least amount to 20,000 HFL (€9,076) and not exceed 190,000 HFL/AWU (€86,218) or 380,000 HFL/holding (€174,436).
Portugal	Grant of 7,500 Ecu.	Discount of 5% of interest over 15 years for loans used for investments connected to the house. Capitalized value < 6,000 Ecu.	MIP supplementary aid = 25% (+ national supplement).

Austria	Grant of 125,000 ATS (9,300 Ecu) depending on: - a minimum investment of 200,000 ATS (14,800 Ecu); - a mimimum eligibility level.	Subsidy of 25% of the cost of a maximum loan of: -1,200,000 ATS (89,285 Ecu/UTH) - 2,400,000 ATS (178,571 Ecu) per holding.	Compulsory minimum MIP: standards: animal welfare, environment, max. 2.5 livestock unit (LU)/ha. 2 subsidies that may be combined: - subsidy on investment (between 13% and 58% of the total investment). - interest discount: 50%-75%.
Finland	Maximum grant of 70,000 FIM (12,038 Ecu). The beneficiary may not receive more than 50% or 25% of this amount.	Possibility of a loan at 5% interest for a maximum amount of 70,000 FIM (12,038 Ecu).	Additional aid of up to 25% of the amount of the initial aid.
Sweden	Aid over 5 years with a payment of around 6,000 Ecu/year during the first 3 years and 3,000 Ecu the 4th and 5th year. This amount may be smaller if the farmer only works part-time.		
United Kingdom	No installation grants are available.	No specific installation grants.	25% increase on the aid granted within modernisation schemes, in the form of subsidies.

Source: CEJA, adapted by *RGC*

Note: *The information in this table is as up-to-date as possible however, as member states amend their implementing rules relatively frequently, individual national details should be verified if the information in the table is to be used for other purposes. Exchange rate changes (for non-Euro countries) can also alter the figures.*

2. Further details on national measures

2.1. Austria

2.1.1. National implementation of EU measures

Austria offers both installation aids and enhanced investment grants. The maximum age is 39 at the time of application. If the farm is leased then the lease must be of long duration. A diploma in agriculture, plus two years (minimum) work experience is required (though these two years can be completed after the installation).

Austria has tended to favour Article 11-type aids, though there has been a move towards more beneficiaries receiving Article 10 aids.

2.1.2. Other national measures

None reported.

2.1.3. Fiscal and other measures with an indirect impact

All Austrian farmers are subject to income tax. However, only some 40% of Austrian full-time farmers pay any income tax because the Austrian taxation system is based on an approximation procedure that is based on values of around 10% of market values. Net farm income is calculated by deducting business expenses from gross income. "The accrual method is mandatory if turnover exceeds ATS 2,000,000 (€145,346)". Business expenses can be reduced by a standard deductible ATS 12,000 (€872), from 2000.

Capital gains taxes from transactions defined as "speculative" are also payable on land sales re-sold within 10 years. Capital gains may be rolled over if fixed assets are sold. Any gains can be deducted from the investment costs over the period.

A real estate transfer tax of 3.5% is payable, reduced to 2% where the sale is to relatives.

A further real estate tax is payable to local authorities on the assessed value of property at 0.8%. Vacant land with an assessed value of more than ATS 200,000 (€14,535) is liable to a federal land tax of 1%, after a standard ATS 200,000 deduction. Real estate taxes are payable on buildings as well as land, but both are low because values do not reflect market levels.

Inheritance tax rates and deductions vary according to the closeness of the relation. These vary from 2%-15% (with a deduction of ATS 30,000 - €2,180) for a spouse or children, to 4%-25% (ATS 30,000) for grandchildren, and between 6%-40% (ATS 6,000 - €436) for parents, brothers and sisters, 8%-50% (ATS 6,000) for nephews, nieces, parents-in-law and children-in-law, and between 14%-60% (ATS 1,500 - €109) for others. The taxable total is based on the net value of the property. This is based on accumulating transfers within ten years, and crediting tax paid in these ten years against the total tax bill.

A preference for single-heir inheritance allows one heir to succeed to a whole farm holding in return for compensation to the other heirs. Ordinarily, descendants take on the loan and tax liabilities of the family farm. Usually, there is little more than a capital transfer tax payable by Austrian successors. From 2000, farms benefit from a tax-deduction from inheritance and gift duties worth €1.2 million effectively nullifying the taxes on agriculture.

2.2. Belgium

2.2.1. National implementation of EU measures

Both the Flanders and Wallonia regions offer the installation aid and enhanced investment grant schemes. Both regions favour the loan assistance option under Article 10, though Wallonia offers some capital grants. The maximum age for an application to be lodged is 39 (Wallonia insists that the complete dossier be submitted before the farmer turns 40, while Flanders accepts a simple application before that date).

The two regions both require secondary or further education qualifications plus experience, the length of which varies between the two regions.

Belgium has made increasing use of both types of aid, installation aids in particular.

2.2.2. Other national measures

Some Flemish provinces give first-installation support of between 18,000 BF (€446) and 35,000 BF.(€868).

In the future, it is planned that non-full-time farmers should also be able to benefit from these measures. There will also be a rent subsidy of between 3% and 5%. The capitalised value of this subsidy amounts to 1,008,500 BF.(€250,000).

Young farmers should also be able to benefit from investment aid for diversification, special farm adjustments and structural improvement. Aid amounts vary by type of production.

2.2.3. Fiscal and other measures with an indirect impact

None reported

2.3. Denmark

2.3.1. National implementation of EU measures

Denmark offers both installation aids and enhanced investment grants, however the number of beneficiaries for both is low. Denmark sticks quite closely to the measures outlined at EU level. The emphasis is put on reducing the costs of borrowing money when taking over the farm. Young farmers are defined as being between 16 and 35 years of age. They must have obtained a “green card” (a certificate proving a minimum qualification in farming) or its horticultural equivalent. Work experience required varies between 22 months and 3 years (depending on the type of production) with horticulturalists being required to gain experience on 2 different farms. Equivalent qualifications from abroad are accepted.

The PLS consultancy has evaluated the operation of the young farmers’ support scheme in Denmark (for the year 1999). The conclusion is that the scheme has only a modest impact on the actual pattern of establishment. Nevertheless, the money on offer has undoubtedly helped the individuals involved.

The measure is considered important for the ability of newly-established farmers to invest and develop farms. There is also a positive, though limited, benefit for rural employment.

The administration of the scheme has caused few problems.

2.3.2. Other national measures

A state loan with a repayment period of 20 years is granted, via the Agricultural Mortgage Bank, on favourable conditions. On 75% of the loan amount the government pays the interest charges (over 4 years). In the following three years the government reduces its assistance. In the remaining 13 years the farmer pays the full charges himself/herself. The loan normally amounts to about 15% of the purchase price of a holding. The maximum eligible loan is €100,700. About 400 farm sales involve a loan of this sort (out of a total of roughly 1,500 to 2,000 annual farm sales, 50% of which are to part-time farmers).

The EU and national installation loans are to some extent linked to each other.

2.3.3. Fiscal and other measures with an indirect impact

Inheritance tax is payable in Denmark except in the case of a spouse. Other rates vary according to the relationship. There are no direct inheritance tax breaks aimed at farmers, nor young farmers. Children are liable to a tax of 15%, with an exemption of DKK 191,000 (€25,651). Other relatives are liable for a 25% tax, but there is no exemption, making the effective rate 36.25%. Gift taxes are payable at a rate of 15%, spouses are exempt. Children have an annual exemption of DKK 42,500 (€5,708).

Succession law allows relatives to chose one of two options when handing over a farm. The options effectively reduce the price of a farm below market levels. The law is designed to prevent the break up or subdivision of farms.

Under the two options, a purchaser either takes on the vendor's basis of depreciation and tax obligations linked to depreciation, i.e. taxes yet to be paid, in which case the vendor makes a tax gain by not paying the taxes linked to past depreciation. Or a standard sale takes place.

Under the first option, from the buyer's point of view, the succession law cuts the capital cost of the farm. However, while any capital saving under this option is reflected in increased tax burden, this is only payable in instalments, rather than as a lump sum, so reducing the borrowed capital.

Under the second option, relatives can chose to carry out a standard sale agreement, settling all outstanding taxes, including depreciation, before contracts are exchanged. This usually has the effect of increasing the price of the farm to market levels. However, the purchaser is able to claim the full investment benefits of depreciation.

The succession law effectively makes small-scale transactions between relatives more viable than they may otherwise be.

Since Denmark encourages a single-heir, and single heirs are obliged to pay compensation to other eligible heirs, large debts can accrue. Nevertheless, a preferential assessment of farmland value mitigates some of this cost. In Denmark, farmland is assessed on agricultural productive value, rather than market value. Preferential value is calculated at 60% of market value. This acts as a tax concession to the successor by reducing his or her taxable amount.

Rates of property tax in Denmark vary annually between local districts. On agricultural land in the financial year 1999/2000, the minimum payable annual land tax is 0.16%, on the basis of public valuation, and the maximum is 0.18%. In comparison, the general land tax varies between 0.16% and 0.24%. Taxes vary between municipalities, and fluctuate according to local ability to tax.

2.4. Finland

2.4.1. National implementation of EU measures

Aid for the setting up of young farmers is granted to young farmers under 40 years of age. The main purpose of the aid is to reduce the costs of setting up on viable farms. The aid scheme is applied all over Finland. In the Objective 1 area the aid scheme is applied with EAGGF funds part-financed by the EU as part of Objective 1 programmes. Elsewhere in the country the aid scheme is implemented entirely with national funds.

Applicants must obtain a secondary school level diploma, or a training qualification (involving three years of study).

Article 10 aids are in general favoured over Article 11.

The figures shown in Table 4 conceal a rather more complicated application of the installation aids in practice, including a mix of EU and national measures. Under Article 10, where the interest-rate-subsidy option is chosen, a government loan from the Agricultural Development Fund at market interest is provided, supported by reducing the interest rate by up to five percentage units. An annual interest rate of at least 2% must always be paid on the loan. The maximum term of the loan is 25 years and the minimum period is three years. The maximum amount of the loan is 80% of the approved costs, subject to a maximum €100,000.

2.4.2. Other national measures

The recipient of aid (to whom a government loan has been granted as part of aid for the setting-up of young farmers) benefits from capital transfer tax exemption in relation to the real estate purchased. The tax exemption amounts to 4% of the purchase price or of the value of the transferred real estate.

The recipient of aid who has been granted, as part of aid for the setting up of young farmers, a government loan or interest-rate subsidy loan for the purchase of land, can benefit from the capital-transfer-tax exemption in relation to real estate on the same terms as in Objective 1.

2.4.3. Fiscal and other measures with an indirect impact

Farmland in Finland benefits from a lower rate of property tax compared to other land. Rather than based on market value, farmland is determined at 5% of market value.

Inheritance tax and gift taxes are payable on Finnish property. Inheritance taxes are imposed on each individual beneficiary's share of the inheritance, rather than the estate of the deceased. There are deductions for spouses (FIM40,000 - €6,728) and minor children (FIM20,000 - €3,363). Young farmers benefit from higher allowable deductions where the heir has been employed for at least ten years by the deceased.

Earnings from property, capital gains and earnings income are taxable capital income in Finland. However, farm incomes are calculated on exactly the same basis as other businesses. Farm income, in a country where most farmers are also forest owners, includes income from forestry operations.

2.5. France

2.5.1. National implementation of EU measures

France offers both installation aids and enhanced investment grants. The maximum age for an applicant is 35 years, though this can be extended (by one year per dependent child, by the duration of national service performed, or to take into account exceptional circumstances, but not going beyond 40 years). A minimum age of 21 years also applies.

Professional qualifications required are relatively straightforward, with the work experience required being of six months' duration (away from the family farm, where relevant).

France has made significant use of installation aids. With an average of 10,000 beneficiaries per year it is way above the EU average of 2,000 (the EU median being 1,000). In terms of amounts proposed for reimbursement the figures are more dramatic – France has requested EU reimbursement of 190 million Ecu per year on average over the 1990-1997 period, compared to an EU average of 25 million Ecu and a median EU figure of 8 million Ecu.

France tends to favour Article 10 over Article 11 by a factor of three on average.

France's approach to installation is essentially the basis for EU policy. This extends even to the concept of allowing regional and departmental management of the installation policy.

2.5.2 Other national measures

France enacted the "National Charter for the Installation of Young People in Farming" (*Charte Nationale pour l'Installation des jeunes en agriculture*) in November 1995. This represents a strong political commitment to try to ensure a generational shift in farmers at a time when numbers of farmers overall are declining relatively rapidly.

The charter cannot be completely separated from the French government's implementation of EU-level regulations. In many ways the charter is the means to do this at national level. Nevertheless, there are aspects of the French application which are of note, for example:

- Installation Welcome Points (PAI) have been set up in order to prepare candidates for installation for the administrative, financial and practical problems they may face;
- Initial Installation Directories (RDI) list farmers without successors and try to match them with young farmer candidates for installation;
- The Land Support Programme for Farm Take-overs (PATRE) is an experimental programme aimed at preparing older farmers (over 50 years old) with uncertain succession for the possibilities for handing over their farms in the future;
- Regional Council funding is sometimes available to young farmers for the renovation of old houses (accommodation often being a problem during the hand-over period of a farm), for tenant farming advice, and for special training of hand-over candidates.

An essential element of the French approach is the very carefully-structured manner in which young farmer aids are applied with specialist organisations (e.g. CNASEA and ADASEA) and financial institutions (e.g. SAFER) involved.

2.5.3. Fiscal and other measures with an indirect impact

In principle all eligible heirs in France should be equally treated. However, this would inevitably result in unwanted fragmentation of farms, as most successors would be unable to pay compensation to other heirs in order to farm alone. Consequently, France operates a system of "preferential allotment." This system allows a court to decide which of the heirs is the most suitable, and the successor can request the right to pay compensation to other heirs over a period of up to ten years.

In addition, farmland groupings, called "*Groupement foncier agricole*," may operate as a joint-ownership vehicle for several heirs. This also allows non-heirs access to farmland.

Children of a farmer can also claim deferred wages, "*salaire différé*," if they have worked unpaid on the farm before the age of 18. This allows a child succeeding to the farm to claim a share of the land sale profits and to pay off compensation to other eligible heirs.

French tax laws specifically exempt farmland subject to long-term leases in France from inheritance tax.

All other real estate is subject to land tax ("*taxe foncière*") on the basis of market value. If real estate which has been held for more than 32 years is sold, it is exempt from capital gains tax because of the standard annual deductions applied throughout the holding period. Real estate deemed to have a market value less than FF400,000 (€60,980), plus an allowance of FF100,000 (€15,245) per dependent, is exempt from property tax.

2.6. Germany

2.6.1. National implementation of EU measures

Both schemes are offered, with the maximum age for qualification being under 40 years old at the time of application. A diploma from a specialist agricultural college (or an equivalent training course allowing the applicant to be able to manage a farm) is sufficient technical qualification. In the future up to 23,500 DM (€1,202) will be available for the installation grant (if the overall investment is of 100,000 DM - €51,129 - or more); with farm mergers, the German rules also allow for the premium to be awarded to up to four young farmers.

About 3,700 farmers per year have benefited from installation aids in the 1990-1997 period, though with payment levels at a low level relative to some other member states. While the situation varies from region to region, Germany has tended to favour Article 10 aids. However, use of Article 10 fell off in the later part of the 1990-1997 period. The addition of the new *Länder*, post unification, seems to have had little impact on the use of young farmer installation aids. However, use of Article 11 has increased since unification.

2.6.2. Other national measures

Some *Länder* (e.g. Hessen and Niedersachsen) have regional new entrants programmes, in addition to Federal application of the EU system.

2.6.3. Fiscal and other measures with an indirect impact

In Germany farmers pay income tax by one of three different means. Which one is applied is determined by the size of the farm, although farmers cannot themselves choose the type of procedure used. In the case of small, or unprofitable farms, a system based on the area farmed is used to estimate the tax, based on averages but only assessing up to a maximum of around 75% of income.

Net income is calculated by deducting business expenses from gross receipts, however, many farmers are exempted from the usual business methods where farm turnover does not exceed DM500,000 (€255,646) and profits are not more than DM48,000 (€24,542).

On the death of a farm owner, the holding is usually excluded from the total inheritance shared between heirs, and instead is taken on by one heir. The principal heir can be fixed by a court, where there is a dispute and in some cases courts will require the heir to be capable of managing the farm independently, and to demonstrate agricultural qualifications.

However, in southern *Länder*, a farm should in principle be divided equally between all heirs. In practice, a farmer can choose to pass on his holding to an heir and decide on the share of the relative claim of all other heirs.

As a result of the two systems, farm structures across the former Federal Republic vary between larger holdings in the north, and smaller farms in the south.

When inheriting farmland and property, a deduction of DM500,000 (€255,646) from inheritance tax can be made, and a 40% reduction on the remaining value. If the successor is a direct descendant, (child or grandchild), a further DM400,000 (€204,517) is deductible. Usually, because deductions for inheritance and gift duties are cumulative, inheritors pay no duties on farmland.

A property tax is payable on agricultural real estate and varies between municipalities. Gains on the sale of business assets are usually included in taxable income, however, any gains on the sale of an entire farm business are treated separately, and taxed at half the usual rate, after a deductible allowance of DM60,000 (€30,678) where the vendor is over 55 years old. Gains from sales considered "speculative" are treated separately. A land sale is considered speculative if it is resold within two years of purchase.

A number of changes were made in the so-called "*Sparpaket*", or savings package, of the Schröder government in autumn 1999 covering various social security and tax reforms and introducing an eco-tax on fuel.

The net effects of the package will have made the situation for young farmers considerably worse. From an agricultural point of view the main changes are the reduction in the state subsidy of social insurance contributions in the agriculture sector. Whereas the previous subsidy - which is not seen in any other except the coal industry - assisted all farmers, the Berlin government has now introduced an income-related system, where the amount of subsidy depends on farmers' income, with none provided for income above a fixed amount.

The new eco tax also results in an increased burden for farmers because the system of "tax-free" diesel for agriculture - funded by a 860 million DM subsidy a year from the Ministry of Agriculture - is removed, as are other global subsidies for gas, petrol, and oil. In national terms the package seeks to "offset" the additional fuel costs by reducing social security obligations for employers. As most farms are family farms and not likely to benefit from this "compensation", German farm minister Karl-Heinz Funke has already acknowledged that some alternative form of compensation will have to be introduced. Latest thinking (April 2000) is to move back towards reduced-cost diesel for farmers, but there appear to be problems of administration over this concept. So far, there is no discussion of any measures that would particularly favour young farmers. Some point out that in the changes to the tax rules there is no longer a distinction between the type of farmer in the rules for turnover tax.

2.7. Greece

2.7.1. National implementation of EU measures

All the Regulation 950/97 measures relevant to young farmers have been applied. Greece implements the regulation with little variation from the suggested norms (definition of young farmer etc). 40 is the maximum age for an applicant. A minimum age of 18 is also applied.

A minimum of 150 hours of tuition on a specialist course is required.

Greece has made increasing use of Article 10 aids over the 1990-1997 period.

2.7.2. Other national measures

These include:

- Low-interest loans to ease young farmers' installation costs (additional to EU aid);
- investment subsidies for young part-time farmers;
- low interest loans for land purchase;
- special tax reductions on young farmers' incomes.

2.7.3. Fiscal and other measures with an indirect impact

None reported.

2.8. Ireland

2.8.1. National implementation of EU measures

Both installation aids and enhanced investment grants are offered. A maximum age of 35 years is applied. Young farmers must possess a "certificate in farming", or have 150 hours of further training and three years' work experience (though this option has been reserved to farmers born before 1968).

Article 10 aids have tended to be favoured, though amounts paid out under either scheme have been relatively low. With the virtual disappearance of Article 11 aid after 1995, the numbers of beneficiaries under Article 10 more than doubled.

The Early Retirement Scheme commenced during 1994. Under this scheme farmers between the ages of 55 and 65 can retire early and receive a pension with a maximum amount of £10,000 (€12,697) per annum. The scheme encourages transfers of farms to younger farmers.

2.8.2. Other national measures

A further bonus in transferring a farm was the introduction in 1994 of reduced Stamp Duty for farmers under 35 with specified educational qualifications. This is in addition to the normal reduction in Stamp Duty that applies to all transfers in the agricultural sector. The resulting rate of 1% (compared with the full 6-9% for non-agricultural transactions) came in in January 1994. This change was part of the Programme for Competitiveness and Work (PCW).

Under the Farm Improvement Programme (FIP), farmers who draw up a development plan to improve their holding can receive grant aid. Young farmers who meet certain educational requirements receive a grant rate 25°/o higher than their older counterparts for farm investments. This scheme has operated since 1986 but has now ceased for all investments except those involved in the horticulture sector.

Farmers aged under 35 and between ages 35 and 44 take out the highest number of FIP plans and as farmers under 35 are a small percentage of the farming community they are obviously investing highly. 16% of farmers under 35 take out plans in the top three sizes as opposed to 12% of other farmers. The FIP has obviously been an important source of funding for young farmers who have considerable investment needs. However on average only 47% of these young farmers are able to qualify for the additional aid under Article 11 of Regulation (EEC) No 2328/91. This is presumably due to the fact that they do not have the necessary educational qualifications to receive the additional aid.

2.8.3. Fiscal and other measures with an indirect impact

In Ireland there have been changes in the tax system of benefit to young farmers. As a result of the changes in taxes on farm transfer in 1995, no capital acquisitions tax (CAT) at all is paid on farms with an approximate asset value of £400,000 (€507,895) whether they were transferred by gift or inheritance. For farms with an approximate asset value of £500,000 (€634,869), CAT is eliminated for gift transfers and considerably reduced for inheritance transfers.

2.9. Italy

2.9.1. National implementation of EU measures

Both installation aids and enhanced investment grants are offered. A minimum age of 18 applies and the maximum age varies between 35 and 40 according to the region. A University level diploma or 3 years work experience is needed (though the work experience option is offered only in certain regions.

Article 10 aids have tended to dominate, though reliable figures have been difficult to obtain.

2.9.2. Other national measures

The Italian government wants to improve the unfavourable age structure in agriculture by an efficient national policy favouring the establishment young farmers. Although the relevant draft law passed the last parliament hurdle more than a year ago, it has been blocked by disagreement with the Finance Ministry over the level of state funding. In March 2000 a figure of 26 billion LIT (€13.4 million) was set for the year 2000. The law foresees "establishment" aids for farmers under 35, if they commit themselves to the condition set out under the legislation for a minimum period for four years. The then Italian minister Paulo de Castro conceded (in a speech in Caserta in March) that the relevant EU rules on set-up grants or aid for early retirement have worked insufficiently in Italy. In the meantime 38 applications have been lodged for the new scheme, 30 in "southern" regions of the country.

An observatory for young entrepreneurs is being put in place which will monitor and help improve the situation of young farmers. One task will be to promote training activities.

In order to improve the chances for young farmers in Italy, the government is making the "giving" of land easier and also easing rules on leasing. The central points of the law are the improved financial conditions, a greater flexibility in production quotas, as well as steps to ease tax and credit burdens. Above all, the concept of "tax neutrality" will be sought within the farming family. This should mean when a son takes over his father's farm, VAT will no longer be charged - a practice that takes up a large proportion of the installation grant at present. A further provision of the new law is that a young farmer willing to take on the farm will pay no inheritance or "gift" tax. Moreover, tax concessions for modernisation measures will become available for young farmers. Finally, the Italian government hopes to accelerate the necessary change in generations by removing income tax payable on rented land in the first five years of installation.

2.9.3. Fiscal and other measures with an indirect impact

In 1998, Italy set up a law which establishes a series of provisions to encourage young farmers. The law attempts to give young farmers access priority to funding with tax exemptions (on death duties, gift taxes, land taxes, stamp duties and capital gains tax on property) as well as incentives and land unification plans. Funding is available to young farmers to help with the costs of buying or expanding farms.

2.10. Luxembourg

2.10.1. National implementation of EU measures

Both schemes are offered, with the minimum age being 18 and the maximum 40 (at the time of the actual installation of the farmer). Various combinations of educational and work experience are offered as proof of qualification to farm.

2.10.2. Other national measures

None reported.

2.10.3. Fiscal and other measures with an indirect impact

In Luxembourg, a land tax is paid to the commune which varies according to the land usage, whether agricultural or forestry. When a young farmer inherits a family farm, he or she benefits from a reimbursement in some commune costs.

2.11. Netherlands

2.11.1. National implementation of EU measures

Dutch governments were never enthusiastic about introducing installation aid as they feared the number of farm take-overs would increase as the take-over of non-viable farms would become financially more attractive (this was contradictory to the national structural policy).

In an evaluation of the scheme in the early 1990s almost half the beneficiaries indicated that their investments would not have been different without the grant while the other half indicated that they would have invested less. Nevertheless, over half of the respondents indicated that investments were brought forward thanks to the grant. In almost all cases the farmers responded that the take-over would have taken place irrespective of the grant.

In 1992 the Dutch government needed to make budget cuts. Following the evaluation, the installation grant for young farmers was withdrawn. One of the arguments used was that the money was not being used to fund investments but that it was flowing directly to the parents (who in practice are providing loans to the young farmer). Often it is also argued that such a grant stands in the way of farm restructuring as it helps to take over non-viable farms.

2.11.2. Other national measures

The Decree Promotion Investments in Pig Farms (*Besluit stimulering investeringen varkenshouderij*) offers a 25% top up for young farmers on the grant awarded. A young farmer should not be older than 35 years of age and not be in business for more than five years. This decree offers a grant of up to 30% (depending on the type of investment) on investments on pig farms. Investment should at least amount to 20,000 HFL (€9,076) and not exceed 190,000 HFL/AWU (€86,218) or 380,000 HFL/holding (€174,436).

2.11.3. Fiscal and other measures with an indirect impact

Farmland purchases in the Netherlands are subject to a standard 6% transfer tax. Land covered by the National Conservation Act in the Netherlands is not liable to municipal property tax. Secondly, land can be exempted from the transfer tax if the farmer undertakes to improve the farm structure. Alternatively, succession from parents to children exempts farmers from the tax. In practice, this means that very little farmland is taxed.

More than 30% of total farmland area in the Netherlands is leased, accounting for approximately half of farm holdings. Authorities in the Netherlands must approve a sale or lease, according to criteria including whether a rent is reasonable.

The national Bureau for Agricultural Land Management has pre-emptive rights over other purchasers in rural regions, but must buy land at market values and can then temporarily manage land in order to fulfil improvement or development projects.

The Netherlands imposes strict rural land use development conditions, at a municipal level.

Generally, measures targeted at a starting entrepreneur (this includes a young farmer) are of a fiscal nature. The starting entrepreneur can be of any age, setting himself up in any business activity. For the Dutch tax authorities an entrepreneur is defined as a person:

- not older than 65 years of age;
- running a business for his own profit;
- running a business at his own risk; and,
- working a minimum of 1,225 hours per year in his business (after five years at least 50% of the working time should be spent on the farm).

A starting entrepreneur is an entrepreneur not having been running a business for his own profit and risk in one or more of five years previous to the current tax year.

When a young farmer fulfils these criteria he is eligible for the fiscal measures available to (starting) entrepreneurs. Often this is the case when he enters a partnership leading to full farm take-over with (usually) his parents.

Within the Netherlands a variety of subsidies and aids is available to farmers. Besides the "normal" EU acreage and headage payments there are a lot of different schemes for the environment at large, for instance nature management, development of landscapes, control of damage by game, etc. Additionally there are financial and social measures as well as a variety of investment stimulants.

However, these measures are not geared towards assisting young farmers in particular.

The EU early retirement scheme is currently not applied in the Netherlands, with the argument that there is the Older and Partially Incapacitated Former Self-Employed Persons Income Scheme (IOAZ). The IOAZ foresees a payment to retired farmers between 55 and 65 years of age when they have a low income and little assets. The Dutch government also feels that most farmers obtain enough capital when they sell their farms on the free market. But the IOAZ does not lay down how or to whom the farm should be transferred.

2.12. Portugal

2.12.1. National implementation of EU measures

Portugal offers both schemes, with a minimum age of 18, and a maximum of 40, at the time of the application for assistance. Various combinations of educational and work experience are offered as proof of qualification to farm. The shorter the training course the longer the work experience required is, in general, the case.

Numbers of young farmers qualifying for assistance have fallen over the 1990-1997 period.

2.12.2. Other national measures

None reported.

2.12.3. Fiscal and other measures with an indirect impact

None reported.

2.13. Spain

2.13.1. National implementation of EU measures

Spain offers both schemes, again with minimum and maximum ages of 18 and 40 years respectively. Educational qualifications required are quite stringent. Where a combination of a diploma and work experience is chosen, the duration of the work experience depends on the type of experience being gained (a longer period is required if the work is mostly manual rather than managerial).

Approximately 3,700 young farmers per year received installation aids in the 1990-1997 period. Spain favours Article 10 over Article 11 by a factor of two in terms of beneficiaries.

2.13.2. Other national measures

None reported.

2.13.3. Fiscal and other measures with an indirect impact

None reported.

2.14. Sweden

2.14.1. National implementation of EU measures

The only measure specially targeted at young farmers is the installation aid. The maximum amount on offer is SEK200,000 (€24,149). The first SEK100,000 (€12,074) is usually paid, as a grant, straight after installation takes place. A second payment (of up to SEK100,000) is made available after two years as an interest rate subsidy on a loan.

Under Regulation 950/97 Sweden has defined a young farmer as being under 35 years old (now being raised to 40). Until now conditions include the need to have a sufficient education in farming, and for the farm to show economic viability. Full-time farmers are given priority if demand for loans exceeds supply. In 1999 the maximum age was raised to 40 and 250 young farmers qualified for aid.

On average 150 young farmers per year have applied for installation aid. The Swedish authorities report that all available funds are normally used up, and that all qualified applicants have received aid. Results of an assessment made in 1998 are not fully available yet, but suggest that farmers were generally positive about the system.

2.14.2. Other national measures

Swedish farmers have access to milk quota, without a charge, for up to a maximum number of cows (this is not made specific to young farmers but clearly gives them opportunities to enter dairy production).

Other measures, such as investment aids, are made available in Sweden. Investments of up to SEK1.6 million (€193,190) are eligible for grant aid (at a rate of 30%). Environmentally beneficial works qualify for a grant of the full cost, provided that the investment is non-profit-making. The maximum amount of this type of aid is SEK200,000 (€24,149).

There are a number of conditions attached to these aids, and they are “means-tested”. However, these are not geared to helping young farmers in particular.

2.14.3. Fiscal and other measures with an indirect impact

None reported.

2.15. United Kingdom

2.15.1. National implementation of EU measures

The UK government (indeed successive UK governments) offers none of the EU-level measures to young farmers. Nor are measures currently available in any of the UK regions.

UK government policy on many aspects of CAP spending – including early retirement schemes and agri-monetary compensation – is dominated by the possible impact of CAP spending in the UK on the UK's budget rebate. This rebate system (dating from 1985) effectively means that the UK is re-paid a proportion of its EU budget contributions, when the UK has not benefited proportionally from the CAP. This leads the UK Treasury to seek to minimise use of CAP funds within the UK, in order that the rebate can be higher.

2.15.2. Other national measures

The UK government offers no particular assistance to young farmers.

2.15.3. Fiscal and other measures with an indirect impact

The UK government provides a grant to part-fund the activities of the National Federation of Young Farmers' Clubs. This amounts to £36,000 (€60,150) per annum (approximately 40% of the Clubs' work in relation to training and education activities).

The government also provides funding for training of young farmers via the National Training Organisation - Lantra NTO Limited – the training organisation operative in the land-based sector. Funding amounts to approximately £1 million (€1.671 million) spread over three years. Lantra receives other regional funding also. The vocational training provided is by no means devoted exclusively to young farmers, though they may benefit from free training where other groups do not.

2.16. Cyprus

2.16.1. Agricultural measures

In Cyprus a person up to the age of 40 years is considered to be a young farmer. A project named "Project for the Encouragement of Youth to Stay in Rural Areas" was initiated in 1989 and is under operation until now. Young people who are interested to live in rural areas can benefit from this project which provides loans for the establishment of viable units in the field of agriculture, animal husbandry or agro-industry.

The project provides for a loan of up to C£16,000 (€27,826) for the establishment of viable units in sectors encouraged by the Cypriot Ministry of Agriculture, Natural Resources and Environment, according to the government's agricultural policy. For those who are landless, an additional loan of up to C£7,000 (€12,174) is provided for the purchase of farmland.

The loan, at 5% interest rate, is expected to cover 80% of the total investment cost for the establishment of the unit. In addition, project participants are eligible to participate in courses organised by the Department of Agriculture for a period of up to three months with an allowance of C£150 (€261) per month paid to them.

The collateral needed for the loan is provided by either the participants themselves, their wife/husband or their parents (for single persons). For those who do not possess enough property for loan security purposes, a government guarantee is provided.

Criteria to qualify for aid are similar to EU young farmer aid criteria.

Besides the "Project for the Encouragement of Youth to Stay in Rural Areas", Cyprus has a number of other projects through which loans are issued to farmers in general. These projects, promoted by the Department of Agriculture of the Ministry of Agriculture, Natural Resources and Environment, are not listed here. Nor are various ways that interest rates on loans are subsidised, as these are not specific to young farmers either.

2.16.2. Fiscal and other measures with an indirect impact

All agricultural income in Cyprus is subject to income tax. However, there are special provisions for farming. Farm income up to a maximum deduction of C£3,000 (€5,217) is allowed. An investment allowance on new farm machinery of 20% is also available, which also applies to second hand imported machinery.

A wear and tear allowance is calculated for farm machinery at 15% and a further 4% for farm buildings. Farmland owned by a farmer is exempted from property taxes.

Inheritance tax is payable on an estate based on the market value of property, on a sliding scale. No duty is payable on property up to the value of C£20,000 (€34,783), then at a rate of 10% for property between C£20,001 - C£25,000 (€43,478), or C£500 (€870), up to 30% on values over C£150,000 (€260,870). Debts and taxes are deductible as well as allowances for surviving relatives. These deductions range from C£75,000 (€130,435) for a spouse, to C£150,000 for a child over 21 years old.

Farmers are exempt from capital gains on sales of farmland of up to C£15,000 (€26,087). Since July 1992, fertilisers and farm machinery are VAT-exempt.

A property tax, based on market value, is payable on all real estate in Cyprus. The value is calculated on the basis of January 1980 levels.

2.17. Czech Republic

2.17.1. Agricultural measures

Within the Czech Republic assistance to young farmers consists of interest subsidies which are granted within the Youth Scheme of the Support and Guarantee Fund for farmers and Forestry (PGRLF). The young farmer has to be under 35 years of age. In 1999 the credit subsidy amounted to a further 2.5 percentage point on loans provided within the framework of the Operation and Farmer programmes (see below).

Another measure that helps young farmers is the cutting short of compulsory military service from one year to three months.

According to their December 1999 position paper (submitted to the Commission as part of the EU accession process) the Czech Republic will co-operate with the Czech Young Agrarian Society to adopt the setting up aid for young farmers.

Other assistance to farmers is not listed here as it is not directed at young farmers in particular, though under some programmes an extra subsidy is available for young farmers.

2.17.2. Fiscal and other measures with an indirect impact

No inheritance tax is payable in the Czech Republic by spouses, ascendants and descendants. Otherwise, inheritance tax varies depending on the closeness of the relationship. This varies from 1% for spouses and children, to between 3 and 12% for brothers and sisters (including people who lived for at least one year with the deceased prior to death) and between 7 to 40% for all others.

When calculating taxable income, farmers have the option of making a 50% lump-sum deduction on agricultural income.

A land tax is payable by the owner in the Czech Republic, based on purchase price, of 0.75% for arable land, hop-fields, vineyards and orchards. The tax on lower value meadows, pasture and forestry is 0.25%.

Less than 10% of agricultural land is farmed by the owner in the Czech Republic and most owner-farmers are former members of the co-operative on which he or she farmed.

2.18. Estonia

2.18.1. Agricultural measures

In 1999 support for young farmers was introduced for the first time. This support is budgeted at EEK3.5 million (€0.22 million). The support is basically investment subsidy, which is granted on new investments in the year of application. The applicant should not have been in agriculture for more than three years and should be younger than 40 years. The major criterion to obtain the subsidy is a business plan. The rate of subsidy is 45% to 50% depending on the subject of the investment. Business plans will be evaluated and controlled by local capital grant commissions, which also approve the applications.

In the past Estonia applied input support for farmers, but not for young farmers in particular.

2.18.2. Fiscal and other measures with an indirect impact

Land tax is payable on agricultural land, calculated by district authorities and factoring in both agricultural value and its location. Estonia began taxing land based on market values in 1992, relatively early for transition economies. When calculating taxes, which vary between 0.5% and 2%, the local authority is likely to consider more than the farming value of the land. A transaction tax is also payable on sales. Many farmland transactions are considered speculative on the assumption that there will be a future improvement in values, as around one quarter of agricultural land is currently out of production.

In common with other transition economies, there is no tradition of family farms and consequently no tradition of inheritance in Estonia. Family farms larger than 10 ha have only appeared since 1994.

There are proposals to change laws relating to renting land in Estonia, but current profit levels (net income reached negative level of -EEK322 (€20.6) per farm employee/month in 1999) make renting an unattractive proposition. Most leases are only one year long, although three-year leases are possible. There are no inheritance taxes in Estonia.

2.19. Hungary

2.19.1. Agricultural measures

Under a 1999 decree, support to young farmers was granted which is supposed to help the formation of family farms and to contribute to their running costs. Target sectors are: agriculture, horticulture, game management, forestry, and fisheries. Conditions are similar to those in the EU schemes. A particular condition is that the farm must produce an annual turnover of at least HUF1 million (€3,870). In 1998, 150 applications were submitted, of which 101 were successful. In the second year some 600 applications were submitted, of which 400 were accepted and 200 were refused because they did not meet the eligibility criteria. The average subsidy claim of the 400 applications submitted and accepted in 1999 was HUF6.6 million (€25,542). The Ministry of Agriculture and Rural Development intends to launch a call for applications for the year 2000 also. A financial resource of HUF800-1000 million (€3.1-3.9 million) will be available for these subsidies and some 300 new applications of young entrepreneurs is foreseen.

There is also special support to encourage producers to make use of professional consultants.

According to its December 1999 position paper on agriculture, Hungary wishes upon accession to set the ceiling of the combined EU and national contribution to the young farmers installation premium at €60,000 (as opposed to €25,000 in the EU regulation). The young farmer should be entitled to use this support, among other purposes, for purchasing land, and/or buying new or used machinery and farm buildings. In its draft common position the Commission appears to allow this higher installation aid under state aid rules "…in particular where this is justified by the very high cost of setting up". However, "in order to fully assess the request, the EU invites Hungary to provide further information on the conditions and costs prevailing in Hungary for setting up".

There is not a comprehensive rural development support policy in Hungary. Aid is provided through individual measures and schemes (e.g. support for certain investment in agriculture, support for quality protection and utilisation of land, support for rural tourism, co-operatives and other organisations of producers purchasing and marketing certain products etc.). Programmes and budgets are currently annual, but the government has prepared a long-term strategy as the basis for multi-annual planning.

A number of support measures exist, all of which could benefit young farmers, but none of which are targeted at them. One example is a scheme aimed at supporting land purchase with the aim of farm concentration.

The government has developed instruments to support investment (Agricultural Development Fund) and to guarantee credit (Rural Credit Guarantee Foundation, Land Mortgage Institute).

Responding to the decline in agricultural investment and the lack of bank lending, the government in 1992 created an Agricultural Development Fund within the budget of the Ministry of Agriculture. Through this instrument, farmers can receive investment grants, as well as loan interest rate subsidies. Investments can be production-related (e.g. planting, machinery) or for farm infrastructure (e.g. buildings, land improvement).

However, farmers or even farm organisations often fail to get public support for investment, simply because banks are unable to provide them with a loan in the absence of appropriate security. Banks usually require 150% collateral on agricultural loans, which prevents many holdings from obtaining credit, due to depressed asset values and insufficient equity capital.

In an effort to tackle this problem, the government created the Rural Credit Guarantee Foundation (RCGF) in 1991, with the assistance of PHARE. This provides a 50% guarantee on the loan principal and pays the first year's interest charges. It quickly met a pressing need and was very useful, but its means are still too limited to make a sizeable impact. Animal husbandry and food-production activities have received most of the loan guarantees.

On the whole, agricultural investment remains weak. However, loans to agriculture doubled from 1995 to 1996, probably more as the result of bank privatisation and the injection of foreign capital into banks than of public support for agricultural investment. Emerging small private farmers remain handicapped by their limited skills in elaborating business plans and in financial management.

The Hungarian government supports farmers in paying the fees of consultants providing agronomic and other advice. There is also subsidy for the "transfer of knowledge" improving the efficiency of farming – this is offered to schools, research institutes, consultants and publishers. It extends to the acquisition of foreign experience and on-farm training.

2.19.2. Fiscal and other measures with an indirect impact

The share of land rented in Hungary is very high, at more than 85%. The rate of inheritance tax varies from 2.5% to 21%, depending on the relationship. A 10% property transfer tax is payable on real estate based on price. A 100% reduction in the basic rate of tax is possible for investments for manufacturing products. In the case of farming, this can be claimed in each year of the period 1996 to 2002, as long as the agricultural sales turnover increases by a set percentage.

The break-up of collective farms is hindered in Hungary by legislation that allows members to leave the co-operative after privatisation, but not to remove assets or land from the farm.

2.20. Poland

2.20.1. Agricultural measures

Within Poland, ARMA (Agency for the Restructuring and Modernisation of Agriculture) provides loans for young farmers on which the interest rate is subsidised through banks (farmer applies to bank, bank applies to ARMA). These loans can be used for setting up a farm or to improve the structure of the farm. It applies to the acquisition of a farm, modernisation of a building (through buying, building new, extending or changing) as well as for the purchase of machinery and equipment and the basic herd, i.e. purchases that lead to reorganisation or to new production.

Investments which change production technology as well as increase production are eligible as are the inputs in the first production cycle (for up to maximum of 20% of the loan). The loan could also cover the purchase of the farmhouse but only to maximum of 30% of this cost with a maximum of PLN50,000 (€12,616). The total value of the loan should not exceed PLN500,000 (€126,167) nor 80% of the investment value. In special branches of agriculture (usually capital-intensive) loans could be as high as PLN2 million (€504,668) but in that case cover only 70% of total investment value.

The maximum loan period is 15 years. The applicant has to provide a business plan and to obtain a positive opinion of the extension service in his area.

The applicant farmer should be younger than 40 years, have an agricultural qualification or at least three years of practical experience. The farm has to be or become his main source of income and should have a size at least equal to the average in the area.

2.20.2. Fiscal and other measures with an indirect impact

In Poland the current agricultural tax system can also act as a deterrent to economic development. Farmers are exempt from income tax, unless they produce certain specialised crops such as vegetables or mushrooms or also have non-agricultural activities in addition to farming. Instead, they pay a "land tax", equivalent to the price of 250kg of rye per hectare of agricultural land, directly to the *gmina*. The implications of this are that there is a lack of incentive to diversify or develop more profitable enterprises, as farmers wish to avoid being reclassified for tax purposes. The *gmina* authorities have the flexibility to reduce the tax if they consider that it is too high for some of their farmers. However, the rate per hectare must be the same for all farmers within the *gmina*, which results in a loss of income for local government, and a consequent restriction on their activities to the detriment of the entire community, if the rate is reduced to take account of the poorest farms. This system also acts as a disincentive for some farmers to register their land officially, as they fear becoming liable for more taxes.

There are proposals to reform the agricultural tax system, by switching to a method based on income level rather than a flat-rate for farms of more than 50 ha from the year 2001. In addition it is proposed to introduce value-added tax on agricultural output from 1999, which would permit farmers to reclaim tax on their purchased inputs. One of the barriers facing these reforms (apart from reluctance from the farming community) is the widespread lack of formal farm accounts. Projects have been set up, operated through the voivodship agricultural advisory offices, to introduce farm accounting techniques onto farms.

2.21. Slovenia

2.21.1. Agricultural measures

The Slovenian measure that is comparable with EU regulation 950/97 was first introduced in 1998 through a first joint tender of the Ministry of Agriculture, Forestry and Food (MAFF) and the Slovenian Fund for Regional Development and Maintenance of Population Density of the Slovene Countryside (RDF). In 1999 the tender was opened again. Under these tenders a young farmer had to fulfil criteria which are comparable to the EU criteria.

In 1998 €2.3 million of favourable loans and €0.3 million in grants were disbursed to 110 beneficiaries. Under the 1999 tender 185 applications were received, of which 147 were approved involving €4.5 million of loans and €2.1 million of grants.

Within the SAPARD programme, young farmers enjoy more favourable terms than other farmers for investments into agricultural holdings. The share of assistance is 10% higher than for others and amounts to a maximum of 55%. Under this measure the following investments are eligible:

- investments into buildings (production facilities, no housing facilities) and other facilities on a agricultural holdings;
- investments into the interior equipment of production facilities and other facilities on an agricultural holding;
- investments into agricultural machinery.

2.21.2. Fiscal and other measures with an indirect impact

In Slovenia the fiscal regime is the same for all farmers. There is no tax on gifts, nor an Inheritance Tax.

Chapter III
CONCLUSIONS DRAWN FROM OPERATION OF CURRENT MEASURES

1. The situation in the EU-15

The points made here derive from received opinions from the questionnaires sent to interested parties, other research sources, and *RGC's* analysis, illustrated by data wherever possible.

1.1. Application of measures specifically aimed at young farmers

It is clear that application of the various measures enacted by the Council and Commission is variable within and between the member states.

The most obvious example of this is the fact that the **Netherlands** and **UK** do not offer installation aids and **Sweden** does not offer enhanced investment grants for young farmers.

The variable detailed application of the two main measures among member states is of interest. However, *RGC's* research and analysis does not suggest that this variability is a cause for concern. Member states have simply adopted the system that best suits their administrative practices.

One of the areas of greatest variability has been that of the requirement for the young farmer to demonstrate that the farm is providing sufficient work for that farmer. Here the conditions have been different in nearly every member state. The details are not listed here since that requirement has now been removed in the new regulation, along with the requirement that farmers must devote most of their time/derive most of their income from farming. These have been replaced by a more general requirement to show that the farm is "viable".

Several member states have insisted on either a lease, purchase, inheritance or early retirement having been the circumstance whereby the young farmer has come to the farm.

Finland, unsurprisingly given its geography, allows more weight to be given to the forestry activities of young farmers. France also gives some recognition to this.

In Finland**,** which might be considered as typical of the experience of many member states, a start-up aid scheme has been considered a necessary form of aid for the starting farmer, because the costs of a successor farmer in the setting up stage may be high. In spite of the system Finland has to some extent fallen short of the number of generation changes that is considered appropriate in terms of controlled structural development. The major reason for this has been the general uncertainty about the profitability of production, even if the aid scheme could be implemented more effectively. The relaxation of the successor's full-time requirement in particular could increase the number of generation changes on arable farms. A postal survey found that this condition was perceived to be a problem for around 40% of respondents. In addition, around one quarter of the beginners who responded said that their skills or training had to be developed before start-up aid was received. Around 30% of those answering had difficulties with the correct timing of the generation change. Most of those responding (65%) considered that the amount of start-up aid was too small.

The Finnish government believes that agriculture forms an essential part of the basic settlement of rural areas and it also maintains the infrastructure and other business activity of remote areas. The structural development of the countryside must be managed, and in this the control of generation changes on farms also has an important role. Although generation changes also take place without aid, aid is important for the continuation of agricultural production and the maintenance of employment all over the country, particularly in the longer term as present farmers age and especially in remote areas where alternative employment opportunities simply do not exist. Start-up aid has not halted the fall in the rural population, but it has however played a part in slowing it down. Aid has thus helped the preservation of vital agricultural communities.

The actual aid system with its terms and restrictions, however, will not in the final analysis resolve the implementation of generation change. General conditions for profitable agricultural production and certainty in regard to prices, subsidies and markets are the decisive factors when acquiring a farm or continuing production are considered.

Evaluations conducted in Finland have shown that an important criterion for the granting of start-up aid is the earlier transfer of the farm to the successor. The farm is generally transferred from parents to one of the children. On the basis of start-up aid material the Finnish authorities have ascertained that the average age of farmers who have given up has been around 60 years. No statistics are compiled for generation changes occurring without start-up aid. In spite of this lack of statistics, it can be concluded that those who give up farming without aid are clearly older than those in generation changes that receive aid. In approximate terms, the average age of those who give up farming in generation changes receiving aid is around five years lower than in changes that occur without aid. The aid scheme therefore promotes the earlier transfer of farms. The five-year target level set for the bringing forward of generation changes has therefore been achieved, even though for reasons of statistical deficiencies and other evaluation drawbacks it is difficult to present an exact picture of the development that has hitherto occurred.

In **France**, despite extensive use of measures to assist young farmers, the rate of replacement of farmers ceasing production is only one in four. However, this must be seen in the context of a rapid decline in overall farm numbers (amid significant restructuring in French agriculture). This trend is likely to continue – CNASEA has made calculations which suggest that the number of offspring ready to take over a family farm is also falling significantly.

Interest rate subsidies have been consistently offered at a rate of 5% throughout the member states offering the installation aids scheme. France is the sole exception, offering lower rates (which vary regionally).

As far as investment grants are concerned all member states have offered the maximum of 25%, with few special conditions attached.

Impressions noted in the **Netherlands**, before installation aids were withdrawn were:

- the grant did not have an effect on the number of farm take-overs. This is because the grant, in relation to the take-over sum, is small, and because the grant is only awarded after the financing of the take-over has been completed;
- the grant did not result in a higher take-over sum, i.e. the grant did not "flow directly to the parents";
- although in some cases the qualification criteria stimulated young farmers to follow courses, the scheme was not regarded as a stimulus for training as a large proportion of the rejected applications was on the grounds of not meeting the qualification criteria;
- a positive effect of the grant is that young farmers were stimulated to invest. Some indicated that they had borrowed more money because of the grant;
- it was felt that both filling in the application as judging it took a substantial amount of time while some criteria were open for manipulation (especially the financial criteria);

- age is seen as an arbitrary criterion, which always causes some people to become ineligible.

The main suggestion that came out of the Dutch evaluation report was that the authorities should be more lenient on the qualification criteria. Practical experience should be taken into account more. Also, it should be possible for the people judging the application to target those applications who are viable but more in need of some extra finances

Some governments are not inclined to help young farmers. Interviews produce comments such as: “I do not see why we should help a young farmer and not a young baker” and “People starting in farming know that the profitability is low, if they decide to do so anyway it is their choice and their responsibility to make ends meet”.

1.2. Fiscal and other measures with an indirect impact

The enormously varied tax treatment enjoyed by farmers suggests that member state governments have to make fundamental choices about the kinds of farming they wish to encourage. Inheritance taxes have a clear impact on the ability of young farmers to take over a holding. In this respect, France's system of "*salaire différé*" is helpful for children to defer some of the costs associated with succession.

It is clear that member states which make few or no provisions to encourage young farmers to inherit, or simply do not offer any breaks compared with the rest of the population are making a political decision. Tax breaks for farmers on inheritance, or when for example a farmer sells land to another farmer may make very little difference to a national treasury, considering the ever declining numbers of farmers across the EU. But such measures do help to maintain farming's competitiveness when faced with external land pressures and difficult choices young farmers face when taking on a farm holding.

Exemptions or reductions in land taxes where parents hand land on to their children (as in the Netherlands, Austria and Finland) clearly benefit farming families, but could be further encouraged with age limits in an attempt to hand over land to farmers earlier.

In this respect, all inheritance tax systems which demand an equal treatment of heirs, with compensation payable by the farming heir allow not only for lengthy legal disputes, add greater financial burdens to an already difficult situation for a young farmer. A simple and single designated heir, as in the UK and Ireland, lessens the financial burden, especially in cases where other potential heirs are either not interested, or not qualified to take on the farm's responsibilities.

2. The situation in the candidate countries

The government of **Cyprus** believes that its support to agriculture through the guidance schemes has averted a more accelerated decline of the sector, slowed down the desertion of the rural areas and helped to maintain a more balanced structure of the economy.

The SAPARD programme does not include an installation programme. According to CEJA this is unfortunate as the programme is intended to prepare the associate countries for the full rural development programme when they eventually become members of the EU. With the current inefficient farm structure, installation measures could be particularly useful in creating a farming structure, which will offer long-term benefits.

However, one should not forget that there is a limited amount of money available for a seven-year period. It is up to the candidate country to decide which measures they regard as a priority. The possibility for changing priorities and areas eligible for aid is limited.

One of the conclusions of an EP Working Paper on sustainable rural development (see Annex V) was that potential applicants in rural regions are likely to have inadequate capital resources but a surplus of labour. Aid systems based on fixed subsidies therefore make a better choice than proportionate financing. A recommendation put forward was that, in the SAPARD programme the applicant countries should, if necessary, be allowed to make changes (within their national aid programmes) in the areas eligible for aid and in the amount of aid etc. Their proposal that it should be possible to revise the development plans in the event of major changes in the socio-economic situation is included in the SAPARD regulation (Article 4.6). However, it is unclear how easily development plans can be revised.

Chapter IV
IMPACT, SPECIFICALLY, OF EU ACTIONS TO ASSIST YOUNG FARMERS

1. The situation in the EU-15

***RGC's* research shows that there has been little evaluation of the implementation by EU member states of the various EU-level measures on offer, let alone of their success or otherwise. This has been confirmed by the recent Court of Auditors' report (see below).**

The Commission (DG Agriculture) has prepared working documents within the last year on how Regulation 950/97 (and its precursors) has been applied in the member states as regards young farmers. However, this is largely a descriptive/quantitative exercise based on a questionnaire sent annually by the Commission to member states. The impact of the measures has not been analysed. Figures available to the Commission relate to the period 1990 to 1997, those for 1998 not being available at the time of writing. The figures are not completely reliable, given uneven responses by member states and the problem of possible double counting of aid granted under the installation and investment aid systems.

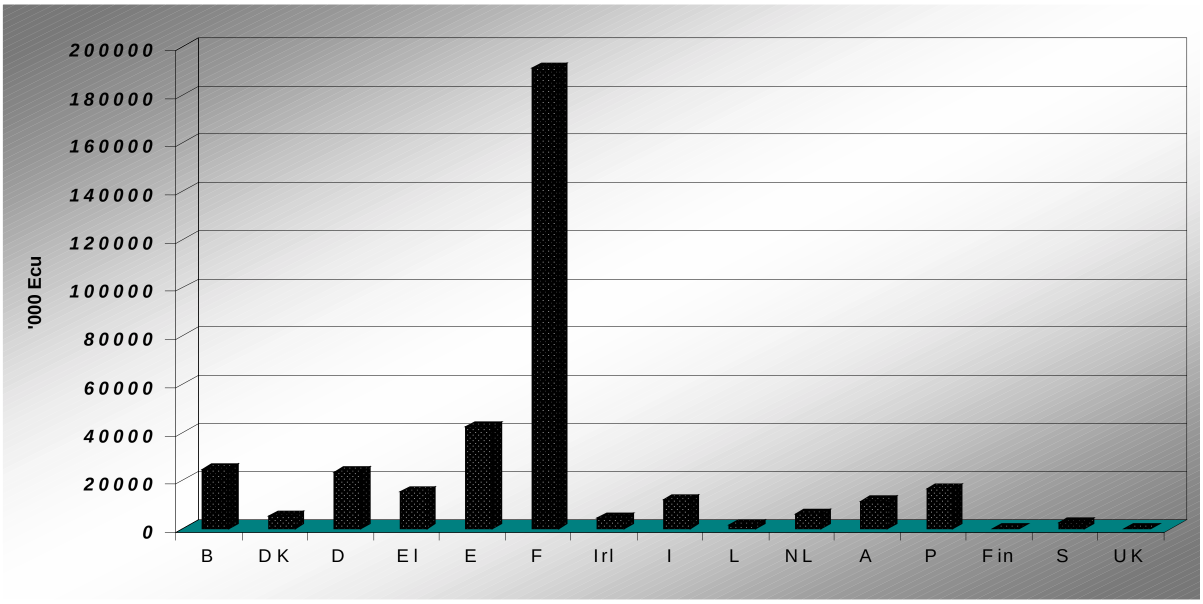
1.1. Commission analysis of Regulation 950/97 application

The main points arising from this analysis are:

- the amount of aid reimbursed to member states, the number of beneficiaries and the amount of aid per farmer all increased over the period 1993 to 1997;
- this followed a decline in the period 1990 to 1992 from which beneficiary numbers did not recover, despite the unification of **Germany** and the 1995 EU enlargement;
- the high point in numbers of beneficiaries was in 1990 (31,000 young farmers);
- the Council's 1994 decisions, to allow farmers pursuing more than one occupation to claim aid, and to increase the amount of the aid by 20% are not (in the Commission's view) reflected in the figures for uptake of the aid. Such increases as there were appear to have been due more to national developments
- there were broadly twice as many beneficiaries under Article 10 (installation aids) as under Article 11 (enhanced investment grants) during the 1990 to 1997 period. This gap developed in particular during the post-1994 period when the number of beneficiaries of installation aid rose by 20%, while Article 11 beneficiary numbers remained broadly stable. The latter also experienced a rise in recent years, but by much less than the rise for Article 10, and not regaining the level of 1990;
- amounts proposed for reimbursement to member states under Article 11 in 1997 were only 4% of those under Article 10;
- the preponderance of Article 10 appears to be due largely to the increased use of this Article by certain member states (as already outlined);
- looked at in terms of amount per beneficiary under Article 10, **Belgium** is the most generous benefactor. In member states where demand for installation aid is high the level of aid per beneficiary is lower than that EU average, suggesting that the aid is being spread rather thinly;
- the southern member states, **France**, **Spain** and **Austria** appear to be the best users of the enhanced investment grant scheme under Article 11, in terms of total amounts of money involved. However, in amounts per beneficiary, France and Spain fair less well, especially compared to **Belgium** and the **Netherlands**. **Ireland** and **Luxembourg** are the best payers in terms of amounts per young farmer.

Some details of payment rates per member state are shown in the graphs below (Figures 23 and 24). Note that figures for beneficiaries in Finland are not available.

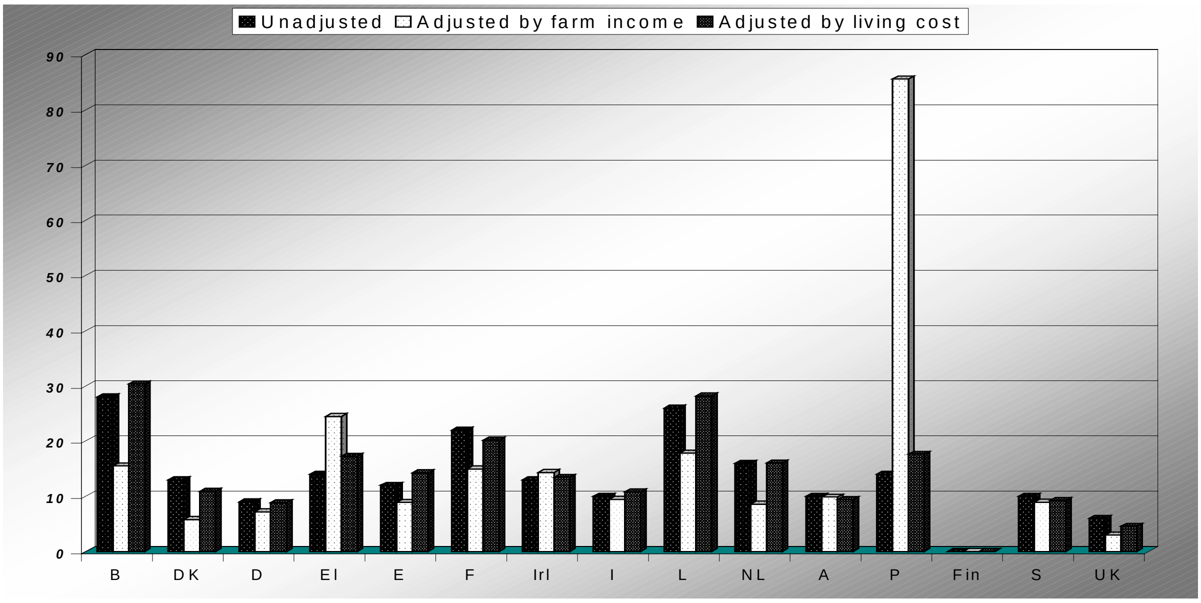
Figure 23. Annual average aid in the EU under Regulation 950/97 ('000 Ecu, 1990-1997)



Source: European Commission – DG Agriculture (1999); Court of Auditors

Figure 24 shows aid per beneficiary adjusted by average farm income and by cost of living. An explanatory note is given later on in this chapter alongside Table 5.

Figure 24. Annual average aid in per beneficiary under Regulation 950/97 ('000 Ecu, 1990-1997, adjusted by member-state cost data)



Source: European Commission – DG Agriculture (1999); Court of Auditors

1.2. Commission evaluation of Regulation 950/97 application

DG Agriculture has launched such an evaluation exercise (in February 1999), as the Commission mentions in its response to the Court of Auditors' report. This consists of asking member states to respond to a questionnaire in which they give points for the application and impact of the main measures of potential benefit to young farmers. First results were expected to be evaluated by the Commission in the spring of 2000. However, it appears that the exercise has been slowed, partly as a result of national authorities concentrating their resources on the preparation and submission of their rural development plans to the Commission. The results of the evaluation exercise look like being delayed until at least 2001.

The European Commission has also devised an evaluation procedure, along similar lines to that outlined above, for the new regulation covering installation and investment aids (1257/99).

1.3. EU Court of Auditors report on the operation of EU measures for young farmers

The EU's Court of Auditors has recently completed a report on the operation of EU measures intended to assist young people in the EU, in general. The report contains a section evaluating the measures designed to assist young farmers (installation aids and enhanced investment grants). The main points of note are as follows:

- the Court's report is: SPECIAL REPORT No 3/2000 on the European Social Fund and the European Agricultural Guidance and Guarantee Fund (Guidance section) - Measures to assist the employment of young persons;
- the report is thus not concerned exclusively with young farmers' problems;
- as is usual with the Court's work, emphasis is put on the administration of policies, on financial auditing, and on whether taxpayers' money is being used effectively. The latter involves some judgement being taken on the effectiveness of the measures funded;
- the part of the report which concerns young farmers does not constitute, in any case, a comprehensive review of young farmer assistance, since the Court's audit was done in only 5 member states and was based on a representative sample of young farmers;
- the main findings of the Court mirror the conclusions drawn in this study;
- the Court underlines the lack of EU or member state evaluation of the impact of the EU assistance measures for young farmers;
- in addition, the Court recommends that more attention should be given to the option to offer interest subsidies on loans;
- the Court notes that delays in implementation of installation aids and investment grants has sometimes led to young farmers becoming ineligible for aid.

The Commission, in its reply, does not contradict the Court's findings, pointing out that implementation is essentially in the hands of member states. In response to the point that young farmer assistance measures have not been properly evaluated, the Commission states that it has initiated such an evaluation. However, as this study has noted, the evaluation has been delayed.

1.4. RGC evaluation of Regulation 950/97 application

Table 5 summarises aid received by young farmers over the 1990-1997 period. It includes aid per beneficiary (which is a figure derived from previously-rounded calculations and may not appear entirely accurate in the table).

It was felt that aid per beneficiary was too crude a measure to compare the performance of member states in the area of aid for young farmers, so a synthetic indicator was used, along the broad lines of the OECD’s Producer Subsidy Equivalent (PSE).

In this case, the effective PSE is expressed in two ways: adjusted by average farm income, to take account of the contribution of the aid to the farmer’s overall income; and, adjusted by an index of the cost of living in each member state, to take account of purchasing power.

Table 5. Regulation 950/97 beneficiaries and total aid ('000 Ecu) 1990-1997 annual average

Member state	Beneficiaries	Total aid	Aid/beneficiary	Effective PSE	
				1.	2.
Belgium	1449	24789	28	16	26
Denmark	850	5405	13	6	15
Germany	4340	23551	9	7	9
Greece	1967	15321	14	24	11
Spain	6005	42181	12	9	10
France	11952	191210	22	15	24
Ireland	862	4402	13	14	13
Italy	2641	12041	10	9	9
Luxembourg	125	1620	26	18	24
Netherlands	440	5982	16	9	16
Austria	2341	11515	10	10	11
Portugal	2365	16569	14	86	11
Finland	852	?	?	?	?
Sweden	159	2413	10	9	11
United Kingdom	27	152	6	3	8

Source: European Commission

The effective PSE is calculated from the aid per beneficiary adjusted by:
1. **Average income per holding (all holdings in the member state) in 1997;**
2. **Cost of living in the member state concerned in 1997.**

The effect of using an effective PSE is, in some cases, to put into perspective large differences between member states in terms of benefit from the aid (although real differences do exist). For example, Portugal’s aid per beneficiary (Ecu 14,000) appears low but, adjusted by lower-than-average farm income, it is seen to increase in importance.

2. The situation in the candidate countries

As the candidate countries are not members of the EU they do not operate the EU’s measures to assist young farmers. Hence there is no evaluation presented here.

Chapter V
POTENTIAL IMPACT OF "AGENDA 2000" ON YOUNG FARMERS

It must be recognised that the agreement on reform of the CAP reached in Berlin on in March 1999 has opened up some possibilities for assistance to young farmers.

1. The situation in the EU-15

A feature of the Berlin agreement is the flexibility it allows member states in choosing whether to direct assistance to young farmers, to other categories of farmer, or to neither of these.

The potential measures of assistance (but also the hindrances) fall into two broad categories: market organisations; and, rural development..

1.1. Market organisations

Table 6 provides an overview of changes to market organisations resulting from Agenda 2000 and their potential impact on young farmers.

Table 6. Market organisations

Reform	Potential impact
General	The increases in direct aid payments foreseen for arable and beef producers will help stabilise farm incomes. This, in theory, benefits potential new entrants. However, lower support prices mean farmers will be more vulnerable to market fluctuations.
Subsidiarity	One of the most notable policy developments in the Agenda 2000 agreement is the increase in the various aspects of CAP implementation that remain up to member states. In the beef sector, for example, "national envelopes" are fixed for each member state, but it is up to the national government to decide whether to distribute this money as a top-up to the suckler cow or male beef premia, as a heifer premium, or even paid out on the basis of a payment per hectare of permanent grassland. Nowhere is this scope for national variation more marked than in the so-called ***Horizontal Regulation*** (Reg. 1259/99 "*establishing common rules for direct support schemes under the CAP*"), which introduces a number of new concepts to the CAP: • The concept of ***cross-compliance*** (Article 3) was already introduced under the 1992 Mac Sharry reforms, but it has now become compulsory for member states to set some form of environmental conditions for receiving direct aid payments. While this may provide an extra justification for CAP direct aid payments in the WTO context, in practice this is likely to mean pre-conditions for farmers which vary widely from one country to another. • The concept of ***modulation*** (Article 4) is included, although in a much different way from the original Commission proposals. Under the concept agreed, member states may fix thresholds - relating to labour work units, overall prosperity of a farm (expressed as standard gross margin), and/or the total amount of direct aid payment received

	- at which a member state can deduct up to 20% of direct aid payments from individual farm holdings. • At April 2000, France and the UK are the only member states to have outlined concrete modulation plans – although there remains discussion in other countries, notably Spain and Portugal. These two schemes alone highlight the vast variation in application, however, and a move away from any attempts at maintaining a level playing field. In France, the scheme is much more about taking aid away from the larger farm holdings (albeit after employment opportunities are considered) – an estimated 9% will be affected - in order to redistribute the funds to smaller, more needy holdings and on assisting rural development. In the UK, however, the concept is to reduce direct aids to all farmers by 2.5% in 2001, rising to 4.5% in 2006, with the money matched by the UK treasury and channelled into agri-environment schemes such as the "Countryside Stewardship Scheme" and conversion to organic farming. A further change in the UK is the move to allow the new Regional Assemblies in Scotland, Wales and Northern Ireland to define priorities for funds. • As far as young farmers are concerned, these concepts (or any future ideas) have no clear advantage or disadvantage. By re-channelling money towards less profitable farms, the French scheme is perhaps providing an incentive for succession on holdings which would not perhaps be there otherwise, while reducing the attractiveness of the larger farms, which young farmers are normally keen to take over (not only by reducing the amount of direct aid, but also introducing a new unpredictable bureaucratic element) In the UK, the plan is aimed at re-channelling funds into measures far more acceptable to the British tax-payer, thereby improving the public image of agriculture, and not affecting more profitable farms more than others, but again adds an additional layer of bureaucracy for those seeking to take advantage of the opportunities. • Under the ***common provision*** (Article 5), any sums deducted by member states under Article 4 or from farmers not respecting the national conditions of cross-compliance under Article 3 can be re-channelled as EU funding for various aspects of the Rural Development regulation – notably early retirement, less-favoured areas and areas with environmental restrictions, agri-environment and afforestation (covered by Articles 10-24 and 29-32). ***Targeting this money to setting up young farmers (Article 8) and Training (Article 9) is <u>not</u> permitted, however.***
Cereals regime	No specific access for young farmers to durum wheat reference quantities.
Oilseeds regime	The reduction in the rate of aid will make oilseeds production less attractive, although the changes to the system remove the "Blair House" area restrictions (which have led to cuts in aid for two of the past three years).
Beef regime	No specific special access for young farmers to Suckler Cow or Special Premium rights at EU level. Member states may give young farmers access to national reserves. Newcomers, young farmers and other priority producers are mentioned explicitly.
Dairy regime	While the Commission aim in the dairy sector within the Agenda 2000 reform <u>proposals</u> specifically obliged member states to give priority to young farmers in the allocation of a 1% milk quota increase for all member states, the final texts agreed by farm ministers remove any

	reference to young farmers. In practice, however, a number of changes introduced could ease production expansion and/or opportunities for new entrants, likely to be of benefit to younger rather than older farmers: • The additional production quotas (phased in over three years starting in April 2005 in most member states) will provide new opportunities, although the modality of allocation is left up to the member states. • Changes to the framework rules on linking quota to the land - again left up to member states to implement - are likely to see further volumes of "unused" quota being returned to the national reserve. (The debate in Germany about non-producing quota holders, the so-called "sofa producers", has been the most public expression of moves in most member states to make sure that quotas are broadly held by farmers wanting to produce). • The dairy reform commitment to review the dairy quota regime with a view to phasing it out after 2008 is unlikely to provide much help to young farmers as the political reality is different. Even if the Commission proposes to abolish quotas after 2008, a large number of member states are likely to want to continue some form of quota mechanism. It is unclear what the candidate countries will say about the issue after they join the EU, given that the EU-15 seem intent on forcing these countries to introduce quotas prior to accession. In short, the Council statement on the future of the quota regime raises more doubts about the medium to long-term future of the regime than anything else, and may well be a hindrance to structural change. However, the Commission review of the regime in 2003 - which Commissioner Fischler has indicated might happen in 2002 (i.e. before EU enlargement) - might provide a clearer signal for the future.
Wine regime	Young wine producers hoped that the proposed reform of the regime within the Agenda 2000 package, would bring major benefits and grounds for optimism. The final agreement by farm ministers (that remained unchanged by EU leaders at the Berlin Summit) in March 1999 is less encouraging, however. While the reforms do foresee additional planting rights, there is no preference for young farmers. Instead the new rights will be allotted after "complex, bureaucratic barriers have been overcome", according to the CEJA wine committee, which consider the Regulation to be "too optional". Similarly there are restructuring measures in the final agreement, but no preference given to young farmers. Some experts welcome the moves to improve overall quality, but question the logic of turning to new grape varieties while not providing conditions to allow adequate expansion - pointing to the competitive disadvantage this may mean relative to producers elsewhere in the world. They stress the need to make the necessary investment further down the chain, notably in the "*Kellerwirtschaft*" but also in marketing terms.
Olive oil regime	Further reform of the regime is foreseen later this year, where the priorities are likely to be avoiding increases in spending and production - suggesting little of potential direct benefit is possible for young farmers.
Sugar regime	Reform of the regime is foreseen for later this year, where the priorities are likely to be budget savings and quota reductions (forced by GATT

	commitments on subsidised exports). The current regime provides no special access to sugar beet quota for young farmers.
Sheepmeat regime	Reform of the regime is foreseen for later this year, where the priorities are likely to be budget savings. The current regime provides no special access for young farmers to Ewe Premium.

1.2. Rural development

Another major element of the Agenda 2000 reform was the adoption of Council Regulation 1257/99 on "support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)", which came into force on July 3, 1999.

This introduced the concept of grouping all "structural" assistance to farmers (including to young farmers) under one regulation. Member states have been asked to submit proposed rural-development plans (RDPs) which outline how they will implement rural development measures over the period 2000-2006. The Commission is in the process of evaluating these proposals, notably to check that they conform to the regulation cited above.

It must be said that, though all structural measures now come in theory under one main regulation, in practice there is great complexity in the way agricultural structural measures actually work. This depends on whether the nation or region concerned is eligible for additional EU assistance, what measures member states seek funding for, and from which EU programme etc. It is not possible at present simply to state how a member state is implementing this, let alone to make a comparison between member states. Nevertheless, the Commission has devised a methodology for eventually evaluating how 1257/99 is implemented at national/regional level.

Initial information from the Commission and national sources suggests that very few new ideas, or changes from current national practices, have been put forward as far as young farmers are concerned. Member states are adapting to the new rules but generally continuing as before, at slightly different rates of funding.

It should be stressed that, especially as far as the rural development plans are concerned, member states' intentions are not completely clear. All member states have submitted their plans to the Commission for approval. In many cases there is more than one plan per member state (in total 69 plans have been submitted for EAGGF funding, though there are 170-odd plans to examine if plans integrating other EU-funded programmes are included). However, these are not expected to be approved by the Commission until summer/autumn 2000. Member states may well revise their intentions to take into account the opinions of the Commission. Member states' new LEADER programme ideas have not yet been submitted.

There are some early indications of alterations/improvements in the treatment of young farmers, for instance:

1.2.1. Belgium

Belgium is giving priority to young farmers within its RDPs, to the extent that 10% of the Federal level RDP is devoted to young farmers (13% in the case of the Wallonia region).

1.2.2. Denmark

Denmark intends to continue to offer the aid scheme for young farmer's installation under its proposed RDP. The estimated cost is €11 million per year over six years, of which 50% will be EU-financed.

The state loan scheme will continue, with the maximum eligible loan raised to €130,900, of which 75% will still be subsidised by the state. However, the government's assistance on the repayment falls off more quickly under the new scheme than hitherto. Nevertheless there is still a substantial commitment. There will still be quite strict criteria applied for qualification for the loan. However, there will no longer be tax liable on the loan.

1.2.3. Finland

Finland is intending to continue with both EU co-funded and nationally-funded schemes to assist young farmers, the national measure seemingly linked to a young entrepreneur scheme.

1.2.4. France

France intends to devote 15% of funds under one of its programmes to young farmer installation, indicating a continued commitment to this priority.

1.2.5. Germany

The German federal government will continue to fund young farmer measures as before, though still without using the full funding possibilities available. Some *Länder* seem to wish to increase the funding on offer.

1.2.6. Ireland

Ireland is intending to adapt its early retirement scheme to favour the transfer of released land to progressively younger successors. However, it intends to fund its continued installation programme from national funds.

1.2.7. Sweden

Sweden intends to adhere more strictly to EU guidelines in future, for example by raising the maximum age to qualify as a young farmer to 40. The maximum amount of installation aid will probably be maintained at SEK 200,000 (€24,149). Sweden intends to continue to allow more than one applicant for installation aid per farm, provided there is sufficient work..

1.2.8. United Kingdom

The UK Government has always been against the introduction of measures to support young farmers and the current government is no exception. Indeed, the Rural Development Plan recently submitted to Brussels for approval explicitly rules out assistance for young farmers (other than via the vocational training provisions). However, it is difficult to predict whether that position will be retained by the new devolved administrations in Scotland and Wales. A recent consultation paper from the Welsh Assembly, on the modulation of direct aids, states that the Assembly is commissioning a study into the barriers facing young entrants to farming and the problems that young farmers face.

It is difficult to assess the overall impact of the CAP reforms on young farmers. CAP reform will have a significant impact on all farmers and it is difficult to separate the particular case of farmer under 40 years old.

Nevertheless, the Agenda 2000 reforms do have three broadly negative effects for young farmers:

- they are likely to result in lower prices for agricultural products, with a consequence for farm incomes;
- they perpetuate the production rights systems which raise barriers to potential young farmers entering farming;
- the budget available to assist young farmers will be more limited.

At the same time, the move towards an agricultural policy which emphasises rural development probably gives young farmers better vehicles to promote special measures to deal with their specific problems.

1.3. EU budget management

Arguably the most significant outcome of the Agenda 2000 reforms is the introduction of much stricter controls on CAP spending. While the effect of this will no more marked on young farmers than other farmers, it is an important development as it will almost certainly lead to a change of culture in the way the Commission manages CAP finances. In fact the additional budget pressure has already triggered Commission moves to reduce the subsidy for the school milk scheme and policy on export refunds.

Whereas previously the upper limit (the so-called EAGGF Guideline) was so high above agriculture spending requirements that it had become irrelevant, EU leaders were intent on “stabilising” average CAP spending in real terms over the 2000-2006 period at roughly the level of the 1999 budget (€40.4 billion). In the final Agenda 2000 agreement in Berlin, EU leaders accepted a last minute dilution of cereals reforms and a 2-year further postponement of dairy reforms. This was done in order to meet the tighter budgetary concept, with a budget review in 2002, demonstrating that the ceiling on spending was by far their most important priority from the package. The postponement of the dairy reform will entail increases in spending in 2007 and 2008 - but that is a problem for the next generation of EU leaders.

A further change was to define certain structural payments (previously classified as Objective 5a and 5b spending under the EAGGF-Guidance fund) within the EAGGF-Guarantee Fund. The result was the establishment of two headings within the EAGGF-Guarantee fund for which ceilings have been set (see Table 7) - the first covers the traditional CAP market measures (Titles 1-3), the second (Title 4) is the combination of the measures on Rural Development and the Accompanying measures. Since the March 1999 Berlin Summit agreement on Agenda 2000, EU Farm Commissioner Franz Fischler has been keen to emphasise this rural development aspect of spending, referring to it as the “second Pillar” of the CAP. The new Regulation on aids to young farmers (Reg. 1257/99), providing €131 million in 2000 under the budget line B1-401, is defined under this budget heading.

Table 7. Budget Ceilings set under Agenda 2000 for EAGGF-Guarantee spending 2000-2006 (in million € at 2000 prices)

	2000	2001	2002	2003	2004	2005	2006
CAP "market measures	37 352	39 250	40 361	40 219	39 178	38 321	38 036
Rural development & Accompanying measures	4 386	4 406	4 417	4 427	4 437	4 447	4 457
TOTAL	**41 738**	**43 656**	**44 778**	**44 646**	**43 615**	**42 768**	**42 493**

This division of CAP spending into "market measures" and "rural development" measures will become more and more significant in years to come, for a number of reasons. Firstly, the main impact of the Agenda 2000 reforms on the CAP budget will be a shift in market spending further away from price-related support mechanisms (such as intervention purchases and export refunds) towards direct aid payments. The share of the CAP budget devoted to direct aid payments will rise from 55-60% to close to 80%. From an accounting point of view this has the advantage of making three-quarters of the budget predictable and relatively easily managed. The disadvantage that will very soon become apparent if the tight budget ceilings face unexpected additional financial requirements is that there is far less flexibility in this remaining 20%-25% of the budget to make savings. While the debate in early 2000 about the possible transfer of €300 million out of the "market measures" budget to help fund aid to Kosovo has suggested that Commissioner Fischler is confident of a certain amount of slack in the budget, a sudden crisis or an appreciation of the Euro against the dollar could change all that, forcing the Commission to make savings which are not necessarily justified in market terms. It is at that moment that it will become clear how solid the division is between CAP" market measures" and rural development really is. As a result, in order to have scope for some additional funding, any moves for additional support for young farmers will almost certainly have to be defined under the Rural Development/Accompanying measures section of EAGGF spending.

One anomaly with regard to this division of CAP spending into two pillars is that, through the "modulation" concept, member states also now have the possibility of effectively transferring funds earmarked for direct aid payments (i.e. market measures) into rural development and agri-environment schemes.

Under modulation there is considerable scope for taking young farmers more clearly into account. The criteria of Article 4 of the Horizontal Regulation could be ultimately modified to include wording relating to new entrants. Moreover, "standard gross margin", currently defined as "the difference between standard production value and the standard amount for certain specific costs", could be more clearly redefined to consider installation costs. Similarly, the rules could be changed such that modulated funds can be rechannelled into installation aid for young farmers and/or training. However, given the high level of flexibility left up to member states on the overall modulation concept, no amount of changes will provide certain benefits for young farmers.

1.4. Growing influence of the European Parliament

One other highly significant point, particularly in the context of this study, is the fact that, following Agenda 2000, spending under the Rural Development/Accompanying measures heading is now defined as "non-compulsory" expenditure. What this means in practice is that the European Parliament can now over-rule the Council on CAP budget allocations under this heading in the process of setting the annual budget. (Until now, all CAP spending has been "compulsory" and therefore providing no obligation for the Council to include EP recommendations in its final reading of the budget.)

Indeed, in establishing the budget for 2000, MEPs forced an additional €417 million to be added to the Rural Development / Accompanying Measures budget relative to what the Budget Council had decided - equivalent to €467 million more than originally proposed by the Commission. While most of this additional funding is in the budget for agri-environment schemes, the specific budget line for "installation aids for young farmers" was increased from the €108 million proposed to €131 million.

In other words, although the direct role of the European Parliament in CAP policy decisions remains one of consultation rather than co-decision (unless there is an element of consumer protection, as foreseen under Article 152 of the Treaty of Amsterdam), its increased role in the budget-making procedure as provided in the Agenda 2000 agreement is potentially a major step forward for young farmers. Witness the additional €23 million already created for young farmers in the 2000 budget.

2. The situation in the candidate countries

The impact of the CAP reforms on young farmers in the candidate countries is essentially the same as for young farmers in the current EU, with one proviso. Unless farmers in the candidate countries are offered access to the same direct payments as those enjoyed by farmers in the current EU, they will be put at a serious competitive disadvantage.

The EU cannot, legally and practically speaking, demand that supply control mechanisms (such as set-aside, environmental cross-compliance, stocking densities etc) be applied by the candidate countries if the compensatory direct aids that go with those measures are not also offered in full.

For example, after general analysis done in Cyprus on the potential impact of the Agenda 2000 reforms, it was concluded that the effect of the reforms would be positive. It was noted that more flexibility on determining policies was transferred to the national governments.

Chapter VI
POTENTIAL IMPACT OF EU ENLARGEMENT ON YOUNG FARMERS

This Section examines, in broad terms, what the potential impact of enlargement of the EU could be for existing young farmers or new entrants in the coming years.

For the purposes of this report it has been assumed that no country will join the EU until after the 2003 review of the CAP, and in particular the review of the rural development regulation, has taken place. This does not necessarily reflect an opinion held by either the European Parliament or the author of this study. It is simply not possible to second-guess the outcome of the enlargement negotiations, and so some reasonable working assumptions have had to be made.

1. The situation in the EU-15

It is not the purpose of this report to analyse the impact of the forthcoming enlargement of the EU to include the candidate countries (and others) in detail. That has been the subject of other reports, and will continue to be so.

In broad terms the main impact of enlargement for young farmers is likely to be:

- due to the tough budgetary restrictions on agricultural expenditure decided in Berlin in March 1999, greater competition for scarce EU funds to be devoted to young farmer assistance measures;
- a larger number of young farmers among whom to spread whatever funds are available;
- the addition of a significant number of young farmers to the EU total, many of whose economic circumstances will be more difficult than in current EU member states;
- more difficult decision-making procedures, making further moves towards subsidiarity inevitable. A consequence may be the weakening of EU level measures to assist young farmers.

In short, with the exception of the potential new market outlets, the enlargement of the EU is unlikely to have a noticeable positive impact on the problems of young farmers within the EU.

2. The situation in the candidate countries

Again in broad terms, this section examines the possible impact of enlargement on young farmers in the candidate countries. This is looked at in two ways: the impact between now and the enlargement; and, the impact when the candidate countries become members.

In the period between now and the enlargement taking place the most important impact is likely to be the accelerated change in farm structure in all candidate countries as they adapt to new market realities and to adoption of CAP-type farm support schemes. Given the limited national and EU funds available to the candidates under SAPARD, and the several competing needs of the candidate countries' farming industries, this is likely to be a difficult period for new entrants to install as farmers.

Once the candidates become members, even if there are transitional arrangements, this situation is likely to improve as the new members are put on a more equal footing with their counterparts in the current EU. Indeed, the candidate countries could expect to see an increasing share of rural development-type funding.

It is worth noting that the candidate countries have started (or are intending to start) introducing production quota arrangements in some sectors, in anticipation of accession to the EU. While this is understandable, given that such production rights form part of the *acquis communautaire*, the introduction of such rights will lead to the same disadvantages for future young farmers in the candidate countries as are already experienced by their EU counterparts.

Chapter VII
PRIORITISATION OF YOUNG FARMERS' PROBLEMS

Part One of this study, and Part Two Chapters 1 and 2, have presented the situation of young farmers in statistical terms, and in terms of the application of rules and measures intended to assist young farmers.

This chapter attempts to display the problems highlighted in *RGC's* research. Matrices have been created (Tables 8 and 9) which show, in a simplified way, the relative importance of these problems and the degree. to which they have been addressed.

The main problems confronting young farmers are each given a rating in terms of:

- A: how serious is the problem, from 1 (= not too serious) to 5 (= serious);
- B: how well is the problem dealt with, from 1 (= badly) to 5 (= very well).

The ratings have been set by *RGC* based on information received from the countries covered in the course of researching this study. Where the category dealt with has not been specifically mentioned, it is given a (-). These ratings are very subjective but aim to show at a glance the situation for young farmers and the help which they receive for all countries concerned. It should be recognised, however, that ratings are given on a national basis and the real story is likely to vary from region to region (e.g. in Germany and Italy).

Table 8. Prioritisation of EU young-farmer problems

	Installation costs		**Economic prospects**		**Availability of farms**		**Training**		**Administra-tive burden**	
	A	B	A	B	A	B	A	B	A	B
Belgium	5	3	5	2	3	3	-	-	5	2
Denmark	5	3	4	1	3	3	1	1	5	2
Germany	4	3	4	2	3	3	4	4	-	-
Greece	4	3	5	1	5	2	-	-	-	-
Spain	5	3	5	2	4	2	-	-	-	-
France	5	4	3	3	3	3	4	4	5	1
Ireland	4	3	5	2	3	3	-	-	3	3
Italy	5	2	4	2	4	2	-	-	5	3
Luxembourg	5	3	5	2	5	2	-	-	4	2
Netherlands	5	1	5	2	5	2	4	4	4	2
Austria	4	2	5	2	3	3	1	3	-	-
Portugal	4	2	5	1	4	2	-	-	4	2
Finland	4	3	5	2	4	3	3	4	3	3
Sweden	4	2	4	1	3	2	3	3	2	2
UK	5	1	4	1	3	2	4	3	5	1

Source: Compiled by RGC

It can be seen that the biggest problems facing most young farmers are installation costs and economic prospects of the whole farming sector. In each case, the measures to tackle these problems are seen as being inadequate.

Table 9 performs a similar exercise for the candidate countries.

Table 9. Problems of young farmers in the candidate countries

	Installation costs		Economic prospects		Availability of farms		Training		Administra-tive burden	
	A	B	A	B	A	B	A	B	A	B
Cyprus	3	2	5	1	2	1	5	2	-	-
Czech Rep.	5	2	5	2	4	2	5	2	-	-
Estonia	5	2	5	2	4	2	5	1	-	-
Hungary	5	2	5	2	5	2	5	2	-	-
Poland	5	1	5	1	4	2	5	1	-	-
Slovenia	5	2	5	1	4	2	5	1	-	-

Source: Compiled by RGC

Again the biggest problems are of installation costs and economic prospects, although training is clearly neglected also. Generally, young farmers' problems are not addressed to any great extent.

Part Three
POLITICAL PROPOSALS

Chapter I
PROPOSALS FOR EU ACTIONS

1. Introductory remarks

In this Chapter *RGC* presents ideas for EU-level actions which could improve the situation of young farmers in Europe. Improving the situation can be taken to mean bringing about an increase in the numbers of young farmers as a percentage of the total farming population. It can also mean improving their economic prospects.

In order to establish its proposals *RGC* has assumed that the EU's aim should indeed be to assist in the restructuring of farming, by attracting more young people into farming. This does not necessarily mean that farms must always become larger, or that all young farmers should become full-time farmers. There are a variety of ways for young farmers to make a farm viable.

However, *RGC* has not taken the view that the EU's aim should be to keep as many existing farmers in place as possible. Quite apart from the difficulties associated with reversing an established trend towards fewer, larger farms, such an approach would act against the interests of potential young farmers by reducing their entry possibilities.

The ideas listed here are based partly on *RGC's* own analysis of the situation of young farmers in Europe, and partly on ideas put forward during the research phase of this study.

RGC does not list all of the ideas put forward by persons and/or organisations. *RGC* has attempted to analyse the ideas suggested and presents only those which seem best adapted to the problems outlined and/or most feasible from a political/budgetary/other point of view.

For the sake of objectivity, however, *RGC* does list other ideas put forward. These can be found in Annex III.

RGC is conscious that its research has thrown up sometimes-wide disparities in the problems faced by young farmers in the EU and candidate countries. This suggests that the solutions to those problems will often be found at national rather than EU level. Great care has therefore been taken in compiling the list of suggested actions below.

2. A note about the CAP

It is not the role of this study to analyse the basis of the CAP, nor whether it operates efficiently and achieves its aims. Other studies have been produced on that subject in the past, and will continue to be produced.

For the purposes of this study it has been accepted that the CAP will operate along the lines agreed at the Berlin Summit of March 1999 (and in subsequent discussions on matters of detail). Reference is made in the suggestions below to the opportunity to use the planned review of certain aspects of the reformed CAP in 2002 and 2003. However, the report does not call into question the whole fabric of the CAP.

This does not mean to say that the authors believe that the CAP should not be substantially reformed. This might give opportunities for special measures to be created to assist young farmers (and other groups). Experience (most recently in the Agenda 2000 debates) shows, however, that such wholesale reform is unacceptable to a majority of member states and other interested parties/groups in society, and therefore politically untenable. Ironically the further enlargement of the EU expected in the coming years is likely to make future reform of the CAP more difficult to agree politically, unless there is a radical overhaul of the EU decision-making process agreed in the Inter-Governmental Conference already underway.

It is worth noting that the European Commission itself commissioned work to be done on the feasibility of creating a new CAP "from scratch". The eventual report, entitled "Towards a Common Agricultural and Rural Policy for Europe" was not acted upon, largely because of the political difficulties inherent in applying sometimes radical ideas. A brief description of the report is contained in Annex IV to this study. It is worth noting that, despite its radical nature, it did not advocate special treatment for young farmers. Indeed, young farmers are scarcely mentioned specifically, though the following criticisms of the CAP identified in the report are relevant:

- the substantial additional cost burden on young new entrants represented by milk quotas and other production rights;
- the inconsistent way in which full-time and part-time farmers are treated within the CAP;
- the overall need to "rationalise" the CAP;
- that producers have, individually, insufficient resources to manage the high risk element involved in farming;
- hence the need for technical assistance, provision of skills and knowledge, investment assistance and stimulation of new technology.

In the absence of a political climate that suggests that radical change is under consideration, the authors have, as explained above, made suggestions for measures to assist young farmers that could be operated from within current EU policies.

3. Proposals for EU actions to improve the situation of young farmers

Proposals for EU actions fall into the following categories. A special category has been created to cover EU-level measures that could be applied in the candidate countries in the period before they become full members of the EU. Clearly EU actions do not currently address all young farmer problems raised in this study. Hence the recommendations cover improvements to existing measures as well as suggestions for new activities.

3.1. Improving knowledge of the situation of young farmers

A major problem highlighted by this study is the lack of comprehensive information about the situation of young farmers maintained either nationally or at central EU level. This leads to a certain inertia in dealing with young farmers' perceived problems.

3.1.1. Basic young farmers database

The Commission should increase its efforts to improve its basic database for young farmers, including in the candidate countries (even prior to the completion of their accession negotiations), and also including the situation of women farmers. Member states should be urged to do the same.

Member states' responses to the requirement to submit, annually, data and information on the implementation of measures to assist young farmers have been mixed and often insufficient. Thus the basic database available to the Commission is inadequate, despite its own efforts to assess the situation of young farmers.

CEJA too has a role to play in ensuring that the Commission, and other EU and national/regional institutions, are kept fully informed and up-to-date about the situation of young farmers.

3.1.2 Evaluation of measures to assist young farmers

Commission DG Agriculture's Evaluation Unit for measures in the agricultural sector should conduct an evaluation of the success or otherwise of young farmer measures in the EU.

In addition to the inadequate basic database, there has been no true evaluation of the impact of measures to assist young farmers at EU level. This criticism was made also in the Court of Auditors' recent report.

As other units of DG Agriculture have already initiated an evaluation of implementation of the previous regulation (950/97) as regards assistance for young farmers, it is therefore proposed that the Evaluation Unit, in conjunction with the units concerned, should concentrate on the regulation now coming into force (1257/99). That regulation provides for both regular reviews of measures being implemented in member states and for an overall assessment to be made of expenditure under the regulation in 2002 or 2003.

Such an evaluation will allow the Commission, for the first time, to ascertain the impact of EU schemes and thus to form a basis for future strategic planning.

3.1.3. Co-operation with young farmers' organisations

The recent measure on information funding should be reviewed immediately with a view to retaining the existing level of funding. The Commission should be urged to propose an early amendment to the regulation on information measures, in order that funding can be restored.

Adoption by the Council, after revision, of a Commission proposal "on information measures relating to the Common Agricultural Policy" will seriously jeopardise the ability of young farmers' organisations, at national or EU level, to operate and/or to collect and share data, information and opinion. It would reduce the level of EU-funding of activities aimed at facilitating young farmer exchanges, seminars and other information exercises. In effect, the future of the EU-level representative body for young farmers – CEJA – is under threat.

It is important that the EU's future farmers and farm leaders are able, with EU support, to be fully informed and capable of performing their role.

This measure demonstrates that the budget ceilings on CAP spending established at the March 1999 Berlin Summit are beginning to have an effect.

3.2. Installation costs/investment aids

There is scope for the amounts of installation aid, and the enhancement offered to young farmers under investment aids to be increased further in the next review of Regulation 1257/99. The increase should apply to both the ceilings on aid allowed and the total budget made available for these measures. The Commission should also be asked to provide a detailed breakdown of the young farmer elements of the rural development plans, once they have been approved.

As this study has pointed out, the empirical evidence for the success of the EU's two main planks to assist young farmers to set up in farming is not yet established. Nevertheless, despite the fact that there is some evidence that the possibility of obtaining such aid has not changed installation and/or investment decisions, there is general agreement among the member states that the aids on offer are both needed and greatly appreciated by young farmers.

In many cases the opportunity to claim EU/national assistance under the EU schemes has affected the amount of investment the young farmer has been able to make. The aid schemes thus act as incentives to young farmers to make worthwhile investments in the future viability of their farms, rather than the minimum investment necessary simply to maintain the farm in its existing state.

As the regulation implementing the revised installation/supplementary investment aids has recently been agreed and is in the process of being implemented, it is not proposed that there should be changes immediately to the regulation. It is proposed that the Commission should consider the case for such increases.

The Commission should propose that all member states must offer at least a minimum level of installation aid to their young farmers.

It is appreciated that a uniform rate of actual aid is inappropriate to the varied circumstances of EU farming. However, a minimum obligation would at least put young farmers in the EU on a more equal footing than is currently the case.

Supplementary investment assistance for young farmers should be further enhanced (beyond the rate allowed under Regulation 1257/99) where the farmer is investing in improvement to a farm in an LFA.

It is in the LFAs that depopulation, rural decline and various social problems mentioned in this report are most often experienced, thus justifying a higher level of aid. Furthermore, costs of investment are often higher in the LFAs.

It is proposed that, where a young farmer can show that his investment will result in an actual improvement of the environmental, animal welfare or additional employment opportunity aspects of the particular farm, a higher level again of grant should be offered.

The new regulation (1257/99) requires young farmers to be committed to improving environmental and welfare aspects of their farm. Young farmers would be encouraged to attain standards of farming higher than the minimum required if this would attract a higher rate of aid. The addition of an employment criterion would be in line with wider EU policy.

It is proposed that enhanced investment grants for young farmers should be offered not just at the time of setting up but for a period of 5 years thereafter.

This suggestion recognises the need to assist young farmers for a period after installation and not just as they are setting up.

The Commission should consider propose the introduction of a requirement that interest rate subsidies should be explicitly offered on the basis of an objective market rate, minus a fixed amount.

A general question mark should be placed against the interest rate subsidy. It is questionable in some cases whether the full advantage is going to the young farmer or to the bank involved. Often it is not transparent how banks treat these loans. This is to a certain extent dependent on how the measure is operated in member states. Alternative mechanisms to the one suggested above could also be considered. In this way the situation whereby banks effectively benefit from a proportion of the interest rate subsidy could be halted. The Court of Auditors' recent report suggested that more consideration should be given to the use of interest rate subsidies. Such measures are, in theory, advantageous. However, young farmers' experiences in some countries suggest that, in practice, they do not always confer the full benefit on young farmers as intended.

3.3. Improving young farmers' succession prospects

3.3.1. Link to Early Retirement Schemes

The Commission should propose that the early retirement scheme should contain a link with the installation of a young farmer

The EU's Early Retirement Scheme currently offers little incentive for early retiring farmers to pass their farm on to a younger farmer. With such a link older farmers would be prevented from obtaining the early retirement premium and still selling the farm on the free market. There should perhaps also be a stipulation that a farm hand-over in such circumstances should take place over a set period of years. The current scheme allows such links to be made but goes no further in trying to encourage it.

Some member states do offer a higher premium for early retirement for retiring farmers who agree to transfer their farm on to young people, and/or by providing a reserve of released land to be made available for young farmers setting up. It is proposed here that the EU-level rules should place more emphasis on this aspect.

3.3.2. Transfer agencies

There should be continued EU co-funding offered for the establishment and operation of agencies which bring together prospective young farmer new entrants and older/other farmers looking to pass on their farm

Schemes like these have operated in some member states, with apparent success. However, the take-up of this transfer organisation option under the Early Retirement Scheme has been low. And Regulation 1257/99 no longer contains the option to provide funding for transfer agencies.

3.3.3. Commission report "Young farmers and the problem of succession in European agriculture"

The Commission produced a report on the problems of succession in September 1996. This highlighted areas for improvement in EU policies. It is proposed that the Commission should update this 1996 report

The logical time would be for this to be done in 2001 or 2002, in order that the results are available in time for the 2003 (or 2002 if brought forward) review of the operation of/expenditure on the new rural development plans.

3.4. Improving the economic prospects for young farmers

3.4.1. Improving the situation of young farmers via the "Common Market Organisations"

The Commission should bring forward mid-term evaluation to 2002.

A review in 2003 would also have the political advantage within the EU of making changes to the CAP rules before the first of the candidate countries accede. If nothing else, it will be considerably "easier" to reach agreement among just 15 member states! Bringing it forward to 2002 would help coincide with re-examining the CAP budget.

In the course of the mid-term review, the Commission should amend the Horizontal Regulation (1259/99) so that EU funds recouped under national modulation and/or cross-compliance schemes can also be re-channelled into aids for young farmers and training.

The Commission should be encouraged again to propose that member states favour young farmers when administering quotas/production rights and transfers etc, e.g. milk quota to be re-allocated from non-producers to young farmers.

At present each regime is different. The Commission should propose a horizontal approach to this.

The Commission should use the opportunity of the review of the sugar regime to propose at least that member states report on how they could improve the situation for young farmers in sugar beet cultivation.

Similarly, in the forthcoming review of the sheepmeat and goatmeat regime (probably in autumn 2000) emphasis should be put on making opportunities available to young farmers to obtain production rights.

It is appreciated that the CAP has just been reformed, and that the Council regulations stemming from the Agenda 2000 agreement do request member states to examine this question (for instance in the case of milk quotas). Furthermore, it is up to existing farmers who have production rights to agree on systems which would "free up" some production rights for young farmers.

However, other opportunities exist for the Commission to make further proposals. During the course of the next six months the Commission must make proposals to reform the Common Market Organisation for Sugar (the Sugar Regime). There are currently no requirements on member states to ensure that young farmers have better opportunities to obtain sugar beet growing quota. Indeed member states have a great deal of autonomy in how they apply the regime. This and the sheepmeat regime could be viewed as test cases of the Commission's real commitment to assisting young farmers in concrete ways.

In general the Commission should make proposals to encourage the establishment of exchanges to allow for a more controlled form of transfer of rights.

3.4.2. Assistance with credit terms

It is proposed that the Commission extends its analysis of alternative methods of assisting farmers to include the possibility of the EU offering rural credit guarantees, notably for young farmers.

The European Commission has begun a tentative examination of the possibility of supporting farmers through agricultural income insurance schemes. The Commission published a proposal in April 2000 for a regulatory fund to operate in the pigmeat sector. This would be mainly funded by a levy on slaughtered animals. That is one idea already under discussion. Another would be to consider whether the EU could operate a system of underwriting loans for young farmers. This would help resolve the perennial problem faced by young farmers, of having available sufficient collateral as the basis for loans to improve the viability of their farms. As with existing interest rate subsidies on loans, care would have to be taken to ensure that young farmers gain the full benefit of any measures implemented.

3.4.3. Assistance in the adoption of new technologies

It is proposed that the Commission includes in its current eEurope ideas specific provisions for the education and training of young farmers in use of computers and the Internet. A specific budget line could be created for the training of young farmers in this area.

The vast majority of European farms are small or medium sized enterprises. They have to deal with the substantial risk element of farming. Their potential to find production and management efficiencies is relatively limited. New technologies, especially personal computers and the Internet, offer possibilities for such SMEs to improve their input buying strategies as well as to market their final products more effectively, thereby aiding their businesses on both the input and output side. Furthermore they offer farmers who are connected the opportunity to obtain, relatively easily, expert advice at low cost on matters important to their businesses such as independent agronomic advice.

Various surveys have shown that it is younger farmers in the EU who are most interested in using computers and the Internet. Young farmers also tend to have a better basic training in computer and Internet use. However, until now, young farmers use these tools as an information source, but do not make maximum use of its commercial capabilities.

The EU is currently launching a major initiative – eEurope - to promote the use of computers and the Internet. This is an excellent opportunity for something to be done for young farmers. The EU lags well behind the US in this respect.

In a recent speech (April 10, 2000) Commissioner for Enterprise and the Information Society – Erkki Liikanen – emphasised the cost savings that could accrue to small businesses via use of the Internet for business. He also underlined the regional benefits, the need for better education and training and the need to add to the target groups that could benefit from the eEurope initiative.

It is proposed that the Commission should actively encourage use of the LEADER programmes to educate young farmers in computer and Internet use.

In the past the LEADER programme has been used in order to fund training programmes for young farmers in use of the Internet (example: UK Agrinet). Including such ideas in the eEurope initiative (as outlined above) would give a lead to member states in this field.

3.5. Education, training, occupational assistance, research and development

The Commission should propose that eligibility for young farmer assistance be conditional on farmers achieving a minimum level of qualification in farming.

In the future it is more and more likely that only farmers with sufficient training will have the ability to cope with the technical requirements of farming. Furthermore, there are new responsibilities (for example for animal welfare and environmental standards) which require knowledge and training. It is possible that eligibility for EU aid in future will be more dependent on a farmer having a minimum level of training.

It is proposed that eligibility for EU young farmer assistance should be conditional on young farmers achieving a minimum level of qualification in farming. This could apply to applications for aid from 2001 onwards, for instance. This would help create a more level “playing field” for young farmers throughout the EU.

Also commercial training to deal with creating/managing integrated production management and marketing systems should be provided.

The Commission should propose the re-instatement of the previous (Regulation 950/97) training schemes scope and funding. The Commission should encourage their use for training in computer and Internet use.

Regulation 1257/99 withdrew much of the training assistance that had been offered under Regulation 950/97. Only one training/occupational measure remains. While this is inadequate, it is open to member states to offer it for the provision of training in computer/Internet use. As its contribution to the effort to improve standards the Commission should propose that EU co-funding be made available for the training of young farmers, both before and for a period after they are installed.

One element of the EU-funded training programme could be a requirement that the young farmer spends a minimum period of the training time on placement at another farm. Young farmer exchanges with other countries should also be encouraged.

Such a scheme has been successfully operated in France for some years. The principle of placement could be extended to offering young farmers the opportunity to find a placement abroad.

The EU should fund an information programme (or a programme under one of the education programmes) to encourage young people to take up agricultural studies at university.

The EU should fund an information programme to ensure that careers advisers are aware of the opportunities for education and training in the farming sector.

The EU should fund a public relations/advertising programme to improve the image of European farming, especially with young children, including farm visits.

As the poor image of farming and its position in society with the general public has been identified as a major concern of potential young farmers, and a major deterrent to new entrants, the above suggestions appear very necessary. The closer interest in the way food is produced, following recent safety scares, may ultimately help improve the image of agriculture as long as further scandals can be avoided.

The public relations programme to improve the image of farming would have the added advantage of emphasising the European Model of Agriculture at a time when the EU is defending the special role of the CAP in the context of the WTO agricultural trade talks in Geneva.

The EU's Research and Development programmes could include a project on the potential for use of the Internet, especially by young farmers.

In the past the Commission has sponsored research into the use of new technologies, however this has concentrated on the use of such technologies as satellite imaging for the control of CAP subsidy schemes. The proposal cited here is for a project to assist young farmers in taking up a technology with an eventual more commercial application.

3.6. Joint ventures, networking and advice for young farmers

EU funding of organisations that create networks of young farmers, to assist them in finding suitable farming installation opportunities, has been removed by Council Regulation 1257/99. Similarly, EU funding for organisations which assist in the transfer of holdings (for example from older to younger farmers) has been removed by the same Regulation. This funding should be reinstated.

EU funding should be adapted to assist in the creation of joint ventures between would-be entrants and existing farmers (normally landowners). This would help to diminish start-up and administration costs.

Financing an organisation (in practice probably one per country or region) to facilitate the above could be partly by membership/registration fees and partly by EU funding. In practical terms the organisation could:

- create and maintain a database to match prospective young farmers and existing farmers looking for successors/partners;
- offer legal advice (e.g. standard forms of contract) and taxation advice;
- raise awareness/campaign on young farmer issues ;
- help in the implementation of projects/applications under EU schemes;
- provide consultancy services to young farmers, e.g. business planning and/or marketing;
- help farmers form groups to face setting up problems together.

A special Advisory Service for young farmers should be funded in each member state to help during the establishment phase.

The end result would be a form of "one-stop shop" for young farmers in each area. Such one-stop shops could themselves be linked via the Internet, to each other and to the various administrative authorities.

3.7. Taxation

The Commission should be encouraged to examine the impact of agriculture-specific taxes, and in particular exemptions, which could improve the options available to young farmers for deferring start-up costs.

Proposals for action in this area are necessarily oriented towards member state policies. Nevertheless, the Commission could be the catalyst for action.

The Commission should examine ways to reduce the tax burden. The Commission could play a role in this by sponsoring a conference on the inheritance tax issue.

A major obstacle to young farmer installation is the cost represented by inheritance taxes, where a farm is passed from one generation of a family to another. At a Europe-wide conference the good ideas of several bodies and governments (including in the candidate countries) could be shared and solutions discussed.

One example of a measure to be encouraged could be the access for young farmers to low interest rate loans. In some member states fiscal advantages are offered to the borrower on such loans, as this report has outlined. Such a system should run in addition to the interest rate subsidy that forms part of the EU's installation measures for young farmers.

The Commission could encourage member states to examine methods for young farmers to ***defer inheritance tax payments or pay taxes in instalments.***

To ease the costs associated with taking over a farm, ***compensation payable by a young farmer to eligible heirs should be spread over as long a time-period as possible.*** Otherwise, the simplest and cheapest system remains that in operation in Ireland and the UK, where a single designated heir is eligible, without legislated framework for compensation. For the purposes of compensation, the definition of an eligible heir could include experience on the farm, or farming qualifications. ***The cost of such a measure would be born entirely by member states.***

Property transfer taxes could be less onerous where a farmer sells to a young farmer, acting as an incentive to hand over to a new entrant. Even a small discount on the property tax could be sufficient incentive for a selling farmer to pass his property on to a young farmer in regions where demand and prices for land are high. ***Again, the cost of reducing transfer taxes would fall on member states.***

Another suggestion is for governments to extend inheritance and/or gift-tax relief. A further option might be to offer young farmers tax breaks in the first years after installation. Landlords could also be encouraged to let land to young farmers via tax concessions.

3.8. Availability of agricultural land

The Commission should conduct a specific review of legislation which has an impact on the availability of agricultural land (e.g. aspects of tenancy laws). An efficient means to improve the knowledge of all interested parties could be for the Commission to sponsor a conference on the issue.

In some cases tenancy laws and/or practices impose barriers to new entrants. In other cases new entrants are benefited. In yet more, the situation is unclear. This needs to be evaluated.

Proposals for action in this area are necessarily oriented towards member state policies. ***Nevertheless, the Commission should be encouraged to examine the difficulties faced by young farmers faced with attempting to buy or lease land.***

The Commission should further consider the impact of subsidies and quotas on land values and whether the beneficiaries of support measures are accurately targeted.

Currently, capitalised values are only to the benefit of the landowner, and in many EU and candidate countries, the importance of renting is far more important for most farmers.

Denmark's restrictions on land ownership are designed to keep farmland prices within reasonable parameters, and ***the Commission may consider the market impact of imposing conditions, such as a requirement to farm, not lease, land over a certain holding size or demonstrate farming qualifications.***

The impact of minimum lease periods ***needs evaluation to see whether longer leases could benefit young farmers***, or, whether in a climate of poor farming fortunes, short-term leases are preferred.

The Commission should encourage the establishment of national agencies, operating on a non-profit basis, and specifically designed to intervene in land markets in the interests of young farmers be established without unduly distorting markets.

Clearly there is great potential for national agencies to regulate and restructure the land market. The long experience in France of SAFERs, could serve as a very useful indication of the potential and pitfalls related to such institutions. The powers of national agencies would need careful supervision and limitation, in the interests of the market as a whole, but without their intervention and pre-emptive purchase rights, it is difficult to see how the situation will improve for young farmers without large capital.

Clear legal definitions of "family farm" would not only be useful from a point of view of designing tax and land market measures, in favour of relatives, descendants and prevent splitting holdings, but ***could also allow better targeting of direct aid.*** A further spin-off would be to reinforce the Community's defence of multifunctional agriculture in the WTO.

3.9. Environmentally-sustainable farming

The Commission should propose measures allowing agri-environment schemes to be targeted at young farmers.

Given the interest of many young farmers in environmentally-sustainable farming techniques, there is sense in the EU's Agri-environment scheme being targeted more at young farmers. By favouring young farmers in the operation of the schemes the EU would tie young farmers into the new commitments required under installations and, at the same time, making a commitment to the future sustainability of farming via the younger generation of farmers.

3.10. General

3.10.1. Review of rural development plans

The Commission and Council of Ministers should use the opportunity of the review of the rural development regulation in 2003 to make appropriate proposals to amend its rules (as outlined above).

Given the central role that the budget will now play in the management of the CAP, it makes more sense to call for the review of Regulation 1257/99 to be brought forward to 2002 (as explained earlier).

3.10.2. Young Farmers in the Wider Rural Context

In 1996 the Commission organised a major conference in Cork, Ireland to discuss the issues outlined briefly above. It is proposed that the exercise be repeated and that all parties interested in the problems of young farmers should ensure that those problems are high on the agenda.

Whilst the young farmers debate is generally seen in the context of mainstream agricultural/ commodity policies, increasingly the issues need to be set in a wider framework.

That means a framework in which the environmental protection agenda (in its widest sense) is playing an increasingly important role. It is also an agenda that is influenced increasingly by people who are in the countryside but not necessarily countryside/ rural people. That has implications for a range of policy matters that impact directly and indirectly on young people (including farmers) in terms of availability of housing, services and facilities such as schools and shops, transport and policy issues such as planning.

In some parts of the countryside, these wider policy concerns may be as important, if not more important, than mainstream agricultural policy.

In this context there should be a fundamental debate as to whether the limited funds available for installation, for example, should be offered on the basis of a farmer's age, or whether new entrants in general should be favoured. Many sources contacted during the research for this study have raised the arbitrary nature of a cut-off point for aid based on age only. Moreover, the measures that are in place do little to assist new entrants coming from a non-family farm background.

3.11. Candidate countries

The candidate countries' position is different to that of existing EU members. The authors of this report cannot predict when, and in what way, candidate countries will become members of the EU. Transitional measures may be enacted before the candidate countries adopt the full "*Acquis Communautaire*", within the CAP.

For the purposes of considering EU-level measures which could help young farmers, and for this purpose alone, it has been assumed that non-candidate countries will not become members of the EU prior to the review of the Rural Development Plans, and of the CAP budget, scheduled for 2002/2003.

The EU is not proposing, at this stage, to extend direct aid payments under the CAP to the candidate countries when they join the EU. One of the Commission's primary reasons given for this starting position in the enlargement talks is that payment of such aids could slow down the (very necessary) restructuring of farming process in the candidate countries. If the EU accepts, or even advocates further restructuring of farming in the candidate countries, then it should be open to measures put forward in the enlargement talks which would encourage young and dynamic new entrants.

The most appropriate actions the EU could take prior to the accession of the candidate countries are:

To encourage candidate countries to target (part of the) SAPARD funds to young farmers, thereby applying as much as possible the variety of measures applicable to young farmers within the EU. This would greatly help young farmers in the countries concerned, as well as prepare them for full EU membership.

In its draft common position for Hungary the Commission has recommended accepting Hungary's request to be allowed to pay a higher level of aid.

Approve requests by candidate countries for special early retirement schemes prior to accession and/or for higher installation payments in the first years after accession.

In particular to encourage the use of abandoned land by young farmers facing difficulties with finding a farm to set up on or to expand their farms.

SAPARD to put more emphasis on the need for training/education/advice for young farmers.

Extend PHARE support beyond advice about EU structures and practices to more practical advice for young farmers.

Cyprus should be eligible for a SAPARD type system of support.

The rules for SAPARD should be amended to allow candidate countries to continue to be eligible once they join the EU.

While the key discussion on the conditions for EU accession of the candidate countries is purely a question of political negotiation, there is one point or gesture that the EU should make as far as structural change in rural areas is concerned. Funds under the SAPARD programmes should still be paid to the candidate countries even after accession. This would guarantee that the programmes are fully and properly implemented, rather than risk them falling victim to any part of the enlargement negotiations. Politicians from the candidate countries will surely be under more domestic political pressure to negotiate some form of CAP direct aid payments for farmers, rather than to continue arguing for schemes to improve rural structures which are much more medium term and much less tangible – and therefore less likely to influence the electorate.

Special note about Cyprus: Although accession negotiations between the EU and Cyprus are progressing along the same lines as with the countries from Central and Eastern Europe there is a difference. Currently, representatives of the Turkish Cypriot community do not take part in the negotiation team although they were invited by their Greek counterparts to do so. It is hoped that a political settlement can be reached in the future so that accession can benefit the whole of the island. It would also allow for the implementation of the acquis throughout the island.

Chapter II
PROBABLE COST OF EU ACTIONS

As was highlighted in Part II, Chapter 5, the budgetary constraint element of the Agenda 2000 package of reforms was one of the most important aspects of that package. It is therefore vital, in the current political climate within the Council of Ministers, that proposed measures are costed.

The simplest way in which to present the probable cost of the actions proposed is in tabular form. This is done via the two tables below, one for the existing EU (Table 10), the other for the candidate countries (Table 11). The tables also outline the role that the European Parliament could play in any of the initiatives.

It has not been possible to cost every single measure. In some cases the budgeting procedure is too complex to make such estimates. In others the eventual amount of EU expenditure depends almost entirely on the willingness of member states to offer the measure proposed, the level of funding offered and finally on the uptake by young farmers.

The budgetary costs of measures suggested for application in the existing EU of 15 countries would obviously change when some/all of the candidate countries become full EU members. Similarly, the cost of special measures suggested for the candidate countries would fall as they reach full EU membership status. Hence the assumption that candidate countries will not become members of the EU before 2003.

Table 10. Possible cost of measures applicable in the existing EU

Measure proposed	Estimated budgetary cost	EP's involvement
1. Improving knowledge of situation of young farmers		
Increase efforts to improve basic database, including in candidate countries.	No cost.	No more than applying pressure with member states to provide the necessary information.
Evaluation Unit to conduct evaluation of young farmer measures.	No cost.	No more than applying pressure with member states to provide the necessary information.
Early amendment to CAP information regulation to restore CEJA funding.	Less than €100,000 out of an annual budget for this regulation of €4.5 million	Proposals to revise both the regulation and the budget line concerned come under the "consultation" procedure, i.e. the Council is not obliged to incorporate any EP amendments or recommendations. However, EP publicity could encourage early proposal.
2. Installation costs		

Measure proposed	Estimated budgetary cost	EP's involvement
Amounts of installation aid and enhancement offered to young farmers under investment aids to be increased in next review of the regulation.	Spending on installation costs in 1995-97 averaged about €380 million. The budget for 2000 is set at just €131 million There is a need for an increase of up to €250m per year in the budget.	The EP will only be "consulted" over revisions to the regulation. It could put public pressure on the Council and Commission over the information on the young-farmer elements of Rural Development (RD) plans.
	Given the budget limits fixed in Berlin (whereby this spending would have to be "financed" by savings elsewhere in the Rural Development & accompanying measures budget), small increases on an annual basis seem the most realistic political approach to achieving this goal.	The role of the EP has already become central to fixing of the annual budget line for aid for young farmers. Even before the review of the Regulation, MEPs could seek to increase the said budget line, within the budget limits set at Berlin, i.e. increased spending for young farmers will be dependent on MEPs setting lower spending for other RD measures.
Commission to be asked to provide detailed breakdown of young-farmer elements of rural development plans, once approved.	No cost.	Applying pressure with the Commission and member states to provide the necessary information.
All member states to offer at least minimum level of installation aid.	No additional cost likely.	The EP will only be "consulted" over revisions to the regulation. Annual EP budget role can ensure that the number of farmers assisted is not reduced through this measure.
Supplementary investment assistance for young farmers to in LFA.	Any additional cost depends on member-state uptake. (N.B. This additional cost could also be funded by transfers from direct payments under the "modulation" rules, if a member state wanted).	The EP will only be "consulted" over revisions to the regulation. Annual EP budget role can ensure that the number of farmers assisted is not reduced through this measure.
Higher level of grant to be offered where investment will result in actual environmental improvement of the farm.	Any additional cost depends on member state uptake. (N.B. This additional cost could also be funded by transfers from direct payments under the "modulation" rules, if a member state wanted).	The EP will only be "consulted" over revisions to the regulation. Annual EP budget role can ensure that the number of farmers assisted is not reduced through this measure.
Enhanced investment grants for	Any additional cost depends on	The EP will only be "consulted"

Measure proposed	Estimated budgetary cost	EP's involvement
young farmers to be offered for period of five years after installation.	member-state uptake, but an increase in the number of applications is to be expected, especially in the first 3-4 years. (N.B. This could also be funded by transfers from direct payments, if "modulation" rules are changed to allow for funds to be re-channelled to cover young farmers, and if a member state chose so to do).	over revisions to the regulation. The EP's role in setting the annual budget will prove crucial in ensuring that this measure does not simply result in a 20%-30% rise in the number of farmers assisted but a 20%-30% reduction in the rate of assistance.
Interest-rate subsidies should be offered on basis of an objective market rate, minus a fixed amount.	No additional cost. In fact, moves to prevent banks taking advantage of the EU subsidy would provide a more efficient use of current funds – equivalent to a budget increase in fund available for young farmers.	The EP will only be "consulted" over revisions to the regulation. Publicity from MEPs over the policy of individual banks – even before the revision of the regulation – would also help.
3. Succession/Early retirement		
Early retirement scheme to contain link with installation of a young farmer.	No cost.	The EP will only be "consulted" over revisions to the regulation.
Higher premium for early retirement for retiring farmers who agree to transfer farm to young people.	No cost.	The EP will only be "consulted" over revisions to the regulation.
Continued EU co-funding offered for establishment and operation of farm transfer agencies.	The funds previously available that have been discontinued. Cost depends on use made of measure by member states.	The EP will only be "consulted" over revisions to the regulation. Once the budget line is reinstated, however, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.
Commission to update its 1996 report.	Cost of independent study (not done by the Commission) is no more than €100,000, (less if this can be combined with the proposed conference on rural development - see point 10).	EP can publicly ask for this report update.
4. Economic situation		
Modulation: The criteria of	No additional cost. The	The EP will only be "consulted"

Measure proposed	Estimated budgetary cost	EP's involvement
Article 4 of the Horizontal Regulation should be modified to include wording relating to new entrants and debts related to farm take-over. Article 5 should be amended such that modulated funds can be rechannelled into installation aid for young farmers and/or training.	additional support provided by this change will depend on member-state uptake.	over revisions to the regulation.
Member states to favour young farmers when administering quotas/production rights and transfers.	No cost.	The EP will only be "consulted" over revisions to the market regulations, but public pressure (& domestic lobbying) could help having this amendment added to the Horizontal Regulation.
Review of sugar regime to propose that member states improve prospects for young farmers in sugar beet sector. Similar approach in review of sheepmeat/goatmeat regime.	No cost.	The EP will only be "consulted" over revisions to these market regulations.
Commission to make proposals to encourage establishment of exchanges to allow more controlled form of transfer of rights.	Establishment of exchanges could be nationally funded, but would find more uptake by member states if EU funded. A budget of €1 million, would be equivalent to €70,000 per member state.	The EP will only be "consulted" over revisions to the regulation. Once the budget line is established, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.
Commission to analyse possibility of EU rural credit guarantees, notably for young farmers	The proposed pigmeat regulatory fund is EU budget neutral. Analysis could take the form of an independent study (costing up to €100,000), or well-monitored pilot projects (costing perhaps €1 million over 5 years).	No clear input, unless via own-initiative report.
5. Education and training		
Specific provisions for education and training of young farmers in use of computers and Internet.	No indication of cost possible at this stage. Other (non-CAP) EU funds could be made available for this.	The EP will only be "consulted" over revisions to the regulation. Once the budget line is established, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.
LEADER programme to encourage use of Internet by young farmers.	No additional cost.	EP publicity campaign could encourage Commission & member states to act.

Measure proposed	Estimated budgetary cost	EP's involvement
Eligibility for EU young farmer assistance to be conditional on young farmers achieving minimum level of qualification.	No cost.	The EP will only be "consulted" over revisions to the regulation.
Reinstatement of previous training scheme scope and funding.	The funds previously available have been discontinued. Only €5 million available in 2000 budget. Cost depends on member-state uptake.	The EP will only be "consulted" over revisions to the regulation.
EU co-funding to be made available for training of young farmers, both before and for a period after they are installed.	Cost depends on uptake in member states.	The EP will only be "consulted" over revisions to the regulation. It plays a central role in the setting of the annual budget for "Training" under the Rural Development budget.
EU to fund information programme to encourage young people to take up framing studies at university.	€3 million – part of which could be co-financed. A useful addition would be an Internet web-site showing opportunities (which would be budget neutral if advertising or sponsorship permitted).	Publicity from MEPs in home constituencies is potentially of greater importance than the EP "consultative" role in amending current rules.
EU to fund public relations to improve image of European farming, especially with young children.	Independent analysis/ market research (costing < €50 000) is probably necessary to highlight the most cost-efficient targeted actions, e.g. funding school visits to farms. This could also highlight potential alternative funding, e.g. national tourism & education funds.	MEP role most significant in publicising measures "at home". Budget measures out of CAP would probably come from "compulsory spending", i.e. where EP is only "consulted".
EU's Research and Development programmes to include project on potential for use of Internet, especially by young farmers.	Cost estimated not possible as depends on precise programme.	The EP has strong powers in agreement of the multi-annual EU R&D budget, and a decisive role in agreeing annual budget headings, but less influence over individual programmes.
EU funding of organisations that create networks of young farmers, to assist them in finding suitable farming installation opportunities.	Cost depends on member state uptake.	The EP will only be "consulted" over revisions to the regulation. Once the budget line is established, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.
6. Co-operation		
EU funding to be adapted to assist in the creation of joint ventures between would-be	No immediate cost.	The EP will only be "consulted" over revisions to the regulation. Annual EP budget role can

Measure proposed	Estimated budgetary cost	EP's involvement
entrants and existing farmers (normally landowners).		ensure that the number of farmers assisted is not reduced through this measure.
7. Tax/legislation obstacles		
Commission to sponsor conference on tax, inheritance etc.	€250,000-500,000), depending on number of delegates, location, EU subsidy level etc.	The EP could be a major driving force behind such a conference – potentially co-financing or even hosting it.
8. Availability of land		
Commission to conduct specific review of legislation which has impact on availability of agricultural land and sponsor a conference on the issue.	See above.	See above.
9. Environment		
Commission and Council of Ministers to use opportunity of review of rural development regulation in 2003 propose young farmers benefit more from agri-environment schemes.	No additional cost.	The EP will only be "consulted" over revisions to the regulation. The EP could increase the budget available for agri-environment schemes in the annual budget exercise (although there is no guarantee that member states will take it up).
10. General		
2nd Rural Development Conference.	€250,000-500,000, depending on number of delegates, location, EU subsidy level etc. The Commission should look at raising alternative funds, e.g. other EU policies, the European Parliament and/or sponsorship.	The EP could be a major driving force behind such a conference - potentially co-financing or even hosting it.

Table 11. Possible cost of measures applicable in the candidate countries

Measure proposed	Estimated budgetary cost	EP's involvement
Candidate countries to be encouraged to use SAPARD funds to apply measures applicable to young farmers within EU.	No additional cost.	The EP would have no direct role in this measure.
SAPARD to put more emphasis on need for training, education, advice for young farmers.	No additional cost.	The EP would have no direct role in this measure.
PHARE support to be extended beyond advice about EU structures and practices to more practical advice for young farmers.	No additional cost.	The EP would have no direct role in this measure.
Cyprus to be made eligible for SAPARD-type support system.	New funds would have to be found. A budget of €5-10 million would appear to be a proportionate amount.	The EP could exert pressure in the course of the annual budget setting in providing these funds – perhaps simply within the budget line for EU-Cypriot relations.
SAPARD funds to be available post-accession	No additional cost.	The EP would have no direct role in this measure.

With the budget ceiling for "market measures" certain to be much tighter than the ceiling for "rural development/accompanying measures" (under which Regulation 1257/99 is defined) in the coming years, any new initiatives will almost certainly have to be defined under this "Second Pillar" of the CAP to have any prospect of additional funding. The redirection of EAGGF-Guidance money into this section has also reduced the realistic possibility of finding EU funds from elsewhere in the EU budget. Given this budgetary squeeze on market spending, it must be a priority for young farmers to retain as strictly as possible the division between the two pillars of CAP spending. The fact that spending under the Rural Development heading is now defined as "non-compulsory" - thereby giving the European Parliament a direct say on the setting of each budget line - is also likely to be an advantage as long as it can be shown that the existing aid schemes really are effective in promoting the interests of young farmers.