



CAP impact on Generational Renewal

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European Parliament, 1 September 2021

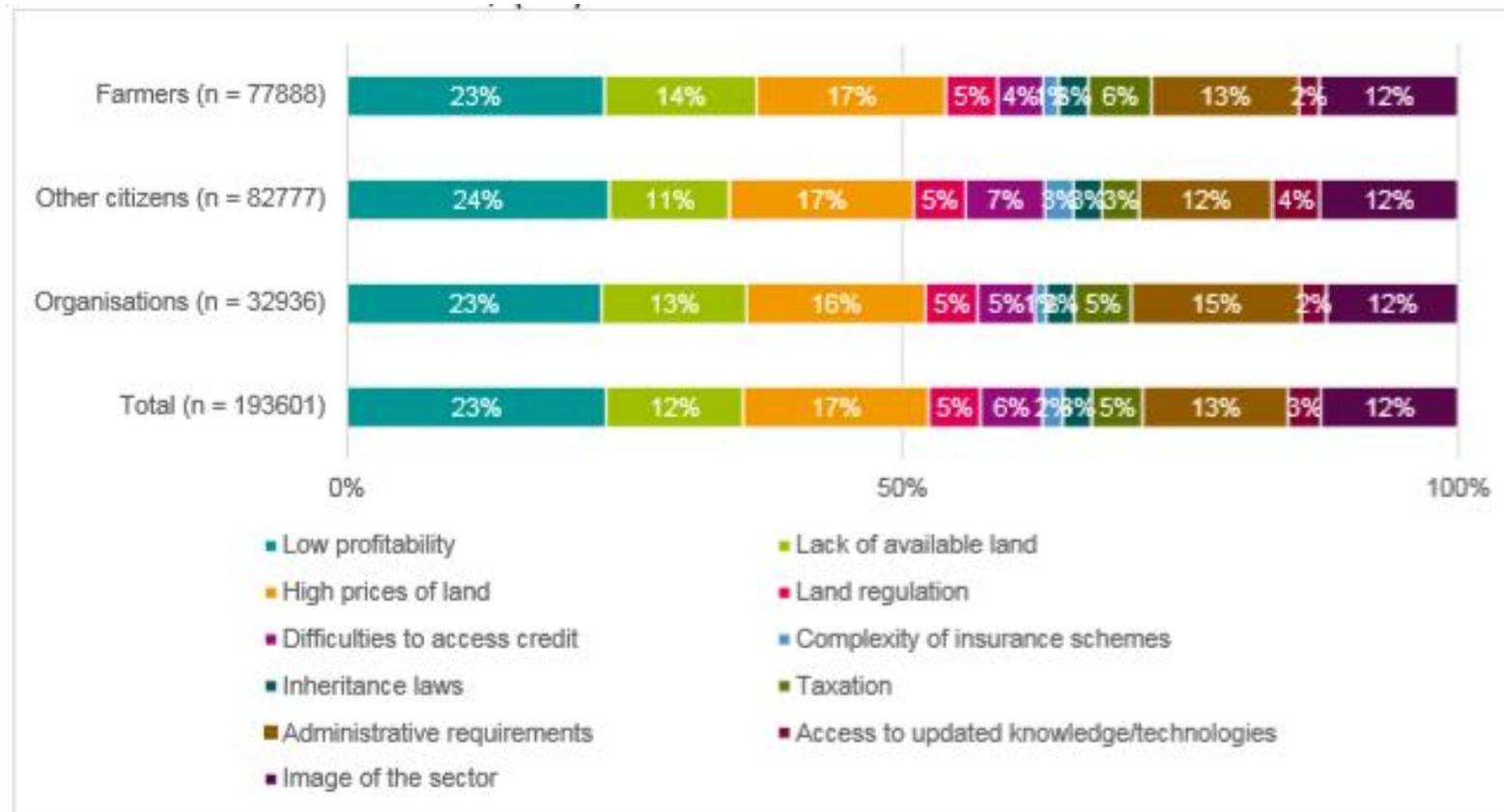
Introduction

- The ageing of the farming population is one of the top challenges facing rural areas in the EU
 - Risk of land concentration
 - Increase in need of skilled (hired) labour
 - Vitality of rural areas
- => Generational renewal = priority of the CAP

Some facts

- **Labour input in EU agriculture = 9.1 million full-time equivalents in 2019**
- -1.25% per year in 2011-2019, -114 000 FTE per year
- Share of young farmers (<40) in farming population = 11% in 2016
- Support to generational renewal:
 - Young-farmer payment (Pillar I) = 1.3% of DP envelope, 464 000 young-farmer beneficiaries (i.e. 7.5% of DP applicants)
 - Installation grant (Pillar II), target = 175 000 young farmers by 2023, in 2019 72% of the target reached
 - Supported business development plans/investments for young farmers (Pillar II), target = 1.4% of holdings by 2023; in 2019 1.1% reached, i.e. 120 000 young farmers.
 - Focus area 2B (Generational renewal) = 7% of Pillar II envelop.

Main barriers to becoming a farmer (%)



Source: [consultation on the future of the CAP](#)

Access to land

- The CAP provides financial support to young farmer
- Direct payments = guarantee for banks
- However, the CAP plays only a modest role in enabling:
 - (i) land to change ownership easily;
 - (ii) young farmers to gain access to land.
- Why? the availability of credit alone does not free up the land market
- Only 8% of EU land for food crops is on sale every year
- Direct payments = form of income support in retirement. This increases older farmers' reluctance to make the land available to younger farmers.

Access to capital

- On average in the EU, the **capital per farm** is close to EUR 200 000 for farmers aged 45 to 54.
- The youngest farmers (below 24) start with average farm capital of EUR 50 000 and they invest heavily when they get started.
- Farms run by young farmers are less successful in obtaining finance across all types of financial product.
- 27% of all applications submitted by young farmers in the EU are rejected by banks compared to a much lower rate of 9% rejection for older farmers.

Lessons learnt

- **Older farmers** remaining at work and on farms into later age is an issue for which national policies, such as pension schemes, are partly responsible.
- Access to **knowledge** and advice is still insufficient.
 - In 2016, only 43% of young farm managers had more than practical experience vs 32% on average for all EU farmers
- CAP generational-renewal measures are not well adapted to support the entry of **young farm managers with no family background in farming to the farming sector**.

Lessons learnt

- CAP measures mainly contribute to the **maintenance of farming jobs** rather than their creation, supporting their economic sustainability
 - The most significant effect is in sparsely populated, less developed areas with many small farms.
 - In regions with large farms, high CAP expenditure, and an ageing farm population, very small effect.
 - Likely higher effect where the support targets labour-intensive forms of agriculture.
- Support important in rural areas in need of **local development**
- But weak impact when dwarfed by negative influences including socio-cultural factors and wider economic disincentives to farm or live in rural areas.
- The value of any support (included other EU policies) should not be assessed in isolation from wider socioeconomic conditions in rural areas.

Lessons learnt

- **CAP measures are insufficient, on their own**, to address main entry barriers into farming: access to land, capital issues and rural area vitality.
- A **strategic approach** for generational renewal for Pillar I and Pillar II is lacking in most Member States.
- **Developing integrated approaches** would help, using multiple CAP and non-CAP instruments, institutions and broader legislative and fiscal provisions in a coherent way.

Generational Renewal in the new CAP

- **Generational renewal = 1 of the 9 CAP objectives**
- **Strategic approach: MS Strategic Plan by objectives, based on needs assessment**
- **3% of the CAP DP budget** earmarked for farmers newly set-up
- This support may be granted as income support, investment support or start-up aid for young farmers
- Possibility to support the **entry of all farmers** (not only the young ones)
- MS to describe in the CAP plan, the interaction of CAP interventions with national / regional actions

Thank you

Visit the Evaluation page:

https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cmef_en#evaluation

European Commission, Brief No 7 Structural change and generational renewal (2019):

https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/cap-briefs-7-structural-change_en.pdf.



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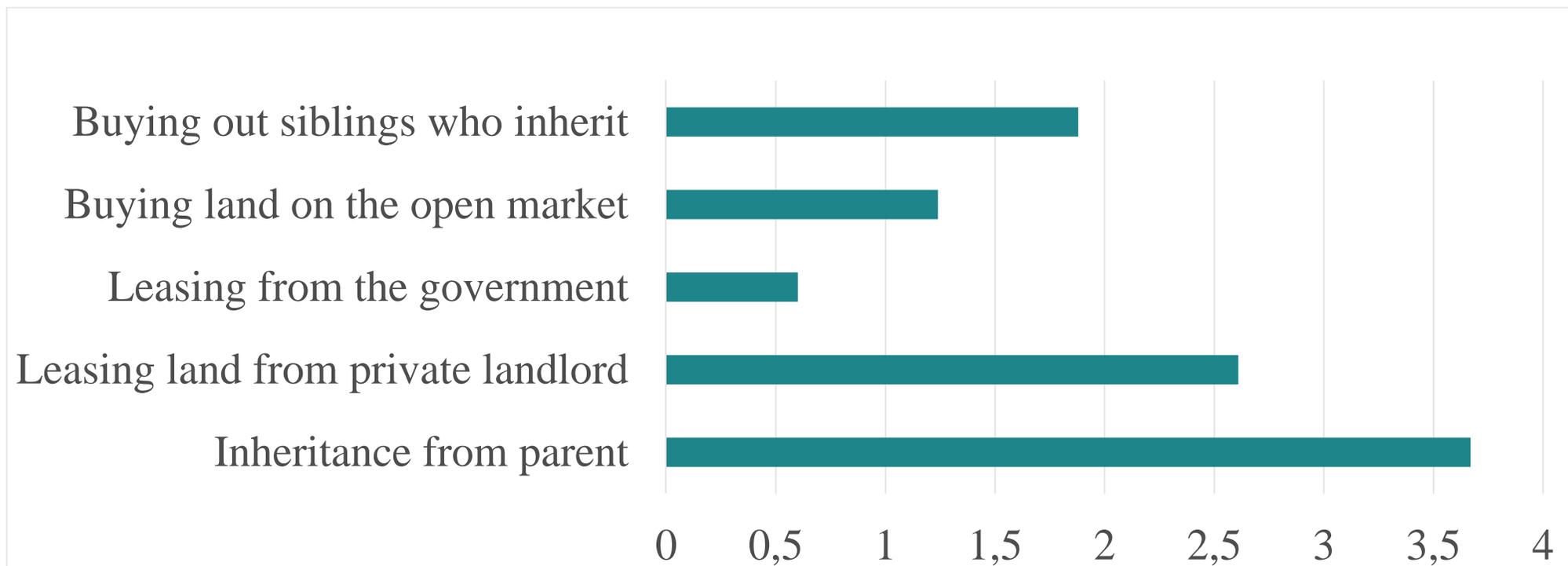
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Characteristics of young farmers in the EU

- A low proportion in total farm numbers and agricultural land and standard output;
- Larger average-sized farms;
- Higher levels of professional qualification than older farmers;
- Below-average income levels;
- Low capital stocks and levels of land ownership;
- High levels of net investment.

Most common entry routes into farming

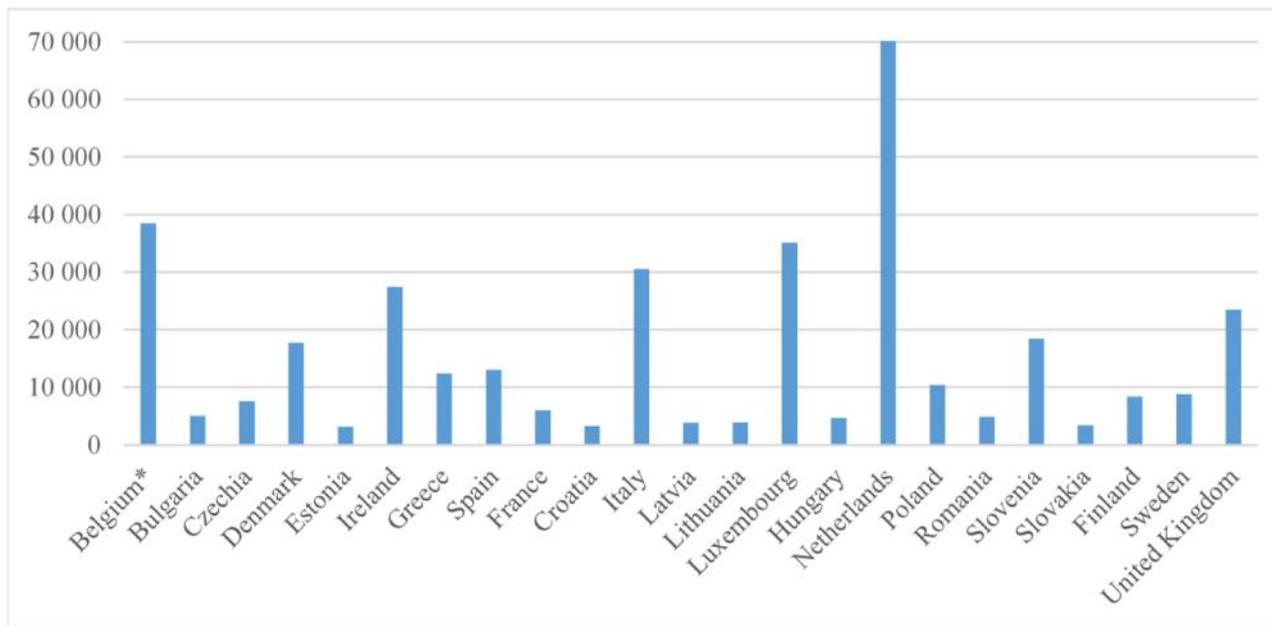


Source: Evaluation support study, online survey of Member States administrations

The CAP and land prices

- In some regions the CAP support contributes to increasing land prices.
- But CAP is not the only factor affecting land prices!

Arable land prices in the EU, 2018 (EUR/ha)



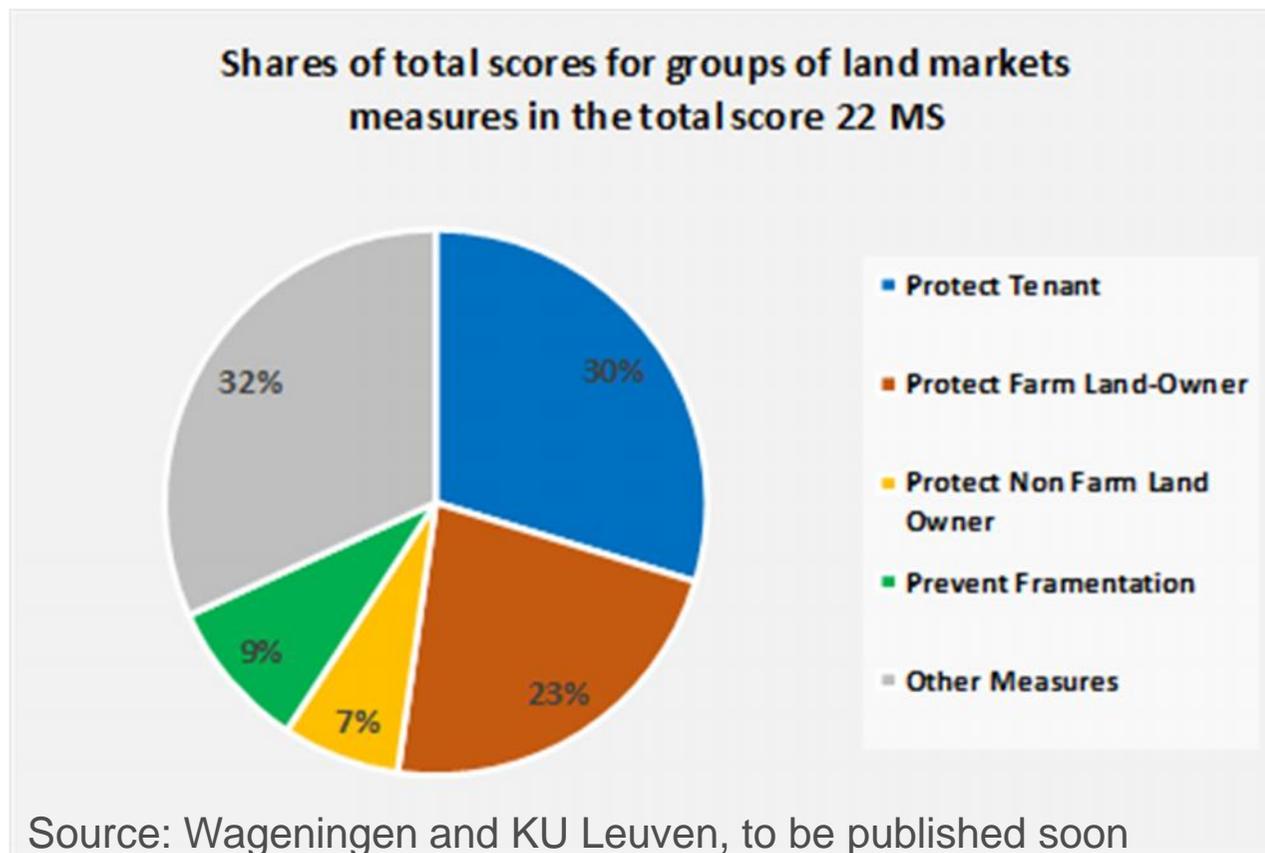
Source: ESTAT

Land availability to purchase or lease

Testimony based on case studies

- Shortage of available fertile land (Ireland and Slovakia)
- Land for purchase or lease was scarce and expensive (Sweden, Italy, Czechia and Greece).
- Farmland is sometimes extremely fragmented due to inheritance traditions (Spain, Greece and Italy).
- Land needs to be bought from siblings or parents and that this requires capital (Sweden, Austria and Finland)
- By contrast, in countries with a free land market: no specific source of concern (Denmark).

Data and information on agricultural land market regulations across EU countries



Source: Wageningen and KU Leuven, to be published soon
Covering 22 Member States

Positive examples of facilitation of land transfer for Generational Renewal

- France and Italy: high degree of coherence between young-farmer payments and national policies on: (i) land mobility or access; (ii) advice and training; and (iii) institutional options for farm transfer between generations.
- Ireland: the Land Mobility Service and the management of the mandatory national reserve for the basic-payment scheme
- Poland: land laws..
- Germany: *Höfeordnung* helpful instrument in enabling farm succession.
- UK: (i) inheritance-tax-relief schemes; (ii) shorter-term farm-business tenancies; (iii) large private/public partnerships offering starter tenancies; and (iv) farming partnerships between parents and younger farmers to allow gradual transfer of assets.