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**Young farmers and the problem of
succession in European agriculture**

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Young farmers and the problem of succession in European agriculture

I. INTRODUCTION

This report has been drawn up by the Commission as a contribution to the debate on the setting-up of young farmers, and in particular in response to the request made at the informal Agriculture Council which met in Ioannina.

At present there are almost 8.5 million farms in the European Union. According to the most recent Eurostat survey on farm structures in the Community of Twelve (1989/91), only 8.3% of farm owners/managers are under thirty-five, while 24.5%, i.e. almost a quarter of all active farmers, are over sixty-five. The average age of farmers has risen considerably in recent years. The most recent information available indicates that 53.6% of European farmers are at least fifty-five years old. Although complete data is not yet available for the new Member States, the situation there seems to be similar.

There is enormous diversity in the data on the current position of young farmers in the European Union, so it is difficult to make a significant comparison of the situation in the various Member States. In addition, at a time of major economic change, certain statistical data is not available or rapidly becomes out of date, making a complete assessment even more difficult.

The data available confirm that in general young people manage farms the average area of which is not only well above the national average, but also the largest for any age group. The European average UAA managed by farmers under thirty-five is 19.4 hectares, whereas the average for all farmers is fifteen hectares. The average area farmed decreases steadily for each age group, falling to 6.7 hectares for farmers aged sixty-five and over. A similar pattern can be observed in all the Member States, if account is taken of the diversity of average UAA farmed in each Member State in absolute terms, which means that young farmers in one country may be farming areas more similar to those farmed by their elder compatriots than those farmed by young farmers in another country. There are also great disparities in the economic situation of farmers in different Member States, but this does not vary so greatly between young farmers and older farmers in a single region. As to categories of production, it should be emphasized that a large number of young farmers are active in the horticultural sector and in dairy farming.

Despite this it is still possible to present some fundamental conclusions about the problems encountered by young farmers in the setting-up stage, and to identify useful initiatives at Community and national levels. Community rules provide an appropriate framework for action in many instances, in particular through the Structural Funds, which provide resources enabling Member States and regions to introduce specific measures. But it has to be said that there are considerable variations in the steps taken by different Member States to help young farmers, both through instruments of the Structural Funds and in market sectors. Given the overriding interest the European Union has in promoting a dynamic agricultural sector capable of facing up to the challenges of the future, the Commission has decided to advance certain guidelines in this report geared to promoting a minimum of consistency in the facilities accorded to young farmers throughout the Union. To respect the principle of subsidiarity, this approach would continue to leave a considerable margin of manoeuvre to the Member States as regards specific methods of application to allow for the actual situations in the different areas concerned.

II. DIFFICULTIES AND NEEDS OF YOUNG FARMERS

Like workers in other rapidly changing sectors, a large number of farmers are now facing new socio-economic situations and a sense of uncertainty which affect young farmers too. Many of the problems encountered by young farmers, particularly of an economic nature, are not specific to agriculture: such difficulties occur in all businesses at the moment of transfer.

1. DEPOPULATION AND DECLINE IN RURAL AREAS

The most obvious problem on the "rural periphery", in regions dependent on agriculture is depopulation. These regions are characterized by low population density and an ageing population. This is due first and foremost to natural changes in the agricultural labour force arising from the spread of more productive techniques. In a sector where family farms predominate, increased productivity involves a reduction in the number of farms and/or an increase in part-time work. Inevitably then, when a full-time producer retires, his farm is either incorporated into another, or his successor only works on it part-time.

In addition, the weakest or most remote regions often suffer from inadequate infrastructure and limited economic diversification. The need to develop essential services (notably in health, education, culture and leisure, and public transport) is generally recognized, but tends to come up against growing pressure to reduce public expenditure.

This is an extremely serious problem which is constantly becoming more acute and relates largely to measures which could be taken at regional and national level. If such measures are not taken, the impact of efforts under EU rural development policy will be weak, or even non-existent.

2. PROTECTION OF RURAL AREAS AND THE CONTRIBUTION OF WOMEN

People living in the rural areas of the Union face a whole series of social problems, including the risk of losing their cultural identity as traditional lifestyles are eroded. A sense of powerlessness and exclusion from public life and decisions that concern them is common to all young people. In deciding on their future young people are also very sensitive to the public image of farming and the fact that its role in the economy and in protecting the environment does not seem to be fully appreciated.

The important contribution of women to the protection of an enduring rural environment, which requires a balanced population structure, should also be stressed. The reasons for the current population imbalance in the rural areas are well known: young women, who often have a high level of education, have left in droves for the towns and cities. The result is an uneven population structure with an abnormally high proportion of elderly bachelors and few women, particularly young women in the 20-39 age range. This phenomenon tends to impoverish the economic, cultural and social fabric of rural societies, and perpetuate itself until the countryside is abandoned.

But it would be wrong to consider the role of women only in terms of the companionship and extra help, however vital, that they bring to the life and work of the farm. At present it is estimated that only 10% of farmers are women, although women represent some 35% of agricultural workers. Progress towards a stronger role for women in the management of farms is inevitable and essential. There is every indication that women have the ability and competence to manage a farm successfully, and with better training and support it should be possible to make real progress. It should also be noted that many of the imaginative ideas for diversifying farming activities come from women, and women themselves are often those best placed to bring extra income - sometimes indispensable - into the household, through employment outside of agriculture, frequently from part-time jobs, which are playing a growing role in work patterns in rural areas.

3. SETTING-UP COSTS

The most pressing problem specific to young farmers is finance. Because of technological developments, specialization, and the increase in the economically viable size of farms, the amount of finance required to get established is constantly rising.

When land is purchased, the cost of the land plus taxes eats into the limited financial resources of the young farmer. Even when the family farm is inherited there may be difficulties. Other heirs may have to be involved in settling the estate, and the valuation and division of property can cause disagreements. Another important point is that the successor has to compensate the joint heirs, either at a preferential price or at the market price. So much of the profits generated by the business over several years go to pay the costs of inheritance and consequently cannot be reinvested in the farm.

For certain types of production, production rights have acquired a market value. This further increases the young farmer's need for capital as he must buy not only the land and the means of production, but the production rights as well. Equally, the young farmer is often obliged to restore production potential which has declined during the previous generation's final years of activity.

Young farmers frequently have difficulty obtaining loans. The banks are more willing to lend to already established farms rather than projects which have not yet proved their viability, so access to credit is selective.

4. SHARING INCOME DURING THE TRANSFER PERIOD

Where farmers' children take over farms and set themselves up in their turn -the great majority of cases - a smooth transition is often impossible. Given the age of the parents and their possible continuing responsibility for young children, it may turn out that the farm has to be run jointly. So it must be capable of generating income for two households over a fairly long period (10-15 years). In most small family farms, this transition period is also characterized by heavy economic dependence and a low share of responsibility on the part of the young farmer. These problems become more acute when adequate housing for two families cannot be provided because of economic or practical difficulties (for example, it may be impossible to obtain a building permit under planning regulations).

III. COMMUNITY MEASURES

Help is currently available to young farmers through a series of provisions. There are several specific instruments under "horizontal" structural measures with general application, the accompanying measures to the CAP reform, certain actions forming part of rural development policy and regional policies, as well as the opportunities provided by the common organizations of markets.

I. STRUCTURAL MEASURES UNDER OBJECTIVE 5(A)

1.1 Setting-up and investment aid

The aid granted under Articles 10 and 11 of Regulation (EEC) No 2328/91 on improving the efficiency of agricultural structures aims to put young people capable of adapting to the new realities of agriculture in charge of farms. The aim is to provide young farmers with the resources to meet the cost of setting up, notably the takeover of existing fixed and movable assets, and hence covering risks linked to the new responsibilities of young farmers.

The aid is reserved for young farmers under forty (certain Member States have set an upper age limit of thirty-five) who are taking on the legal responsibility for and management of a farm requiring the equivalent of at least one human unit of labour. The young farmer must be setting up for the first time as a full-time farmer or be moving into full-time farming after getting established on a part-time basis. The measure, which was previously restricted to farmers gaining at least half their income from farming, has recently been extended to multiple activities, including forestry, work in tourism or crafts.

According to the current rules aimed at promoting the setting-up of competent young people, they must be sufficiently qualified in farming at the time of setting up. This involves having completed secondary school and/or a university course in agriculture. If he does not have any such qualification, the young farmer must take a preparatory course of at least 150 hours prior to setting up.

The Community scheme for young farmers includes two independent aid categories:

- Setting-up aid as such, comprising a single grant of a maximum amount of ECU 15 000 which can be replaced by the Member State by an equivalent interest rebate; and an interest rebate of 5% for a duration of 15 years for loans contracted with a view to covering charges arising from setting-up; its capitalized value may not exceed ECU 15 000; it can be paid in the form of an equivalent subsidy.
- Supplementary investment aid of 25% for new investment provided for under the Community system of Material Improvement Plans (M.I.P.), on condition that the young farmer has the required professional qualification and presents the plan within 5 years of initial setting-up. This aid can be granted independently of setting-up aid.

Application of the scheme is optional for Member States: they may apply it in part or in whole, and they may also grant national aid for which different rules apply and the amounts are higher. Member States are considered to be best placed to judge the extent to which it is necessary to use the possibilities available to them and to establish their priorities within the context of their own general legislation and their needs.

Because of very different structures and traditions, application of the system in different Member States varies remarkably. The majority of the Member States, including the three new ones, have opted to implement both setting-up aid and supplementary aid to investment. The Netherlands ended the system of setting-up aid in 1992 but grants the investment aid supplement. The United Kingdom, which was not applying setting-up aid, has very recently chosen not to grant investment aid.

There are important differences in the nature of the aid granted. Certain Member States have set supplementary conditions for eligibility. Some have opted for a single system, others for a mixed system where a grant and an interest subsidy are combined. The amount of aid is highly variable from one country to another: some limit it to the maximum funded by the EAGGF, sometimes less, while others top up considerably from national funds.

In 1994, more than 23 000 young farmers in Europe benefited from an setting-up grant, and over 8 500 received the investment aid supplement. Community financial participation increased substantially reaching a total commitment of ECU 183 million in 1993. Since 1989, when the Structural Funds reform entered into force, an estimated 190 000 young farmers in the European Union have benefited from the possibilities offered by the structural legislation on agriculture.

1.2 Vocational training assistance for young farmers

The vocational training assistance measure, which is based on Article 28 of Regulation (EEC) No 2328/91, is intended to raise the level of agricultural training and thus reinforce the impact of other structural measures under Objective 5(a). The aid relates to attendance at and organization of complete or additional training and improvement courses in agriculture for young farmers required to take a course of at least 150 hours to achieve the level of training required to obtain setting-up aid. The level of assistance is ECU 10 500 per person, of which ECU 4 000 is for courses on the environment, forestry and alternative production.

The contribution of the EAGGF to training was ECU 8.7 million in 1993. Although detailed data are not available, it is estimated that the number taking supplementary training courses may amount to 10 000 each year.

2. ACCOMPANYING MEASURES TO THE REFORM OF THE CAP

Among the accompanying measures adopted as part of the reform of the CAP, the Community early retirement aid scheme under Regulation (EEC) No 2079/92, by providing a satisfactory income to elderly farmers who decide to retire, is principally intended to promote renewal, restructuring and improvement of economic viability on the remaining farms. It can also offer young farmers better conditions for setting up and developing their farms.

The Community early retirement scheme is aimed at heads of farms aged 55 years and over who abandon farming permanently and transfer their farms. The aid is paid in the form of a single retirement grant (a maximum of ECU 36 225 can be part-financed) or annual compensation payments (maximum: ECU 12 075). The incoming farmer undertakes to farm full-time for at least five years and to protect the environment. He must also increase the size of his farm significantly.

The scheme is optional. So far, ten Member States have applied the measure, but generally speaking implementation has been very recent. Luxembourg, the Netherlands and the United Kingdom are not applying the measure. Of the new Member States, only Finland has introduced the scheme.

The target for this group of programmes is the departure of some 205 000 farmers, freeing up an estimated area of more than 4.3 million hectares, of which 5%-10% will be used for non-agricultural purposes such as forestry and the creation of nature reserves. The remainder will be transferred to incoming farmers, who will use it to expand their farms or to set up as farmers. Certain Member States have included conditions in their early retirement schemes which particularly favour young farmers.

There are two other accompanying measures in place: one concerning methods of production compatible with environmental protection and preservation of green spaces (Regulation (EEC) No 2078/92) and an aid scheme to forestry measures in agriculture (Regulation (EEC) No 2080/92). Although these measures do not specifically target young farmers, they are of particular interest to them: it is they who are actually the most ready to adapt their production, for example under the measures concerning introduction of organic farming and training, in order to grasp the new opportunities open to agriculture.

3. RURAL DEVELOPMENT POLICY IN THE CONTEXT OF REGIONAL PROGRAMMES

The specific measures for young farmers mentioned earlier are not in themselves an adequate response to the needs of young people who decide to live and work in the countryside. The Union's approach is broader and includes, in particular, action undertaken since the reform of the Structural Funds in rural areas covered by Objectives 1, 5(b) and 6 and the Leader initiative.

3.1 Objective 1: development and structural adjustment of less-developed regions

With finance from the three Structural Funds (EAGGF, ERDF, ESF), the Community has been able to support diversification and reorientation of production in Objective 1 rural areas with a view to revitalizing the economic fabric and countering the rural exodus.

Community aid is concentrated on the priority development priorities established in the Community Support Frameworks (CSFs), which include agriculture and rural development, modernization of economic structures and development of human resources. The July 1993 reform has extended the scope of the EAGGF to new areas, such as the improvement of the rural habitat, quality and promotion policy, support to applied research and financial engineering measures. All these measures can benefit young farmers either directly or through improvements to the rural environment resulting from structural measures to encourage a return to the countryside.

Objective 1 currently covers 45.5% of Union territory and 26.6 % of the Community population. Resources available over the period 1994-99 amount to ECU 135 000 million.

3.2 Objective 5(b): development and structural adjustment of rural areas

Objective 5(b) takes an integrated approach to the development of rural areas covering both the adjustment and diversification of the primary sector and the development of other economic activities in the rural environment.

The development strategies are aimed at maintaining the level of population in the area, by raising incomes and generally improving living conditions in rural areas. The special feature of Objective 5(b) programmes is multi-sectoral intervention, always accompanied by a major training drive and benefiting all the economic activities able to contribute to rural development, i.e. agriculture, forestry, SMEs, tourism and the environment.

The integrated approach of these programmes involves active participation by all the partners: local, national and Community. There are nearly 33 million inhabitants, or 8.9% of the Community population, living in the areas eligible for Objective 5(b). The allocations available for the Union of Fifteen amount to ECU 6 877 million for the period 1994-99.

3.3 Objective 6: development and structural adjustment in less densely populated regions

The Act of Accession of the three new Member States added a new priority objective to Structural Fund measures, namely Objective 6, which is intended to promote the development and structural adjustment of regions with extremely low population density in Finland and Sweden. The resources

allocated to these regions by the three Funds, supplemented by the FIFG, total ECU 741 million for the period 1995-99.

As in Objective 1 regions, the programmes cover all economic activities in the areas concerned. Given the large part of these areas that is rural, the arrangements approved by the Commission provide for the setting-up of integrated rural development packages to support local initiatives in all sectors and so give a new lease of life to the rural economy as a whole.

3.4 Leader (Links between actions for the development of the rural economy)

The Leader programme is a Community initiative covering local strategies based on proposals from rural communities seeking solutions to development problems. The purpose of the programme is to identify innovative solutions to the various problems of rural areas by developing their endogenous resources.

Leader II, under which financing is being increased (ECU 1 700 million for the three Funds) and the principle of subsidiarity given greater weight for the 1994-99 programming period, will support four types of measure: the acquisition of skills (drawing up a development strategy on the basis of territorial diagnostics, motivating local partners and setting up contacts between them); carrying out innovative and transferable demonstration programmes in all sectors of rural development; exchanging experience and transferring know-how through a European rural development network; transnational cooperation projects.

During its first stage, Leader financed 217 local action groups. This mobilized Community financing of ECU 445 million and made possible investments totalling ECU 1 155 million jointly funded by the Community, Member States and local sources. This Community initiative, the first stage of which has been very successful, is making it possible to create a development momentum and thus establish an environment which promotes all forms of initiative in the countryside, and particularly those of the young.

3.5 Pilot and demonstration projects

In order to reinforce the impact of its measures to promote rural development, the EAGGF is financing pilot projects relating to the adjustment of agricultural and forestry structures and demonstration products including initiatives relating to the development of the economic potential of woodland and the processing and marketing of agricultural products. This measure is intended to show the potential of new systems and techniques and above all to spread know-how and acquired experience.

As has already been pointed out, rural development measures whether under Objectives 1, 5(b) and 6 and Leader or in the form of pilot projects are not exclusively for young farmers. The precise data required to assess the proportion of their participation in these measures is not available. However, contact with those involved during the preparation of operational programmes and the monitoring of the various measures indicates that a large proportion of participants are young farmers, and in some measures, such as Leader, they predominate.

4. MARKET ORGANIZATIONS

The existing systems under the various common market organizations (CMOs) can be classified into three categories in terms of entry of new producers.

Certain CMOs provide for individual "production rights" in order to control production. The sector most affected in this respect is the dairy sector. The following come under the same type of regime: rights to suckler cow, sheep and goat, tobacco and durum wheat premiums. In the wine sector ceilings on planting rights produce a similar situation. As the individual reference quantities are in principle based on yields obtained in the past, these arrangements result in certain restrictions on the

opportunities for starting up a new holding. Growers seeking to get established must acquire businesses "with a quota".

The arrangements in the dairy sector can be used to illustrate this situation. They are the subject of new rules, applicable since April 1993, based on Council Regulation (EEC) No 3950/92, which sets overall national quantities and defines individual reference quantities as the quantity available on the farm on 31 March 1993. These rules confirm the principle that a farm's quantity is transferred with it when it is sold, leased or inherited. They also introduce flexibility by authorizing, under the control of Member States, transfer of quotas between producers without transfer of land to support the continued restructuring of the sector.

The existence of a national reserve is fundamental to implementing the regime by allowing reference quantities to be granted to priority producers selected according to objective criteria. This reserve is fed from various sources; it is intended to receive reference quantities which are no longer individually allocated, but it can also be supplied as a result of a linear reduction in the total reference quantities decided by the Member State. In addition, still with a view to restructuring and protecting the environment, the regulation gives Member States the option of implementing measures aimed at voluntary cessation of milk production and reallocation to other producers of the reference quantities thus freed up.

As in other sectors, Community rules allow Member States some flexibility of application as regards the allocation of quantities put into the reserve or maintained at the time of transfer. This flexibility can be used to benefit young farmers, although there are no rules or obligations imposing this approach. Community legislation lays down the conditions on which new producers may be considered for inclusion among priority producers, who receive additional reference quantities, free of charge or against a payment to be established. Experience has shown that the application of these rules varies greatly among the Member States. Each Member State thus has the wherewithal to assist young people setting up as farmers, especially as the quantity of the national reserves can be substantial.

Under the premium regimes for ewes and goats (Regulation (EEC) No 3013/89) and suckler cows (Regulation (EEC) No 805/68), which are also subject to individual guaranteed quantities, it was decided to establish an initial national reserve set at 1 to 3% of total individual quantities. These reserves, aimed at satisfying unexpected applications for premium rights, are virtually exhausted. Under both regimes, the national reserve is currently supplied from two sources. Where producers use less than 70% of their rights, the unused portion is normally allocated to the national reserve. In addition, when premium rights are permanently transferred without a farm, part of them (up to 15%) may be allocated to the reserve.

There are significant differences in the ways Member States use these reserves to satisfy the needs of young farmers. Some Member States pursue an active policy of recovering as many production rights as possible for the reserve. Other Member States prefer to encourage redistribution through normal market forces. The divergences can also be explained by the total amount of production rights existing in each Member State in comparison with the number of animals actually reared.

In the context of the current CMO for wine, production is also limited through the planting rights mechanism: new planting is prohibited. However, new planting can be authorized under exemptions provided for in the legislation, particularly when material improvement plans meeting the conditions defined in the Community regulation are being implemented.

The second category involves CMOs with rules restricting production on a collective basis. For example, in the arable farming sector (cereals, oilseeds and protein crops), per-hectare aid is limited to a base area set by region, and in the beef and veal sector premiums for male bovine animals may not exceed a quantity set for each region. In these sectors it is less difficult for a young farmer to start up production without a reference quantity established in the past. Nevertheless, it must be noted that

the compensation amount is paid out in full only up to a regional maximum area, for example; where there is an overrun, the assistance is reduced proportionally.

Finally, there are certain CMOs in which product prices are protected on the Community market using frontier protection measures and export refunds, within specified limits. This applies, for example, to the common organization of the markets in fruit and vegetables, pigmeat and poultry. In these sectors it is possible to start up on a farm or to transfer production capacity to these sectors without any particular reference requirement relating to previous production.

5. OTHER MEASURES

5.1 Community training programmes

Because of socio-economic change and technological progress, the agricultural workforce, especially young farmers, must have good basic vocational knowledge and be very adaptable. The European Community has adopted several education and training programmes (Youthstart, Socrates, Leonardo), which are not specifically addressed to young farmers, but can benefit young people who are going into farming, or wish to take up other economic activities in the countryside.

Community action for agricultural training under the existing programmes has already produced results. Cooperation and mobility agreements between universities and agronomy faculties under the ERASMUS programme involved more than 2000 students in 1992. Under COMETT, eight University-Business Training Associations (UBTA) have developed a strong European technology transfer network in the field of bio-technology. Finally, the PETRA programme has supported the creation of a vast network of research centres and vocational training institutes in horticulture.

5.2 The new Community research programme

Under the 4th Programme for Community action for research, technological development and demonstration for the period 1995-98, the Council adopted a specific programme on agriculture, forestry and rural development. Its purpose is to provide the scientific basis for planning, implementing and evaluating Community policy in these sectors.

Activities under the programme will give rise to developments which will contribute to the application of Community policies on agriculture and rural development, the development of European primary production, the vitality of downstream industries and the satisfaction of final users, as well as an adequate level of employment. ECU 315 million is considered necessary to carry out this programme.

5.3 Information

The Commission has established close relations with young farmers' organizations in order to provide them with information and assist their thinking by means of seminars, meetings and information visits. The Exchange Programme for Young Farmers (EPYF), which involved 2000 young people in 1994, should also be mentioned: it is designed to encourage exchanges of experience and learning about agriculture in other countries, on an individual or collective basis, for periods ranging from 3 weeks to several months, principally in the Member States of the European Union.

IV. PROPOSALS AND RECOMMENDATIONS

1. COMMUNITY MEASURES

1.1 Setting-up aid

Improvements to Community measures in order to respond better to the difficulties encountered by young farmers may be envisaged. However, such improvements need not necessarily mean adopting new aid measures but, above all at this stage, making full use of those that are already in place.

To take account of current developments in the conditions for carrying on an agricultural activity and the demand for greater acceptance of multiple jobholding, in 1994 the Council decided to extend aid to young people who are not full-time farmers, but are establishing themselves under a system of multiple jobholding, including, for this purpose, forestry, tourist and craft activities. The conditions for granting aid could be reviewed so that it is better adapted to particular local situations (for example, mountainous regions) and to the growing phenomenon of multiple jobs.

With regard to financing, it should be noted that the ceiling for aid eligible for part-financing has been increased by around 20% to help young farmers to cope better with the expense of setting up. The rules for granting aid in the form of interest rebates have also been made more flexible.

The Commission can only encourage the Member States to make full and coherent use of the various Community instruments available to increase their impact and adapt them to local needs. Where measures are applied, national and regional authorities should ensure that they have the required funds available and the measures are implemented quickly and efficiently.

1.2 Training

Training is fundamental if young farmers - and this is especially true in the case of a farmer's child - are to master the technical complexities of farm management and accounting. The importance of new training linked to the environment needs particular emphasis, and so does a better integration of environmental concerns in traditional training in order to teach young people to stress the environmental dimension in their decisions and to become aware of their role in the maintenance of a quality environment.

But there are still wide disparities between training systems in the different Member States and the levels required by each of them for granting aid. The Commission therefore feels it is important to take a closer look at whether the required training is adequate to the purpose, and to reflect on the best way of adjusting the existing programmes. Young people and educational establishments in the rural areas of the Union should also be encouraged to participate in Community vocational education and training programmes, given the results obtained so far, which have often been remarkable and innovative.

1.3 Early retirement scheme

As a complement to setting-up policy, early retirement measures ought to be better targeted on rejuvenating the sector, although young people already have an advantage over other potential successors in that they benefit from setting-up aid. The Commission recommends following the example of certain Member States which implement the scheme so as to prioritize the take-over of farms by young people, for example by granting a higher premium to farmers who hand over to young farmers, or by providing for a reserve of freed-up land available for young farmers. The Commission is open to ideas about practical methods of strengthening the link between early retirement and setting-up.

1.4 Market Organizations

The creation of reserves of reference quantities administered at national level has enabled Member States to allocate available production rights to priority categories, including young farmers. However, experience has shown that there is a wide variation in the extent to which the operation of national reserves has led to a redistribution of production rights. Apart from factors influencing supply and demand for rights, such variations are also explained by different attitudes on the part of Member States; some actively seek to influence the redistribution of production rights, while others tend to favour the free operation of market forces which they also see as minimizing administrative burdens.

If, as the Commission believes, the Community has an overriding interest in maintaining a dynamic agricultural sector by facilitating a steady inflow of new, fully qualified farmers, it is essential to explore all possibilities, including measures, which could contribute to achieving that objective.

The first question that arises is how special rights could be made available for allocation to young farmers on a regular basis. It is clear that such arrangements must not involve exceeding the rights currently guaranteed under the CAP. The necessity of maintaining a consistent market and budgetary policy means that the Commission must reject any approach entailing the creation of fresh entitlements over and above existing limits.

In order to maximize the amounts potentially available to young farmers within the limits of existing guaranteed quantities one could, for example, place stricter limitations on the disposal, including sale, lease or transfer, of existing production rights, especially where they are not being fully utilized by the beneficiary. The cessation of farming and voluntary abandonment programmes could also provide resources for the reserve, and a linear reduction of the rights of established producers might also be envisaged. It would be possible, therefore, through a combination of different measures, to build up and maintain a reserve of sufficient size to meet the needs of young farmers without impinging unreasonably on the expectations of other priority groups.

At present, the designation of priority categories is left to the discretion of Member States acting on the basis of objective criteria. Experience has shown that, when it comes to the allocation of rights from the national reserve, Member States are reluctant to designate young farmers as the absolute priority, on the grounds that other farmers, (those with development plans, small farmers, farmers in less-favoured areas) have an equally deserving case. This suggests a need to find a balanced solution which favours young farmers but which ensures that other priority categories will not feel excluded. This will undoubtedly involve making difficult decisions, but they must be made.

Having considered all these aspects, the Commission believes that it should be possible to take steps to allow young farmers to begin their careers in conditions of economic stability and financial security. Established producers must play their part in this as it is they who benefit most from the price stability and direct aids associated with measures to limit supply. In practical terms the approach proposed would require Member States to make available on a continual basis a sufficient quantity of rights, determined according to the numbers of farmers belonging to designated priority categories and the minimum level of farm production considered necessary to constitute a viable unit. This pool of production rights should be drawn from existing reserves. Of the total quantity of rights to be distributed, a minimum proportion should be reserved for young farmers as an absolute priority.

Some Member States may be disinclined to provide the administrative resources needed to manage the distribution system proposed. This approach may be influenced by, for example, the fact that the situation regarding the age structure of the farming population and opportunities for setting up in farming in the sectors concerned is already satisfactory. Or they may argue that the existence of a market on which production rights circulate actively at a reasonable cost provides adequate opportunities for newly established farmers and other categories of farmers in difficult situations.

The Commission seriously doubts whether the problems of priority categories, including young farmers, can be dealt with satisfactorily without applying in full the system proposed. However, if it can be shown that in some sectors the costs of such an approach would substantially exceed its likely benefits, and that the objectives could be achieved by other means, for example, collective agreements, the Commission would be ready to consider such possibilities. Community legislation already provides for assistance for professional organizations and this could be used to establish the administrative structures necessary for such initiatives.

2. NATIONAL MEASURES

2.1 Inheritance law

It is important to stress that decisions in some areas, which have a considerable impact on the setting-up of young farmers, fall within the exclusive competence of the Member States. This look at the problems encountered by young people setting up as farmers shows that in general they are the same as those encountered by small and medium-sized businesses at the difficult moment of succession: inheritance law, taxation, credit problems¹. The analysis of these problems and their economic impact shows that it would be useful for the Member States to coordinate certain aspects of their policy and to consider adopting a number of fiscal and legal measures to facilitate the transfer of enterprises, and in particular of farms.

Both law and family custom relating to succession follow and reinforce different concepts of farming. In certain Member States the strong patrimonial concept of farming entails the equal division of agricultural property in kind at the moment of succession which means the farm is broken up. Elsewhere, inheritance law supports the principle of keeping the farm intact, and in some cases this objective is combined with financial protection of joint heirs.

The Commission recommends that Member States examine possible solutions within their competence to the difficulties encountered by young people when it comes to succession. For example, where other heirs have to be compensated, it would be preferable if this compensation could be paid over several years in order to ensure continuity of farming without shortage of finance, or to prevent the young person actually giving up the farm.

2.2 Taxation

The fiscal burden linked to transfer (or to setting-up aid) is proving to be one of the main problems for young people. There are marked differences in the systems applying to transfer, both between States (some have a specific system for agriculture) and depending on the method of transfer (inheritance or transfer during the lifetime, such as sale or gift). So there are grounds for recommending that, in formulating their economic policy, Member States look into the possibility of granting exemptions or tax reductions on the transfer of farms. As a condition, the successors may be required to undertake to continue economic activity over a certain period of time. The survival of a larger number of enterprises means fewer businesses and jobs lost and a source of tax receipts and social security contributions preserved.

In addition, Member States could recognize the principle of fiscal neutrality for operations carried out with a view to preparing effectively for the transfer of a business: setting up a company, merger, split, exchange of shares, or other method.

¹ The transmission of small and medium-sized enterprises (SME) was the subject of a Recommendation of the Commission on 7 December 1994, OJ N° L 385 of 31.12.94, pages 14 and following.

2.3 Lease

The role of legislation on tenant farming as it affects the setting-up of young farmers, notably family tenancies as a form of progressive transfer of farms, deserves greater attention from the Member States. The legislation relating to tenant farming varies considerably within the Union; there are advantages and disadvantages in having flexible rules on tenant farming or, on the contrary, strictly regulated tenancies. Under a flexible system the farmer has less protection but obtains land to lease more easily, while if the farmer is better protected then the landowner is disadvantaged and discouraged from making his land available to young farmers.

2.4 Preparation for transfer : new forms of partnership between parent and child (or other successor)

The Commission recommends that Member States consider the appropriateness of introducing into their system legal forms of partnership between parent and child (or other person). These make it possible for the parent farmer to involve the intended successor to the family farm in its management, and allow the latter to acquire a measure of independence before taking on the management alone. When this type of association is applied to farms which are large enough economically, it provides the young person with sufficient income and above all a gradual transfer of responsibility for the farm, so that he can become established without pressing financial problems. It ensures the progressive transfer of the capital in the business accumulated by the parents, with the cost being shared between the two parties.

2.5 Cover services

The Member States can intervene in relation to other problems the young farmer, once established, will have to overcome. In particular, being able to ensure continuous operation in case of absence becomes a factor to be taken into consideration when members of the younger generation choose this profession.

Member States should encourage the development of cover services, an area in which there is currently some growth. One possibility, already provided for in some measures part-financed under Community legislation, is to grant aid for the creation of such services. Another way of promoting cover is for the authorities to introduce greater flexibility in various forms of contractual relations at work, notably as regards the most frequent types of cover: part-time, casual or seasonal work, "loaned labour" on a non-lucrative basis, legal forms whereby several farmers employ one worker.

2.6 Setting-up of young people without a rural background

In order to ensure that there are always enough candidates to take over farms in every region, it is desirable to open up the profession to young people from other backgrounds. It is true that it is harder for young people without a farming background to get started: a young farmer who is not taking over from his parents has to invest far more than one who is, while becoming established and over the next few years, on an equivalent farm. Nevertheless, the results of a few studies seem to indicate that this type of farmer ends up expanding the business and has the same chance of success.

A system of contacts between elderly farmers without heirs and young people of non-agricultural origin has been successfully piloted in France. It relies on the creation of departmental directories which encourage meetings between heads of farms and young candidates for succession. Since the chances of success depend largely on the economic situation in the area concerned, the initiatives taken should be consistent with the aim of encouraging the development of sustainable farms.

3. IMPROVING INFORMATION

Finally, any measures providing information and improving the image of the farmer among young people should be encouraged. In some regions of the Union, "setting-up directories" and other measures are already in operation or being established to bring out-going and in-coming farmers together and help young people with appropriate information, in particular concerning national and Community aid. The Commission is willing to consider possible accompanying measures for such initiatives.

There is also a lack of reciprocal information about the various routes chosen to approach certain common problems between Member States in terms of their existing rules on transfer and the setting-up of young people. To improve this situation, the Commission is prepared to organize or coordinate information schemes on this subject and to disseminate information on "best practice" found in the legislation of Member States, through seminars allowing discussion at Community level of results already obtained