



CAP impact on Generational Renewal

Sophie Hélaïne
Head of Unit Monitoring and Evaluation

AEIAR General Assembly, 2 June 2021

Outline

- Introduction
- The CAP instruments
- Main lessons learnt from the evaluation
- Focus on land issues.

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

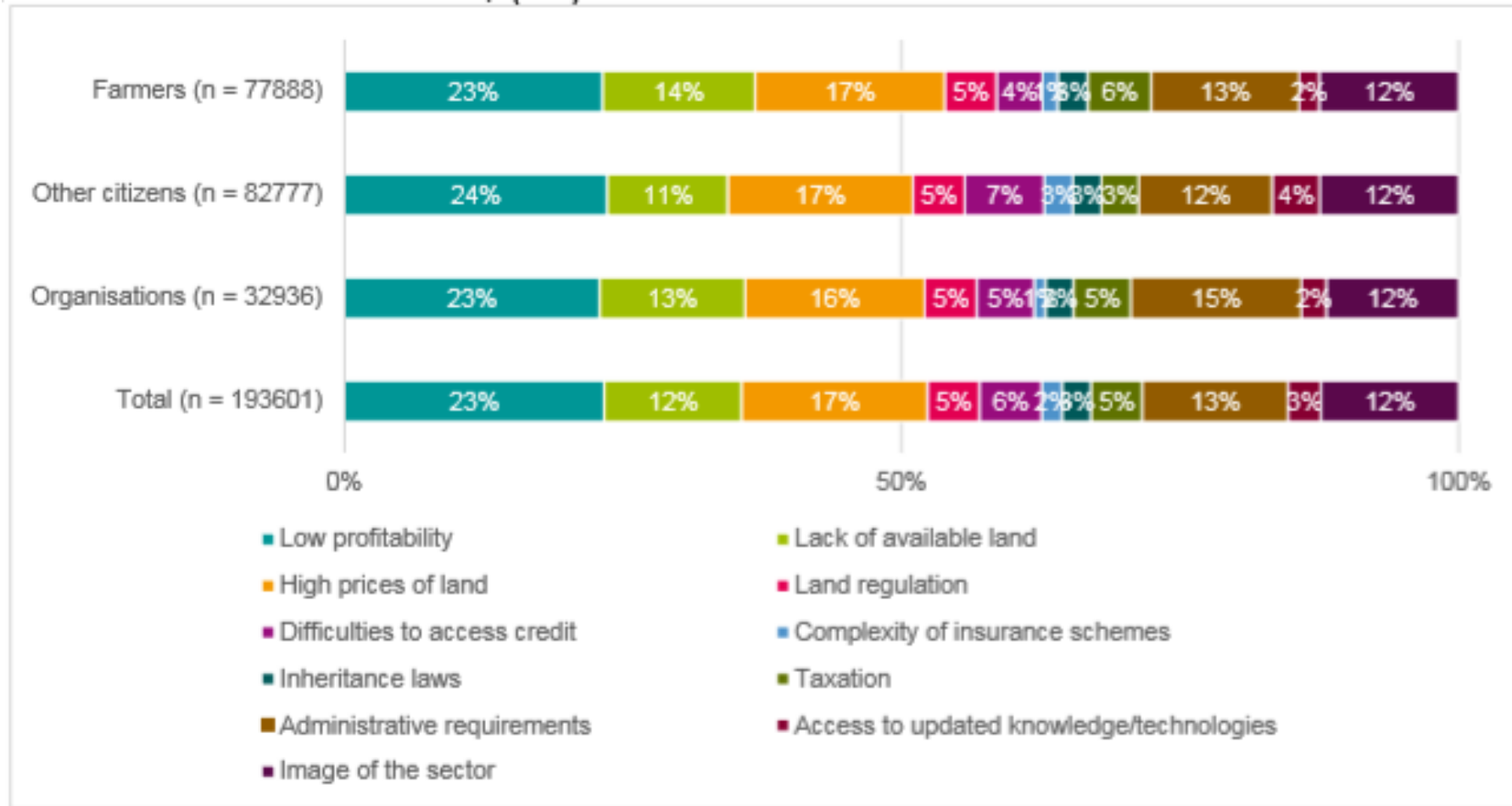
Some facts

- **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 = 1.5% of holdings by 2023; in 2018 1% reached, i.e. 120 000 young farmers.
 - Focus area 2B (Generational renewal) = 7% of Pillar II envelop.

Characteristics of young farmers in the EU

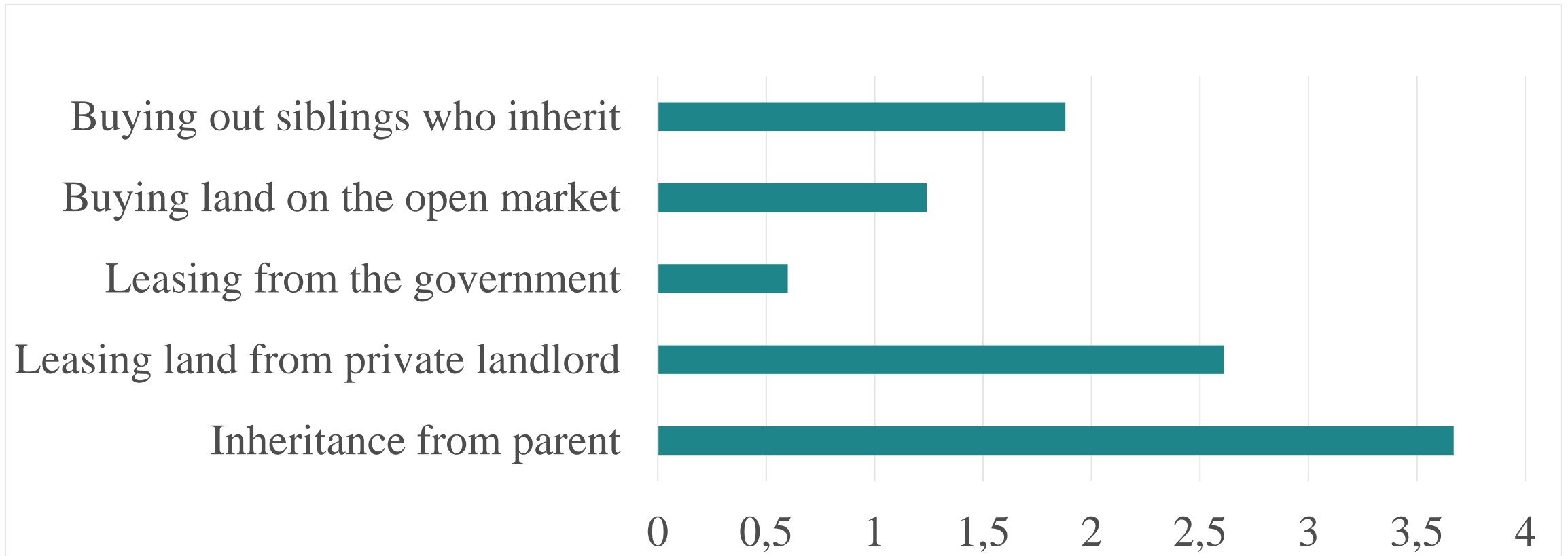
- A low proportion in total farm numbers and agricultural land and standard output;
- Larger average-sized farms;
- Higher levels of professional qualification than older farmers;
- Below-average income levels;
- Low capital stocks and levels of land ownership;
- High levels of net investment.

Main barriers to becoming a farmer (%)



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

Most common entry routes into farming



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

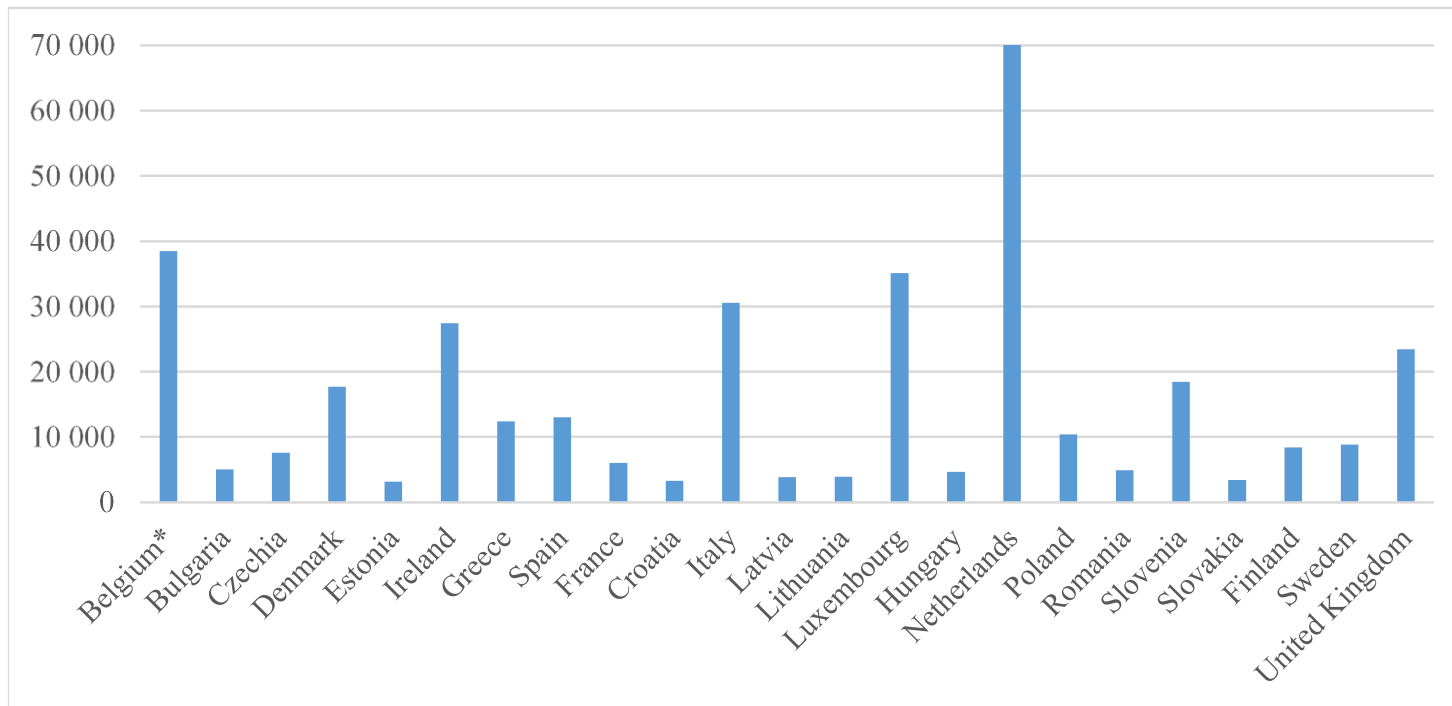
Access to land

- 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.

The CAP and land prices

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

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



Source: ESTAT

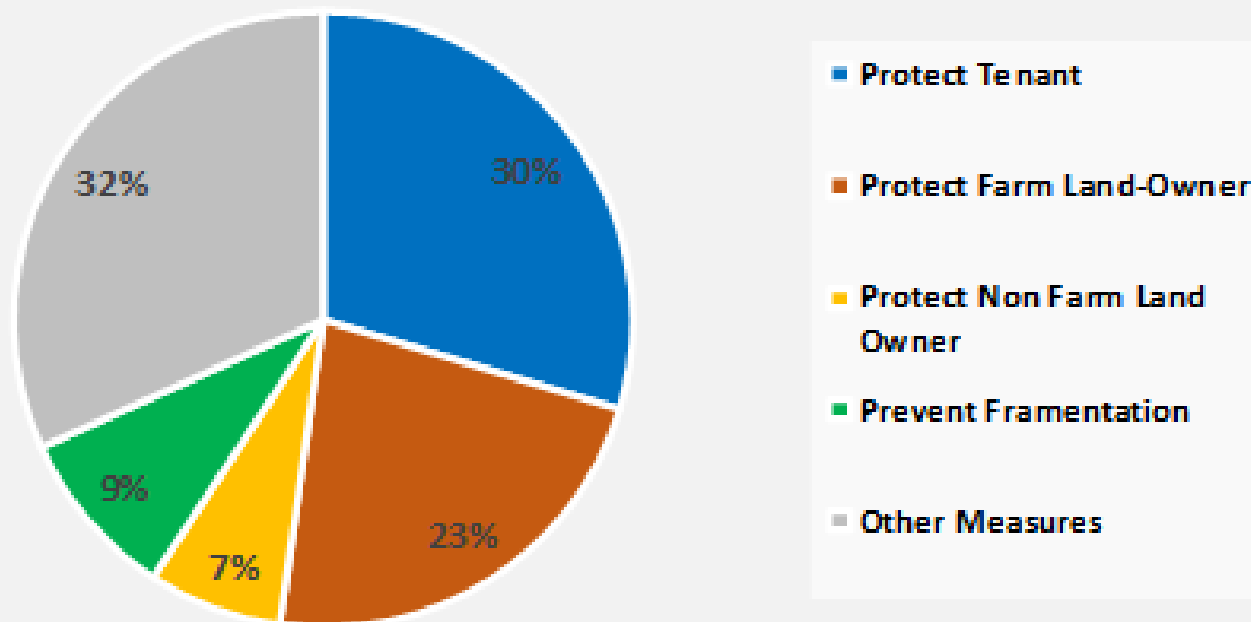
Land availability to purchase or lease

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

Shares of total scores for groups of land markets measures in the total score 22 MS



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

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.

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.

Lessons learnt

- CAP measures mainly contribute to the **maintenance of farming** jobs rather than their creation, supporting their economic sustainability
- CAP measures are insufficient, on their own, to address main entry barriers into farming: access to land and capital issues.
- 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.

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.**

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.



© European Union 2020

Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.

Slide xx: [element concerned](#), source: [e.g. Fotolia.com](#); Slide xx: [element concerned](#), source: [e.g. iStock.com](#)

