

# IMPORTANCE OF YOUNG FARMERS IN SELECTED MEMBER STATES OF EUROPEAN UNION

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## Abstract

The European Union (EU) supports young entrants to the agriculture under the pillar 1 of the Common Agricultural Policy (the direct payments are higher for farmers under 40 years) and under pillar 2 – Rural Development Programme (RDP). Within the national and regional RDPs, each EU member state can determine the scope of support for young farmers independently in given framework. Some devoted all funds under Objective 2B Generation renewal to only one operation M06, but majority supported this objective under more operations (e.g. M01, M02 M16). The amount of finances from the RDP devoted to the support of young farmers shows how important the farmers are in a region. The percentage of the farmers that are supported can indicate how much is each country concerned by the problem of young farmers. The aim of the paper is to assess how important is the support for young farmers in selected countries of the EU in terms of finances devoted to young farmers compared to the total budget of the RDP and the share of farmers with support. We found that the best situation is in Poland, where 5.3% of the RDP budget is allocated on target 2B (for M06).

**Key words:** Rural Development Programme, subsidies, young farmer

**JEL Code:** H25, J11, Q18

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## Introduction

Following the general trend in demographic change in the EU, also the population of farmers and other workers in agriculture has been aging. Despite relatively large number of farmers in the EU (10.8 millions), there is only a small number of young managers – farmers under 35 represent only 6.9% of the total number of farmers. On the other hand, over half of managers (54.9%) are over 55 years of age. Unfavourable age structure and insufficient generation renewal of farmers in the European Union (EU) can cause problems in ensuring the production of food and land management.

“Concerns about the sustainability of an ageing farming population have generated interest in so called entry-exit issues in policy and academic circles in western countries,” (Ingram and Kirwan, 2011). Hence, Commission proposals for the CAP post-2013 (European Commission, 2011) enhanced the support to help establish new entrants (Davis et al., 2013). The EU provides support for young entrants to the sector under the pillar 1 of the Common Agricultural Policy (CAP) as the direct payments are higher for farmers under 40 years and under pillar 2 under Rural Development Programme (RDP). Operation M06 Farm development of RDP enables farmers to get up to EUR 70 000 to finance investments in their business plans.

As each RDP covers a period of seven years, there has been three programming periods in the Czech Republic so far: 2000–2006 (respectively from year 2004 when the CR entered the EU), 2007–2013 and 2014–2020 (ongoing). Member states “can choose between having one RDP for the whole country, regional RDPs covering different parts of its territory, or a national programme complemented by a set of regional RDPs,” (Andersson et al., 2017). Czech RDP can provide up to 3.5 billions EUR to the farmers, from which 30 millions EUR shall be devoted to measure 6.1.1 for young farmers.

Despite that the problem of ageing of the farmers is present in the whole EU, there are countries where it is more important. There are variations in the age structure of rural populations across the European Union, hence, the financial need of particular region shall be different. We examine in our paper, whether the finances devoted to new entrants’ support correspond to the number of young farmers in particular country, i.e. whether in the state where the young generation lack the most, are the young farmers more supported than in other countries. We also pay attention through what measures are the young farmers supported.

## **1 Data and Methods**

The aim of the paper is to assess how important is the support for young farmers in selected countries of the EU in terms of finances devoted to young farmers compared to the total budget of the RDP. First, we describe current situation of how many young farmers (managers of agricultural holdings or family farms) are in each country. We examine the share of young farmers on the total population of the farmers. Those data were taken from Eurostat database from Farm Structure Survey and are available only for years 2005, 2007, 2010 and 2013 (data for year 2016 shall be available by the end of the year 2017). Unfortunately, in spite of that European Commission considers as “young farmer” a person younger than 40 years, Eurostat

provides data divided to categories: up to 35 years, 35–44, 45–54, 55–64, 65 years and more. Therefore, we consider only the first category.

Second, we survey the share of the finances on the total budget of particular RDP devoted to young farmers. Finally, the structure of measures and the amount of finances is described. Data were taken from each RDP of particular region. The overview of all RDPs in the EU is available in so-called “Fact sheets” provided by the European Commission at the web pages of European Network for Rural Development (ENRD) (2017). Czech Republic and its four neighbouring countries (Slovakia, Germany, Austria, and Poland) were analysed.

## **2 Results**

Regarding the situation with the number of young farmers, from Fig. 1 can be seen that the best situation was in Poland, where the share of young people reached almost 15 % in year 2010. In the same year, the share of the farms managed by a person younger than 35 years was the highest in the Czech Republic. However, on year later, the share decreased rapidly. This was due not only to the drop in the number of managed by entrepreneurs under 35, but also due to a significant increase in the number of enterprises in total.

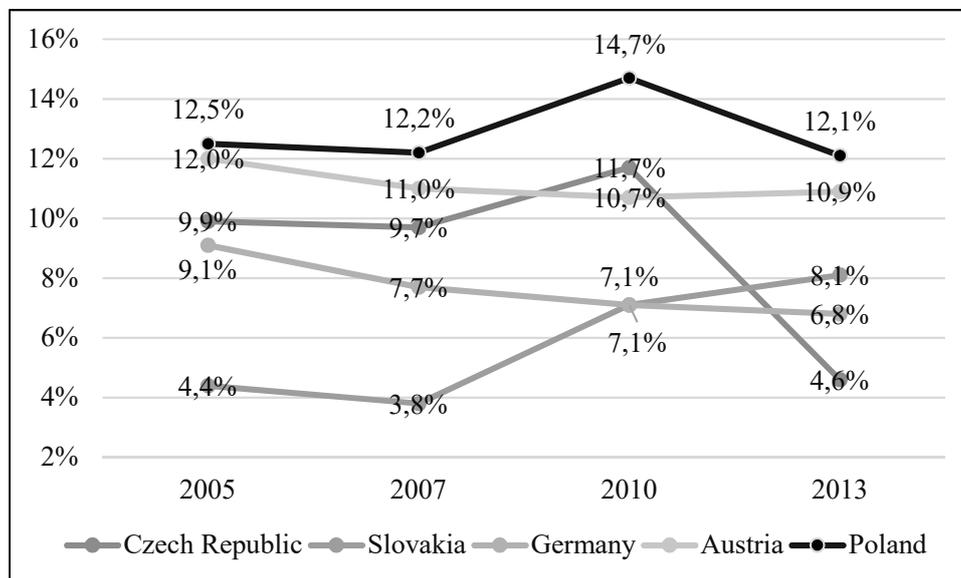
Slovakia started in 2005 with low share, but higher number of farmers (3000 young from 68 490 in total), but as the number of total holdings has decreased, the share those managed by young farmers increased rapidly up to 8.1% in 2013 (there were 23 570 holdings in total and 1910 managed by young farmers). In year 2010, the share was as high as in Germany (7.1%). This country nevertheless did not experience any significant change of the trend, but stable decrease of the share of young farm managers was visible during the whole observed period. As in other examined countries, the total number of holdings decreased.

In absolute terms, currently there is the less young farmers in the Czech Republic (only 1 200), than in Slovakia (1 910) as their scope of agriculture is much smaller than in Poland (173 560) and Germany (19 520). Austria is in the middle having half number of the total holdings as in Germany (140 430), but comparable number of young managers (15 370). The changes in the structure and shares are, however, caused also by other circumstances such are structural changes in agriculture that brought general concentration of the farms (i.e. less farms farming bigger acreage).

However, Germany did not implement the support for young farmers at all. None of the examined regions has included the target 2B Generational renewal in its RDP. They support under the Priority 2: Farm viability, competitiveness and sustainable forest management only

the Priority 2A Economic performance, restructuring and modernization. Therefore, in further analysis, we will pay attention only to Czech Republic, Slovakia, Austria, and Poland only.

**Fig. 1: Share of young farmers (less than 35 years) in selected EU countries**



Source: Eurostat [ef\_kvage], (2017), own elaboration

From Fig. 2 can be seen that Czech Republic does not allocated much money for support of new entrants from RDP budget. It provided only 57 047 EUR (0.002% of total) to measure M01 Transfer of knowledge. Then 30 million EUR of total public expenditures were allocated to M06 Farm development. However, as the finances for young farmers are meant to be used on investments of the farm, it is possible that farmers are using other similar measures to obtain finances for the farm.

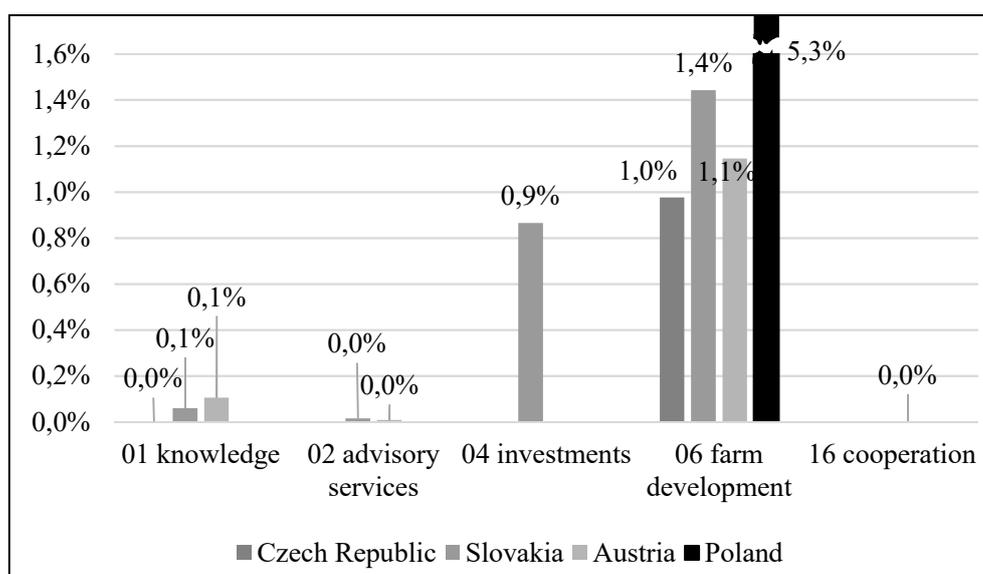
Slovakia provided in total 49 570 000 EUR, from which was 1 250 000 EUR (0.06%) allocated for M01 knowledge. That is 22 times more than in the CR. The amount allocated for measure M06 Farm development was similar as in the CR – 30 mil. EUR, but in case of Slovakia it represents 1.44% of the total RDP budget, but in the CR it is only 0.98%. The young farmers can benefit also from 18 million EUR under measure M04 Investments and 320 000 EUR for M02 advisory services.

Austria also allocated for measure M02 finances – almost two times more than in Slovakia – 630 000 EUR), but it represented only half share (0.01%) than in Slovakia (0.02%). It was the only one country that wanted to support the young farmers also within measure M16 Cooperation (by 300 000 EUR). Besides, the 0.11% (8 235 500 EUR) was allocated also for

measure M01 knowledge. The major share of the budget (1.15%) was for M06 (89 500 000 EUR).

The highest overall budget for RDP is in Poland (13 513 295 000 EUR). It also devoted the highest share of finances for priority 2B Generation renewal from all observed countries (5.3%). Poland also chose only one operation M06 Farm development while the other countries combined them.

**Fig. 2: Share of finances from RDP to priority 2B in selected EU countries**



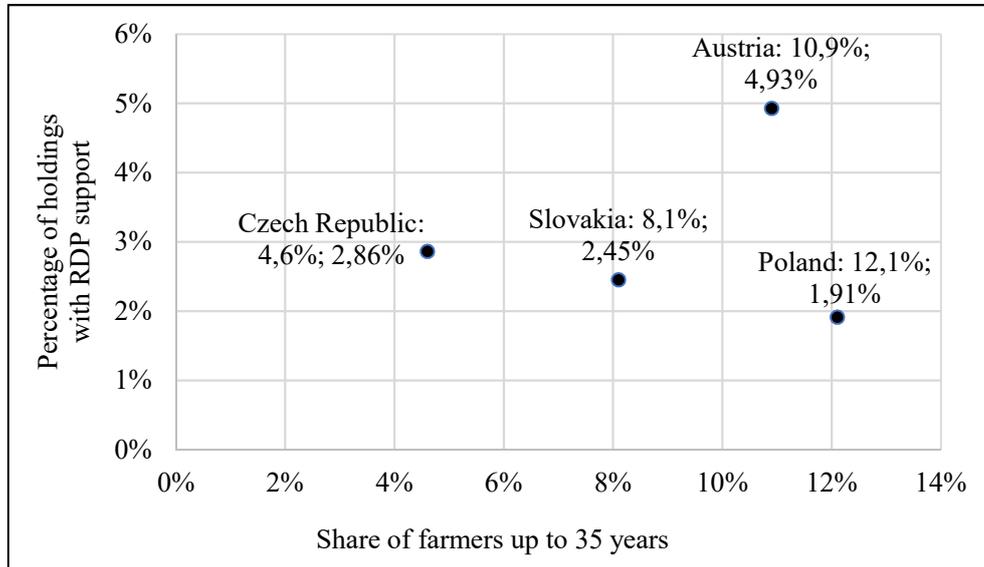
Source: ENRD (2017), own elaboration

Regarding the share of young farmers that should be supported, the CR has target set on 2.86%. However, it is too early to draw any conclusion about whether it is real that this goal will be achieved. There has been only one round of call for subsidies and the support for young farmers has not been paid yet. It is probable that young farmer also applied for finances in investment measure for which the call for subsidies took place earlier in new program period. In Slovakia, they want to support similar share of young farmers (2.45%). The highest share of young farmers shall be supported in Austria (4.93%), the lowest in Poland (1.91%).

The comparison of percentage of holdings with RDP support with share of farmers up to 35 years in year 2013 is displayed at Fig. 3. It can be seen that despite that the CR has relatively low share of young people in agriculture, the percentage of the public support is also low. On the other hand, share of young farmers in Austria is the second highest, and the support can reach 4.93% of them. However, despite that the share of farmers up to 35 years in Germany

is relatively unfavourable (6.8%), it does not support the target 2B Generation renewal in its regional RDPs at all.

**Fig. 3: Share of young farmers and supported farmers from RDP in selected EU countries**



Source: Eurostat [ef\_kvage], (2017), ENRN (2017), own elaboration

### 3 Discussion

The continuous ageing of farmers' population will probably cause problems in future in terms of lack of innovations and new ideas in agriculture and hence can lead to the loss of competitiveness of the sector. The change of the age structure can also result in structural change in agricultural production. It might become necessary to substitute labour by machinery. (Ji et al., 2017). But using new machinery and innovative procedures that are less labour demanding requires open minded and innovative farm managers. This innovativeness is, however, often the domain of younger people. Hence, the situation in agriculture reminds a vicious circle. Therefore, it is necessary to support new entrants to the sector. Especially the young ones.

As we presented in our article, young farmers are relatively well supported from EU member states' Rural Development Programmes financed through Common Agricultural Policy. The form of the support are grants for investment in the amount of up to 70 000 EUR per one business plan of the young farmer (i.e. younger than 40 years), but it is not the only way, how the income of new entrants to the sector and further viability of new farms can be supported.

The support does not have to be necessary provided by investment subsidies. Another interesting and probably viable way how to attract young managers into agriculture at least in some countries could be via joint ventures. Ingram and Kirwan (2011) described in their paper, how this setting up long-term arrangements that would enable the new entrant to 'buy into' an existing farm business and gradually taking over managerial control were successful in Cornwall, United Kingdom. They found out that "there is a deep rooted reluctance amongst participants in the initiative to enter formal long term joint ventures due to differing motivations, expectations, and concerns about their respective responsibilities in the working relationship and about the validity of the legal framework" (Ingram and Kirwan, 2011). It is natural, as joint ventures have their pros and cons.

## **Conclusion**

The aim of the paper was to assess how important is the support for young farmers in selected countries of the EU in terms of finances devoted to young farmers compared to the total budget of the Rural Development Programmes (RDP) and the share of farmers with support. The best situation was in Poland, where 5.3% of the RDP budget is allocated on target 2B Generation renewal for only one measure M06 Farm development.

As we presented in our article, young farmers are relatively well supported as they can get up to 70 thousand EUR per one business plan. In spite of the continuous support, however, the share of young farmers did not improve significantly. Besides, further decrease of the young farmers and ageing of farmers' population is projected. As Šimpach and Pechrová (2015) suggested, the number of old agricultural workers will exceed the number of young in 2026. "As an implication it will be possible (and necessary) to support more applicants. While in 2011 it there were 12.1% of young farmers (potential applicants for subsidies) supported by EUR 205.7 bill., this amount will be able to cover 18.6% in 2041." (Šimpach and Pechrová, 2015).

Therefore, the challenge for future research is to find an optimal way how to support young farmers and new entrants to the sector in order to preserve competitive agriculture in the European Union.

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