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DRAFT REPORT

on the implementation of CAP young farmers' tools in the EU after the 2013 reform
(2017/2088(INI))

Committee on Agriculture and Rural Development

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EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS

Introduction

This report provides information regarding the state of implementation of the current Common Agricultural Policy (CAP) young farmers' mechanism. Several policy recommendations are formulated, aimed at improving the existing support scheme and assisting young farmers to deal with the major barriers to entering agriculture.

Key findings¹

1. Creating opportunities for young farmers and new entrants

1.1 Continue the support for young farmers

Overall, the current supports are widely perceived as enabling a new generation of farmers to enter the sector. In the context of the new CAP after 2020, the rapporteur recommends that the support to CAP young farmers' tools should continue, and the maximum level of funding be increased beyond 2%. Several of the case study countries reported that the grant schemes were oversubscribed, i.e. there were insufficient funds available to award all positively evaluated applications.

2. Encouraging land mobility

Access to land is the largest barrier to new entrants to farming in Europe. This has been identified in several studies². Access to land is limited by the low supply of land for sale or rent in many regions, as well as competition from other farmers, investors and residential users. The land access problem is exacerbated by the current Direct Payment structure, which dis-incentivises land sales and rental, and supports land speculation.

2.1. Re-evaluate the Direct Payment structure

The current Direct Payment structure requires minimal active use of the land, and allocates subsidies largely on the basis of land ownership. Existing farmers are incentivised to retain land access in order to retain subsidy access, but not to ensure the best use of the land. Direct Payments are also used by older farmers as a form of pension. The rapporteur recommends to increase the activity levels required to receive payments, and targeting subsidy payments towards achievement of particular outcomes (e.g. production of specific environmental or social goods). The rapporteur questions the utility of allowing subsidy entitlements to be bought and sold separately from the land on which they were originally set. This practice encourages accumulation of subsidy entitlements by investors, rather than farmers, and artificially increases land values. The EU should allow member states greater freedom to

¹ The findings are based on the research requested by the COMAGRI entitled "Young farmers - Policy implementation after the 2013 CAP reform":

[http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU\(2017\)602006_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf)

² - EIP Agri Focus Group on New Entrants to Farming: https://ec.europa.eu/eip/agriculture/sites/agri-eip/files/eip-agri_fg_new_entrants_final_report_2016_en.pdf

- Young farmers - Policy implementation after the 2013 CAP reform:

[http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU\(2017\)602006_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf)

regulate their land markets, in order to curtail the purchase of land for investment (rather than productive) purposes. It is important to note that the European Commission is currently evaluating the best practices for foreign access to agricultural land.

2.2. Re-consider the ‘farm-exit scheme’ and other incentives for retirement

Results of the study¹ suggest that in many Member States the generational renewal and also the access of young people to agricultural land is hindered by late succession. The current CAP lacks any incentives for older farmers to pass their businesses to younger generations. Despite the mixed experience with the ‘early retirement scheme’ it is recommended to reconsider the implementation of measures that would motivate older holders to pass their farms to young farmers. These measures could include pension related regulations (for example, restricting individuals from accessing both state pensions and agricultural subsidies), and offering pension opportunities to retiring farmers.

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

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

3. Addressing further barriers to new entrants

The study² also identified the following major barriers to new entrants: access to capital, low profitability and training/skills development. These findings are consistent with those of the EIP Agri Focus Group on New Entrants to Farming³.

3.1. Increasing private capital access

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

¹ Young farmers - Policy implementation after the 2013 CAP reform:
[http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU\(2017\)602006_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf)

² Young farmers - Policy implementation after the 2013 CAP reform:
[http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU\(2017\)602006_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf)

³ EIP Agri Focus Group on New Entrants to Farming: https://ec.europa.eu/eip/agriculture/sites/agri-eip/files/eip-agri_fg_new_entrants_final_report_2016_en.pdf

substantial debt. The Omnibus regulation, to be implemented in January 2018, will offer opportunities to trigger insurance in the event of frost, drought and floods, as well as income stability tools to address market risks.

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

There is allowance within the current measures to fund advisory services for young farmers. Where it has been implemented, these services are well received, leading to new skill development and the establishment of viable business plans. However, at present, most of the direct supports to new entrants are being provided through the capital grant scheme, which is differentiated by farm location, size of the intended business, creation of additional jobs etc. There is a need for further training to be made available to new entrants and young farmers, particularly in the areas of business management and financial skills. The rapporteur recommends a re-balancing of the supports to increase advisory service and training opportunities. The rapporteur also recommends that these training opportunities should be made available prior to initiating access to formal new entrant supports (i.e. to potential as well as actual new entrants who are in the process of developing business plans). This will enable new entrants to adequately prepare for and understand the responsibilities associated with starting a new farm. Business development training should also address profitability issues, enabling current and potential new entrants to identify suitable market opportunities. Access to business training for young people is expected to facilitate rural economic development in general. The young farmers and new entrants starting a business in agriculture need more information about administration and technical aspects of farming, as well as the access to shared examples of good practice. The study¹ pointed out that the farmers highly value advisory services tailored to the situation of the farm. Such advisory services should combine technical aspects of farming as well as the administrative and financial aspects related to the existing policies.

3.3. Support for succession planning

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

4. Administration of the implemented measures

The reduction of administrative barriers is needed for young farmers and new entrants. Despite the stakeholders' positive evaluation of the implemented measures, it is necessary to reduce administrative procedures related to the existing measure for young farmers. The overall administration of the direct payments and Rural Development Programme (RDP) measures is perceived as difficult, especially for new entrants who are not familiar with the payment system. It is recommended to reduce the administration burden for new entrants with

¹ Young farmers - Policy implementation after the 2013 CAP reform:
[http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU\(2017\)602006_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf)

simplified administration (similar to the Small Farmers Scheme, which simplifies the payment scheme and improves access of farms to the CAP).

It is also recommended to give farmers more flexibility to respond to changing conditions on the markets with their business plans. Changes in the payment instalment should be considered (a payment calendar could be used providing the farmers the grant according to financial plan, instead of ex-post payments).

5. New forms of support

5.1. Sharing practical knowledge

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

5.2 Target particular scales and forms of agriculture

New entrants are more likely to be involved in small-scale, niche market farming operations. This reflects the challenges of land access and the difficulty of accumulating sufficient capital to compete in scale-driven markets.

Conclusions and recommendations

The rapporteur is of the view that the following key policy recommendations should be put in place:

- It is recommended that the support to CAP young farmers' tools should continue, and the maximum level of funding be increased beyond 2%;
- Access to land is the major barrier for young farmers and new entrants. Dealing with this problem requires re-evaluation of the direct payment scheme and creating incentives for older farmers to pass their farms on to younger generations;
- It is recommended to focus on reducing additional barriers to young farmers, such as access to capital, lack of business skills and insufficient succession plans;
- It is also recommended to reduce the administrative barriers and to give EU farmers more flexibility to respond to changing conditions on the markets with their business plans;
- New forms of support should be taken into account, accentuating innovative ways of sharing knowledge

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the implementation of CAP young farmers' tools in the EU after the 2013 reform (2017/2088(INI))

The European Parliament,

- having regard to Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005¹,
 - having regard to Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009²,
 - having regard to the study on ‘Young farmers: Policy implementation after the 2013 CAP reform’ commissioned by the EP Policy Department B–Structural and Cohesion Policies– and presented at the ComAGRI meeting of 23 November 2017,
 - having regard to the European Parliament hearing on the ‘Implementation of young farmers’ policies after the 2013 CAP reform’, which took place on 23 November 2017,
 - having regard to the European Court of Auditors Special Report No 10 /2017 on ‘EU support to young farmers should be better targeted to foster effective generational renewal’,
 - having regard to the study by the European Council for Young Farmers (CEJA) entitled ‘Young farmers are key in the future CAP’ published on 17 May 2017,
 - having regard to the European Committee of the Regions Opinion on ‘Supporting young European farmers’ (NAT-VI/012, 2017),
 - having regard to Rule 52 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,
 - having regard to the report of the Committee on Agriculture and Rural Development and the Opinion of the Committee on the Environment, Public Health and Food Safety (A8-0000/2017),
- A. whereas in the EU only about 6 % of all people in charge of farms are younger than 35 years old and more than half are aged over 55;
- B. whereas the shortage of young people pursuing careers in farming is jeopardising the

¹ OJ L 347, 20.12.2013, p. 487.

² OJ L 347, 20.12.2013, p. 608.

economic and social sustainability of rural areas;

- C. whereas supporting young farmers is a prerequisite for preserving agriculture across the EU and for keeping rural areas alive;
- D. whereas the ‘Young Farmers Manifesto’, launched in 2015 by European Council of Young Farmers, calls for: access to land and credit through public support measures; regulation to curb unfair trading practices in the food supply chain; measures to reduce income volatility for young farmers; support for access to land in order to safeguard and protect soils and optimise land use by young farmers for food production;
- E. whereas the Cork 2.0 Declaration of 6 September 2016 expresses concerns about rural exodus and youth drain, and the need to ensure that rural areas and communities (countryside, farms, villages, and small towns) remain attractive places to live and work by improving access to services and opportunities for rural citizens and fostering entrepreneurship in traditional rural domains as well as new sectors of the economy;

Recommendations

Finance

- 1. Recommends that the support to the ‘Young Farmer Scheme’ should continue and the maximum level of national funding allocation be increased beyond 2 % in order to encourage generational renewal
- 2. Recommends that the limit placed on access to supports (currently five years from the establishment of the business) should be reviewed in order to encourage generational turnover;
- 3. Welcomes the creation of an agricultural guarantee instrument, proposed by the Commission and the European Investment Bank (EIB) in March 2015, which should make it easier for young farmers to access credit; recommends that access to finance be improved through subsidised interest rates on loans for new entrants; calls for improved cooperation with the EIB and the European Investment Fund (EIF) to foster the creation of financial instruments dedicated to young farmers across all Member States;
- 4. Draws attention to the opportunities for young farmers offered in the European Structural and Investment (ESI) Funds to design and implement financial instruments in the form of loan, guarantee or equity funds in order to provide access to finance to those in need;

Administration of the implemented measures

- 5. Welcomes the fact that Common Agricultural Policy (CAP) reform 2014-2020 introduced new measures to support young farmers in setting up farms; expresses concern however that administrative burdens may be inhibiting take-up of these measures; notes that the overall administration of the direct payments and Rural Development Programme measures is perceived as difficult, especially for new entrants who are not familiar with the payment system;

6. Notes that most newly set-up farms are placed in a competitive environment with fast-changing conditions; recommends giving EU farmers more flexibility to respond to changing conditions on the markets in their business plans; believes that changes in the payment instalments should be considered;

Access to land and countering 'land-grabbing'

7. Notes that access to land is the largest barrier to new entrants to farming in Europe and is limited by the low supply of land for sale or rent in many regions, as well as by the competition from other farmers, investors and residential users; considers that the land access problem is exacerbated by the current direct payment structure, which requires minimal active use of the land and allocates subsidies largely on the basis of land ownership; believes that the existing farmers are incentivised to retain land access in order to retain subsidy access instead of ensuring the best use of the land; recommends increasing the activity levels required to receive payments and to target subsidy payments towards the achievement of particular outcomes (e.g. production of specific environmental or social goods);
8. Encourages more active national policies with EU recommendations on access to land with best practices;
9. Proposes legislative action to enable the establishment of national programmes aimed at facilitating land mobility and succession planning services;
10. Believes that a proper definition of an active farmer will help generational renewal, drive structural change and aid land mobility;
11. Notes that in many Member States the generational renewal and the access of young people to agricultural land is hindered by late succession; considers that the current CAP lacks any incentives for older farmers to pass their businesses to younger generations; recommends reconsidering the implementation of measures that would motivate older holders to pass their farms to young farmers, such as the 'farm-exit scheme' and other incentives for retirement;
12. Calls on the Commission and the Member States to stimulate the use of the possibilities under rural development to support the new actions to foster land mobility, such as land banks, farmland matching initiatives and other initiatives promoted at local level to encourage access to land for the new entrants;
13. Asks for the promotion of new models of collaboration between generations of farmers through partnership, share-farming, long-term leasing and other long-term arrangements, farm-to-farm arrangements and funds for national or regional organisations engaged in promoting and facilitating matching services between young and old farmers (such as land mobility services);
14. Believes that the Member States and the regions should be given more power to regulate farmland and set restrictions to that end, particularly with a view to tackling Europe's land-grabbing and concentration phenomenon, which is limiting young farmers' options when starting out;

15. Believes that a proper definition of active farmer will help generational renewal, drive structural change and aid land mobility;

Training and innovation

16. Notes that there is a need to modernise the vocational training provided in rural regions; believes that access to the European Social Fund (ESF) should be facilitated and an increased budget given to vocational training in rural areas;
17. Calls on the Commission and the Member States to offer more training opportunities for potential and confirmed young farmers, including farming, technological and entrepreneurial skills such as marketing, networking, communication and financial expertise;
18. Considers that developing modern agricultural practices will make agriculture more attractive to young farmers; stresses the need to support innovative digital farming technology and urges the Commission to ensure that any future CAP reflects this;

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19. Instructs its President to forward this resolution to the Council and the Commission, the European Court of Auditors, and to the governments and parliaments of the Member States.