

## Part Three POLITICAL PROPOSALS

### Chapter I PROPOSALS FOR EU ACTIONS

#### 1. Introductory remarks

In this Chapter *RGC* presents ideas for EU-level actions which could improve the situation of young farmers in Europe. Improving the situation can be taken to mean bringing about an increase in the numbers of young farmers as a percentage of the total farming population. It can also mean improving their economic prospects.

In order to establish its proposals *RGC* has assumed that the EU's aim should indeed be to assist in the restructuring of farming, by attracting more young people into farming. This does not necessarily mean that farms must always become larger, or that all young farmers should become full-time farmers. There are a variety of ways for young farmers to make a farm viable.

However, *RGC* has not taken the view that the EU's aim should be to keep as many existing farmers in place as possible. Quite apart from the difficulties associated with reversing an established trend towards fewer, larger farms, such an approach would act against the interests of potential young farmers by reducing their entry possibilities.

The ideas listed here are based partly on *RGC's* own analysis of the situation of young farmers in Europe, and partly on ideas put forward during the research phase of this study.

*RGC* does not list all of the ideas put forward by persons and/or organisations. *RGC* has attempted to analyse the ideas suggested and presents only those which seem best adapted to the problems outlined and/or most feasible from a political/budgetary/other point of view.

For the sake of objectivity, however, *RGC* does list other ideas put forward. These can be found in Annex III.

*RGC* is conscious that its research has thrown up sometimes-wide disparities in the problems faced by young farmers in the EU and candidate countries. This suggests that the solutions to those problems will often be found at national rather than EU level. Great care has therefore been taken in compiling the list of suggested actions below.

## 2. A note about the CAP

It is not the role of this study to analyse the basis of the CAP, nor whether it operates efficiently and achieves its aims. Other studies have been produced on that subject in the past, and will continue to be produced.

For the purposes of this study it has been accepted that the CAP will operate along the lines agreed at the Berlin Summit of March 1999 (and in subsequent discussions on matters of detail). Reference is made in the suggestions below to the opportunity to use the planned review of certain aspects of the reformed CAP in 2002 and 2003. However, the report does not call into question the whole fabric of the CAP.

This does not mean to say that the authors believe that the CAP should not be substantially reformed. This might give opportunities for special measures to be created to assist young farmers (and other groups). Experience (most recently in the Agenda 2000 debates) shows, however, that such wholesale reform is unacceptable to a majority of member states and other interested parties/groups in society, and therefore politically untenable. Ironically the further enlargement of the EU expected in the coming years is likely to make future reform of the CAP more difficult to agree politically, unless there is a radical overhaul of the EU decision-making process agreed in the Inter-Governmental Conference already underway.

It is worth noting that the European Commission itself commissioned work to be done on the feasibility of creating a new CAP “from scratch”. The eventual report, entitled “Towards a Common Agricultural and Rural Policy for Europe” was not acted upon, largely because of the political difficulties inherent in applying sometimes radical ideas. A brief description of the report is contained in Annex IV to this study. It is worth noting that, despite its radical nature, it did not advocate special treatment for young farmers. Indeed, young farmers are scarcely mentioned specifically, though the following criticisms of the CAP identified in the report are relevant:

- the substantial additional cost burden on young new entrants represented by milk quotas and other production rights;
- the inconsistent way in which full-time and part-time farmers are treated within the CAP;
- the overall need to “rationalise” the CAP;
- that producers have, individually, insufficient resources to manage the high risk element involved in farming;
- hence the need for technical assistance, provision of skills and knowledge, investment assistance and stimulation of new technology.

In the absence of a political climate that suggests that radical change is under consideration, the authors have, as explained above, made suggestions for measures to assist young farmers that could be operated from within current EU policies.

### 3. Proposals for EU actions to improve the situation of young farmers

Proposals for EU actions fall into the following categories. A special category has been created to cover EU-level measures that could be applied in the candidate countries in the period before they become full members of the EU. Clearly EU actions do not currently address all young farmer problems raised in this study. Hence the recommendations cover improvements to existing measures as well as suggestions for new activities.

#### 3.1. Improving knowledge of the situation of young farmers

A major problem highlighted by this study is the lack of comprehensive information about the situation of young farmers maintained either nationally or at central EU level. This leads to a certain inertia in dealing with young farmers' perceived problems.

##### 3.1.1. Basic young farmers database

***The Commission should increase its efforts to improve its basic database for young farmers, including in the candidate countries (even prior to the completion of their accession negotiations), and also including the situation of women farmers. Member states should be urged to do the same.***

Member states' responses to the requirement to submit, annually, data and information on the implementation of measures to assist young farmers have been mixed and often insufficient. Thus the basic database available to the Commission is inadequate, despite its own efforts to assess the situation of young farmers.

CEJA too has a role to play in ensuring that the Commission, and other EU and national/regional institutions, are kept fully informed and up-to-date about the situation of young farmers.

##### 3.1.2 Evaluation of measures to assist young farmers

***Commission DG Agriculture's Evaluation Unit for measures in the agricultural sector should conduct an evaluation of the success or otherwise of young farmer measures in the EU.***

In addition to the inadequate basic database, there has been no true evaluation of the impact of measures to assist young farmers at EU level. This criticism was made also in the Court of Auditors' recent report.

As other units of DG Agriculture have already initiated an evaluation of implementation of the previous regulation (950/97) as regards assistance for young farmers, it is therefore proposed that the Evaluation Unit, in conjunction with the units concerned, should concentrate on the regulation now coming into force (1257/99). That regulation provides for both regular reviews of measures being implemented in member states and for an overall assessment to be made of expenditure under the regulation in 2002 or 2003.

Such an evaluation will allow the Commission, for the first time, to ascertain the impact of EU schemes and thus to form a basis for future strategic planning.

### 3.1.3. Co-operation with young farmers' organisations

***The recent measure on information funding should be reviewed immediately with a view to retaining the existing level of funding. The Commission should be urged to propose an early amendment to the regulation on information measures, in order that funding can be restored.***

Adoption by the Council, after revision, of a Commission proposal “on information measures relating to the Common Agricultural Policy” will seriously jeopardise the ability of young farmers' organisations, at national or EU level, to operate and/or to collect and share data, information and opinion. It would reduce the level of EU-funding of activities aimed at facilitating young farmer exchanges, seminars and other information exercises. In effect, the future of the EU-level representative body for young farmers – CEJA – is under threat.

It is important that the EU's future farmers and farm leaders are able, with EU support, to be fully informed and capable of performing their role.

This measure demonstrates that the budget ceilings on CAP spending established at the March 1999 Berlin Summit are beginning to have an effect.

### 3.2. Installation costs/investment aids

***There is scope for the amounts of installation aid, and the enhancement offered to young farmers under investment aids to be increased further in the next review of Regulation 1257/99. The increase should apply to both the ceilings on aid allowed and the total budget made available for these measures. The Commission should also be asked to provide a detailed breakdown of the young farmer elements of the rural development plans, once they have been approved.***

As this study has pointed out, the empirical evidence for the success of the EU's two main planks to assist young farmers to set up in farming is not yet established. Nevertheless, despite the fact that there is some evidence that the possibility of obtaining such aid has not changed installation and/or investment decisions, there is general agreement among the member states that the aids on offer are both needed and greatly appreciated by young farmers.

In many cases the opportunity to claim EU/national assistance under the EU schemes has affected the amount of investment the young farmer has been able to make. The aid schemes thus act as incentives to young farmers to make worthwhile investments in the future viability of their farms, rather than the minimum investment necessary simply to maintain the farm in its existing state.

As the regulation implementing the revised installation/supplementary investment aids has recently been agreed and is in the process of being implemented, it is not proposed that there should be changes immediately to the regulation. It is proposed that the Commission should consider the case for such increases.

***The Commission should propose that all member states must offer at least a minimum level of installation aid to their young farmers.***

It is appreciated that a uniform rate of actual aid is inappropriate to the varied circumstances of EU farming. However, a minimum obligation would at least put young farmers in the EU on a more equal footing than is currently the case.

***Supplementary investment assistance for young farmers should be further enhanced (beyond the rate allowed under Regulation 1257/99) where the farmer is investing in improvement to a farm in an LFA.***

It is in the LFAs that depopulation, rural decline and various social problems mentioned in this report are most often experienced, thus justifying a higher level of aid. Furthermore, costs of investment are often higher in the LFAs.

***It is proposed that, where a young farmer can show that his investment will result in an actual improvement of the environmental, animal welfare or additional employment opportunity aspects of the particular farm, a higher level again of grant should be offered.***

The new regulation (1257/99) requires young farmers to be committed to improving environmental and welfare aspects of their farm. Young farmers would be encouraged to attain standards of farming higher than the minimum required if this would attract a higher rate of aid. The addition of an employment criterion would be in line with wider EU policy.

***It is proposed that enhanced investment grants for young farmers should be offered not just at the time of setting up but for a period of 5 years thereafter.***

This suggestion recognises the need to assist young farmers for a period after installation and not just as they are setting up.

***The Commission should consider propose the introduction of a requirement that interest rate subsidies should be explicitly offered on the basis of an objective market rate, minus a fixed amount.***

A general question mark should be placed against the interest rate subsidy. It is questionable in some cases whether the full advantage is going to the young farmer or to the bank involved. Often it is not transparent how banks treat these loans. This is to a certain extent dependent on how the measure is operated in member states. Alternative mechanisms to the one suggested above could also be considered. In this way the situation whereby banks effectively benefit from a proportion of the interest rate subsidy could be halted. The Court of Auditors' recent report suggested that more consideration should be given to the use of interest rate subsidies. Such measures are, in theory, advantageous. However, young farmers' experiences in some countries suggest that, in practice, they do not always confer the full benefit on young farmers as intended.

### 3.3. *Improving young farmers' succession prospects*

#### 3.3.1. *Link to Early Retirement Schemes*

***The Commission should propose that the early retirement scheme should contain a link with the installation of a young farmer***

The EU's Early Retirement Scheme currently offers little incentive for early retiring farmers to pass their farm on to a younger farmer. With such a link older farmers would be prevented from obtaining the early retirement premium and still selling the farm on the free market. There should perhaps also be a stipulation that a farm hand-over in such circumstances should take place over a set period of years. The current scheme allows such links to be made but goes no further in trying to encourage it.

Some member states do offer a higher premium for early retirement for retiring farmers who agree to transfer their farm on to young people, and/or by providing a reserve of released land to be made available for young farmers setting up. It is proposed here that the EU-level rules should place more emphasis on this aspect.

### 3.3.2. Transfer agencies

***There should be continued EU co-funding offered for the establishment and operation of agencies which bring together prospective young farmer new entrants and older/other farmers looking to pass on their farm***

Schemes like these have operated in some member states, with apparent success. However, the take-up of this transfer organisation option under the Early Retirement Scheme has been low. And Regulation 1257/99 no longer contains the option to provide funding for transfer agencies.

### 3.3.3. Commission report “Young farmers and the problem of succession in European agriculture”

***The Commission produced a report on the problems of succession in September 1996. This highlighted areas for improvement in EU policies. It is proposed that the Commission should update this 1996 report***

The logical time would be for this to be done in 2001 or 2002, in order that the results are available in time for the 2003 (or 2002 if brought forward) review of the operation of/expenditure on the new rural development plans.

## 3.4. Improving the economic prospects for young farmers

### 3.4.1. Improving the situation of young farmers via the “Common Market Organisations”

***The Commission should bring forward mid-term evaluation to 2002.***

A review in 2003 would also have the political advantage within the EU of making changes to the CAP rules before the first of the candidate countries accede. If nothing else, it will be considerably “easier” to reach agreement among just 15 member states! Bringing it forward to 2002 would help coincide with re-examining the CAP budget.

In the course of the mid-term review, the Commission should amend the Horizontal Regulation (1259/99) so that EU funds recouped under national modulation and/or cross-compliance schemes can also be re-channelled into aids for young farmers and training.

***The Commission should be encouraged again to propose that member states favour young farmers when administering quotas/production rights and transfers etc, e.g. milk quota to be re-allocated from non-producers to young farmers.***

At present each regime is different. The Commission should propose a horizontal approach to this.

***The Commission should use the opportunity of the review of the sugar regime to propose at least that member states report on how they could improve the situation for young farmers in sugar beet cultivation.***

***Similarly, in the forthcoming review of the sheepmeat and goatmeat regime (probably in autumn 2000) emphasis should be put on making opportunities available to young farmers to obtain production rights.***

It is appreciated that the CAP has just been reformed, and that the Council regulations stemming from the Agenda 2000 agreement do request member states to examine this question (for instance in the case of milk quotas). Furthermore, it is up to existing farmers who have production rights to agree on systems which would “free up” some production rights for young farmers.

However, other opportunities exist for the Commission to make further proposals. During the course of the next six months the Commission must make proposals to reform the Common Market Organisation for Sugar (the Sugar Regime). There are currently no requirements on member states to ensure that young farmers have better opportunities to obtain sugar beet growing quota. Indeed member states have a great deal of autonomy in how they apply the regime. This and the sheepmeat regime could be viewed as test cases of the Commission’s real commitment to assisting young farmers in concrete ways.

***In general the Commission should make proposals to encourage the establishment of exchanges to allow for a more controlled form of transfer of rights.***

#### 3.4.2. Assistance with credit terms

***It is proposed that the Commission extends its analysis of alternative methods of assisting farmers to include the possibility of the EU offering rural credit guarantees, notably for young farmers.***

The European Commission has begun a tentative examination of the possibility of supporting farmers through agricultural income insurance schemes. The Commission published a proposal in April 2000 for a regulatory fund to operate in the pigmeat sector. This would be mainly funded by a levy on slaughtered animals. That is one idea already under discussion. Another would be to consider whether the EU could operate a system of underwriting loans for young farmers. This would help resolve the perennial problem faced by young farmers, of having available sufficient collateral as the basis for loans to improve the viability of their farms. As with existing interest rate subsidies on loans, care would have to be taken to ensure that young farmers gain the full benefit of any measures implemented.

#### 3.4.3. Assistance in the adoption of new technologies

***It is proposed that the Commission includes in its current eEurope ideas specific provisions for the education and training of young farmers in use of computers and the Internet. A specific budget line could be created for the training of young farmers in this area.***

The vast majority of European farms are small or medium sized enterprises. They have to deal with the substantial risk element of farming. Their potential to find production and management efficiencies is relatively limited. New technologies, especially personal computers and the Internet, offer possibilities for such SMEs to improve their input buying strategies as well as to market their final products more effectively, thereby aiding their businesses on both the input and output side. Furthermore they offer farmers who are connected the opportunity to obtain, relatively easily, expert advice at low cost on matters important to their businesses such as independent agronomic advice.

Various surveys have shown that it is younger farmers in the EU who are most interested in using computers and the Internet. Young farmers also tend to have a better basic training in computer and Internet use. However, until now, young farmers use these tools as an information source, but do not make maximum use of its commercial capabilities.

The EU is currently launching a major initiative – eEurope - to promote the use of computers and the Internet. This is an excellent opportunity for something to be done for young farmers. The EU lags well behind the US in this respect.

In a recent speech (April 10, 2000) Commissioner for Enterprise and the Information Society – Erkki Liikanen – emphasised the cost savings that could accrue to small businesses via use of the Internet for business. He also underlined the regional benefits, the need for better education and training and the need to add to the target groups that could benefit from the eEurope initiative.

***It is proposed that the Commission should actively encourage use of the LEADER programmes to educate young farmers in computer and Internet use.***

In the past the LEADER programme has been used in order to fund training programmes for young farmers in use of the Internet (example: UK Agrinet). Including such ideas in the eEurope initiative (as outlined above) would give a lead to member states in this field.

### 3.5. *Education, training, occupational assistance, research and development*

***The Commission should propose that eligibility for young farmer assistance be conditional on farmers achieving a minimum level of qualification in farming.***

In the future it is more and more likely that only farmers with sufficient training will have the ability to cope with the technical requirements of farming. Furthermore, there are new responsibilities (for example for animal welfare and environmental standards) which require knowledge and training. It is possible that eligibility for EU aid in future will be more dependent on a farmer having a minimum level of training.

It is proposed that eligibility for EU young farmer assistance should be conditional on young farmers achieving a minimum level of qualification in farming. This could apply to applications for aid from 2001 onwards, for instance. This would help create a more level “playing field” for young farmers throughout the EU.

Also commercial training to deal with creating/managing integrated production management and marketing systems should be provided.

***The Commission should propose the re-instatement of the previous (Regulation 950/97) training schemes scope and funding. The Commission should encourage their use for training in computer and Internet use.***

Regulation 1257/99 withdrew much of the training assistance that had been offered under Regulation 950/97. Only one training/occupational measure remains. While this is inadequate, it is open to member states to offer it for the provision of training in computer/Internet use. As its contribution to the effort to improve standards the Commission should propose that EU co-funding be made available for the training of young farmers, both before and for a period after they are installed.

***One element of the EU-funded training programme could be a requirement that the young farmer spends a minimum period of the training time on placement at another farm. Young farmer exchanges with other countries should also be encouraged.***

Such a scheme has been successfully operated in France for some years. The principle of placement could be extended to offering young farmers the opportunity to find a placement abroad.

***The EU should fund an information programme (or a programme under one of the education programmes) to encourage young people to take up agricultural studies at university.***

***The EU should fund an information programme to ensure that careers advisers are aware of the opportunities for education and training in the farming sector.***

***The EU should fund a public relations/advertising programme to improve the image of European farming, especially with young children, including farm visits.***

As the poor image of farming and its position in society with the general public has been identified as a major concern of potential young farmers, and a major deterrent to new entrants, the above suggestions appear very necessary. The closer interest in the way food is produced, following recent safety scares, may ultimately help improve the image of agriculture as long as further scandals can be avoided.

The public relations programme to improve the image of farming would have the added advantage of emphasising the European Model of Agriculture at a time when the EU is defending the special role of the CAP in the context of the WTO agricultural trade talks in Geneva.

***The EU's Research and Development programmes could include a project on the potential for use of the Internet, especially by young farmers.***

In the past the Commission has sponsored research into the use of new technologies, however this has concentrated on the use of such technologies as satellite imaging for the control of CAP subsidy schemes. The proposal cited here is for a project to assist young farmers in taking up a technology with an eventual more commercial application.

### *3.6. Joint ventures, networking and advice for young farmers*

***EU funding of organisations that create networks of young farmers, to assist them in finding suitable farming installation opportunities, has been removed by Council Regulation 1257/99. Similarly, EU funding for organisations which assist in the transfer of holdings (for example from older to younger farmers) has been removed by the same Regulation. This funding should be reinstated.***

***EU funding should be adapted to assist in the creation of joint ventures between would-be entrants and existing farmers (normally landowners). This would help to diminish start-up and administration costs.***

Financing an organisation (in practice probably one per country or region) to facilitate the above could be partly by membership/registration fees and partly by EU funding. In practical terms the organisation could:

- create and maintain a database to match prospective young farmers and existing farmers looking for successors/partners;
- offer legal advice (e.g. standard forms of contract) and taxation advice;
- raise awareness/campaign on young farmer issues ;
- help in the implementation of projects/applications under EU schemes;
- provide consultancy services to young farmers, e.g. business planning and/or marketing;
- help farmers form groups to face setting up problems together.

A special Advisory Service for young farmers should be funded in each member state to help during the establishment phase.

The end result would be a form of “one-stop shop” for young farmers in each area. Such one-stop shops could themselves be linked via the Internet, to each other and to the various administrative authorities.

### 3.7. Taxation

***The Commission should be encouraged to examine the impact of agriculture-specific taxes, and in particular exemptions, which could improve the options available to young farmers for deferring start-up costs.***

Proposals for action in this area are necessarily oriented towards member state policies. Nevertheless, the Commission could be the catalyst for action.

***The Commission should examine ways to reduce the tax burden. The Commission could play a role in this by sponsoring a conference on the inheritance tax issue.***

A major obstacle to young farmer installation is the cost represented by inheritance taxes, where a farm is passed from one generation of a family to another. At a Europe-wide conference the good ideas of several bodies and governments (including in the candidate countries) could be shared and solutions discussed.

One example of a measure to be encouraged could be the access for young farmers to low interest rate loans. In some member states fiscal advantages are offered to the borrower on such loans, as this report has outlined. Such a system should run in addition to the interest rate subsidy that forms part of the EU’s installation measures for young farmers.

The Commission could encourage member states to examine methods for young farmers to ***defer inheritance tax payments or pay taxes in instalments.***

To ease the costs associated with taking over a farm, ***compensation payable by a young farmer to eligible heirs should be spread over as long a time-period as possible.*** Otherwise, the simplest and cheapest system remains that in operation in Ireland and the UK, where a single designated heir is eligible, without legislated framework for compensation. For the purposes of compensation, the definition of an eligible heir could include experience on the farm, or farming qualifications. ***The cost of such a measure would be born entirely by member states.***

***Property transfer taxes could be less onerous where a farmer sells to a young farmer, acting as an incentive to hand over to a new entrant.*** Even a small discount on the property tax could be sufficient incentive for a selling farmer to pass his property on to a young farmer in regions where demand and prices for land are high. ***Again, the cost of reducing transfer taxes would fall on member states.***

Another suggestion is for governments to extend inheritance and/or gift-tax relief. A further option might be to offer young farmers tax breaks in the first years after installation. Landlords could also be encouraged to let land to young farmers via tax concessions.

### 3.8. Availability of agricultural land

***The Commission should conduct a specific review of legislation which has an impact on the availability of agricultural land (e.g. aspects of tenancy laws). An efficient means to improve the knowledge of all interested parties could be for the Commission to sponsor a conference on the issue.***

In some cases tenancy laws and/or practices impose barriers to new entrants. In other cases new entrants are benefited. In yet more, the situation is unclear. This needs to be evaluated.

Proposals for action in this area are necessarily oriented towards member state policies. ***Nevertheless, the Commission should be encouraged to examine the difficulties faced by young farmers faced with attempting to buy or lease land.***

***The Commission should further consider the impact of subsidies and quotas on land values and whether the beneficiaries of support measures are accurately targeted.***

Currently, capitalised values are only to the benefit of the landowner, and in many EU and candidate countries, the importance of renting is far more important for most farmers.

Denmark's restrictions on land ownership are designed to keep farmland prices within reasonable parameters, and ***the Commission may consider the market impact of imposing conditions, such as a requirement to farm, not lease, land over a certain holding size or demonstrate farming qualifications.***

The impact of minimum lease periods ***needs evaluation to see whether longer leases could benefit young farmers***, or, whether in a climate of poor farming fortunes, short-term leases are preferred.

***The Commission should encourage the establishment of national agencies, operating on a non-profit basis, and specifically designed to intervene in land markets in the interests of young farmers be established without unduly distorting markets.***

Clearly there is great potential for national agencies to regulate and restructure the land market. The long experience in France of SAFERs, could serve as a very useful indication of the potential and pitfalls related to such institutions. The powers of national agencies would need careful supervision and limitation, in the interests of the market as a whole, but without their intervention and pre-emptive purchase rights, it is difficult to see how the situation will improve for young farmers without large capital.

***Clear legal definitions of "family farm"*** would not only be useful from a point of view of designing tax and land market measures, in favour of relatives, descendants and prevent splitting holdings, but ***could also allow better targeting of direct aid.*** A further spin-off would be to reinforce the Community's defence of multifunctional agriculture in the WTO.

### 3.9. *Environmentally-sustainable farming*

***The Commission should propose measures allowing agri-environment schemes to be targeted at young farmers.***

Given the interest of many young farmers in environmentally-sustainable farming techniques, there is sense in the EU's Agri-environment scheme being targeted more at young farmers. By favouring young farmers in the operation of the schemes the EU would tie young farmers into the new commitments required under installations and, at the same time, making a commitment to the future sustainability of farming via the younger generation of farmers.

### 3.10. *General*

#### 3.10.1. Review of rural development plans

***The Commission and Council of Ministers should use the opportunity of the review of the rural development regulation in 2003 to make appropriate proposals to amend its rules (as outlined above).***

Given the central role that the budget will now play in the management of the CAP, it makes more sense to call for the review of Regulation 1257/99 to be brought forward to 2002 (as explained earlier).

#### 3.10.2. Young Farmers in the Wider Rural Context

***In 1996 the Commission organised a major conference in Cork, Ireland to discuss the issues outlined briefly above. It is proposed that the exercise be repeated and that all parties interested in the problems of young farmers should ensure that those problems are high on the agenda.***

Whilst the young farmers debate is generally seen in the context of mainstream agricultural/commodity policies, increasingly the issues need to be set in a wider framework.

That means a framework in which the environmental protection agenda (in its widest sense) is playing an increasingly important role. It is also an agenda that is influenced increasingly by people who are in the countryside but not necessarily countryside/ rural people. That has implications for a range of policy matters that impact directly and indirectly on young people (including farmers) in terms of availability of housing, services and facilities such as schools and shops, transport and policy issues such as planning.

In some parts of the countryside, these wider policy concerns may be as important, if not more important, than mainstream agricultural policy.

In this context there should be a fundamental debate as to whether the limited funds available for installation, for example, should be offered on the basis of a farmer's age, or whether new entrants in general should be favoured. Many sources contacted during the research for this study have raised the arbitrary nature of a cut-off point for aid based on age only. Moreover, the measures that are in place do little to assist new entrants coming from a non-family farm background.

### 3.11. Candidate countries

The candidate countries' position is different to that of existing EU members. The authors of this report cannot predict when, and in what way, candidate countries will become members of the EU. Transitional measures may be enacted before the candidate countries adopt the full "Acquis Communautaire", within the CAP.

For the purposes of considering EU-level measures which could help young farmers, and for this purpose alone, it has been assumed that non-candidate countries will not become members of the EU prior to the review of the Rural Development Plans, and of the CAP budget, scheduled for 2002/2003.

The EU is not proposing, at this stage, to extend direct aid payments under the CAP to the candidate countries when they join the EU. One of the Commission's primary reasons given for this starting position in the enlargement talks is that payment of such aids could slow down the (very necessary) restructuring of farming process in the candidate countries. If the EU accepts, or even advocates further restructuring of farming in the candidate countries, then it should be open to measures put forward in the enlargement talks which would encourage young and dynamic new entrants.

The most appropriate actions the EU could take prior to the accession of the candidate countries are:

***To encourage candidate countries to target (part of the) SAPARD funds to young farmers, thereby applying as much as possible the variety of measures applicable to young farmers within the EU. This would greatly help young farmers in the countries concerned, as well as prepare them for full EU membership.***

In its draft common position for Hungary the Commission has recommended accepting Hungary's request to be allowed to pay a higher level of aid.

***Approve requests by candidate countries for special early retirement schemes prior to accession and/or for higher installation payments in the first years after accession.***

***In particular to encourage the use of abandoned land by young farmers facing difficulties with finding a farm to set up on or to expand their farms.***

***SAPARD to put more emphasis on the need for training/education/advice for young farmers.***

***Extend PHARE support beyond advice about EU structures and practices to more practical advice for young farmers.***

***Cyprus should be eligible for a SAPARD type system of support.***

***The rules for SAPARD should be amended to allow candidate countries to continue to be eligible once they join the EU.***

While the key discussion on the conditions for EU accession of the candidate countries is purely a question of political negotiation, there is one point or gesture that the EU should make as far as structural change in rural areas is concerned. Funds under the SAPARD programmes should still be paid to the candidate countries even after accession. This would guarantee that the programmes are fully and properly implemented, rather than risk them falling victim to any part

of the enlargement negotiations. Politicians from the candidate countries will surely be under more domestic political pressure to negotiate some form of CAP direct aid payments for farmers, rather than to continue arguing for schemes to improve rural structures which are much more medium term and much less tangible – and therefore less likely to influence the electorate.

Special note about Cyprus: Although accession negotiations between the EU and Cyprus are progressing along the same lines as with the countries from Central and Eastern Europe there is a difference. Currently, representatives of the Turkish Cypriot community do not take part in the negotiation team although they were invited by their Greek counterparts to do so. It is hoped that a political settlement can be reached in the future so that accession can benefit the whole of the island. It would also allow for the implementation of the *acquis* throughout the island.

## Chapter II

### PROBABLE COST OF EU ACTIONS

As was highlighted in Part II, Chapter 5, the budgetary constraint element of the Agenda 2000 package of reforms was one of the most important aspects of that package. It is therefore vital, in the current political climate within the Council of Ministers, that proposed measures are costed.

The simplest way in which to present the probable cost of the actions proposed is in tabular form. This is done via the two tables below, one for the existing EU (Table 10), the other for the candidate countries (Table 11). The tables also outline the role that the European Parliament could play in any of the initiatives.

It has not been possible to cost every single measure. In some cases the budgeting procedure is too complex to make such estimates. In others the eventual amount of EU expenditure depends almost entirely on the willingness of member states to offer the measure proposed, the level of funding offered and finally on the uptake by young farmers.

The budgetary costs of measures suggested for application in the existing EU of 15 countries would obviously change when some/all of the candidate countries become full EU members. Similarly, the cost of special measures suggested for the candidate countries would fall as they reach full EU membership status. Hence the assumption that candidate countries will not become members of the EU before 2003.

**Table 10. Possible cost of measures applicable in the existing EU**

Measure proposed	Estimated budgetary cost	EP's involvement
<b>1. Improving knowledge of situation of young farmers</b>		
Increase efforts to improve basic database, including in candidate countries.	No cost.	No more than applying pressure with member states to provide the necessary information.
Evaluation Unit to conduct evaluation of young farmer measures.	No cost.	No more than applying pressure with member states to provide the necessary information.
Early amendment to CAP information regulation to restore CEJA funding.	Less than €100,000 out of an annual budget for this regulation of €4.5 million	Proposals to revise both the regulation and the budget line concerned come under the "consultation" procedure, i.e. the Council is not obliged to incorporate any EP amendments or recommendations. However, EP publicity could encourage early proposal.
<b>2. Installation costs</b>		

Measure proposed	Estimated budgetary cost	EP's involvement
<p>Amounts of installation aid and enhancement offered to young farmers under investment aids to be increased in next review of the regulation.</p>	<p>Spending on installation costs in 1995-97 averaged about €380 million. The budget for 2000 is set at just €131 million There is a need for an increase of up to €250m per year in the budget.</p> <p>Given the budget limits fixed in Berlin (whereby this spending would have to be “financed” by savings elsewhere in the Rural Development &amp; accompanying measures budget), small increases on an annual basis seem the most realistic political approach to achieving this goal.</p>	<p>The EP will only be “consulted” over revisions to the regulation. It could put public pressure on the Council and Commission over the information on the young-farmer elements of Rural Development (RD) plans.</p> <p>The role of the EP has already become central to fixing of the annual budget line for aid for young farmers. Even before the review of the Regulation, MEPs could seek to increase the said budget line, within the budget limits set at Berlin, i.e. increased spending for young farmers will be dependent on MEPs setting lower spending for other RD measures.</p>
<p>Commission to be asked to provide detailed breakdown of young-farmer elements of rural development plans, once approved.</p>	<p>No cost.</p>	<p>Applying pressure with the Commission and member states to provide the necessary information.</p>
<p>All member states to offer at least minimum level of installation aid.</p>	<p>No additional cost likely.</p>	<p>The EP will only be “consulted” over revisions to the regulation. Annual EP budget role can ensure that the number of farmers assisted is not reduced through this measure.</p>
<p>Supplementary investment assistance for young farmers to in LFA.</p>	<p>Any additional cost depends on member-state uptake. (N.B. This additional cost could also be funded by transfers from direct payments under the “modulation” rules, if a member state wanted).</p>	<p>The EP will only be “consulted” over revisions to the regulation. Annual EP budget role can ensure that the number of farmers assisted is not reduced through this measure.</p>
<p>Higher level of grant to be offered where investment will result in actual environmental improvement of the farm.</p>	<p>Any additional cost depends on member state uptake. (N.B. This additional cost could also be funded by transfers from direct payments under the “modulation” rules, if a member state wanted).</p>	<p>The EP will only be “consulted” over revisions to the regulation. Annual EP budget role can ensure that the number of farmers assisted is not reduced through this measure.</p>
<p>Enhanced investment grants for</p>	<p>Any additional cost depends on</p>	<p>The EP will only be “consulted”</p>

Measure proposed	Estimated budgetary cost	EP's involvement
young farmers to be offered for period of five years after installation.	member-state uptake, but an increase in the number of applications is to be expected, especially in the first 3-4 years. (N.B. This could also be funded by transfers from direct payments, if "modulation" rules are changed to allow for funds to be re-channelled to cover young farmers, and if a member state chose so to do).	over revisions to the regulation. The EP's role in setting the annual budget will prove crucial in ensuring that this measure does not simply result in a 20%-30% rise in the number of farmers assisted but a 20%-30% reduction in the rate of assistance.
Interest-rate subsidies should be offered on basis of an objective market rate, minus a fixed amount.	No additional cost. In fact, moves to prevent banks taking advantage of the EU subsidy would provide a more efficient use of current funds – equivalent to a budget increase in fund available for young farmers.	The EP will only be "consulted" over revisions to the regulation. Publicity from MEPs over the policy of individual banks – even before the revision of the regulation – would also help.
<b>3. Succession/Early retirement</b>		
Early retirement scheme to contain link with installation of a young farmer.	No cost.	The EP will only be "consulted" over revisions to the regulation.
Higher premium for early retirement for retiring farmers who agree to transfer farm to young people.	No cost.	The EP will only be "consulted" over revisions to the regulation.
Continued EU co-funding offered for establishment and operation of farm transfer agencies.	The funds previously available that have been discontinued. Cost depends on use made of measure by member states.	The EP will only be "consulted" over revisions to the regulation. Once the budget line is reinstated, however, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.
Commission to update its 1996 report.	Cost of independent study (not done by the Commission) is no more than €100,000, (less if this can be combined with the proposed conference on rural development - see point 10).	EP can publicly ask for this report update.
<b>4. Economic situation</b>		
Modulation: The criteria of	No additional cost. The	The EP will only be "consulted"

Measure proposed	Estimated budgetary cost	EP's involvement
<p>Article 4 of the Horizontal Regulation should be modified to include wording relating to new entrants and debts related to farm take-over. Article 5 should be amended such that modulated funds can be rechannelled into installation aid for young farmers and/or training.</p>	<p>additional support provided by this change will depend on member-state uptake.</p>	<p>over revisions to the regulation.</p>
<p>Member states to favour young farmers when administering quotas/production rights and transfers.</p>	<p>No cost.</p>	<p>The EP will only be “consulted” over revisions to the market regulations, but public pressure (&amp; domestic lobbying) could help having this amendment added to the Horizontal Regulation.</p>
<p>Review of sugar regime to propose that member states improve prospects for young farmers in sugar beet sector. Similar approach in review of sheepmeat/goatmeat regime.</p>	<p>No cost.</p>	<p>The EP will only be “consulted” over revisions to these market regulations.</p>
<p>Commission to make proposals to encourage establishment of exchanges to allow more controlled form of transfer of rights.</p>	<p>Establishment of exchanges could be nationally funded, but would find more uptake by member states if EU funded. A budget of €1 million, would be equivalent to €70,000 per member state.</p>	<p>The EP will only be “consulted” over revisions to the regulation. Once the budget line is established, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.</p>
<p>Commission to analyse possibility of EU rural credit guarantees, notably for young farmers</p>	<p>The proposed pigmeat regulatory fund is EU budget neutral. Analysis could take the form of an independent study (costing up to €100,000), or well-monitored pilot projects (costing perhaps €1 million over 5 years).</p>	<p>No clear input, unless via own-initiative report.</p>
<p><b>5. Education and training</b></p>		
<p>Specific provisions for education and training of young farmers in use of computers and Internet.</p>	<p>No indication of cost possible at this stage. Other (non-CAP) EU funds could be made available for this.</p>	<p>The EP will only be “consulted” over revisions to the regulation. Once the budget line is established, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.</p>
<p>LEADER programme to encourage use of Internet by young farmers.</p>	<p>No additional cost.</p>	<p>EP publicity campaign could encourage Commission &amp; member states to act.</p>

Measure proposed	Estimated budgetary cost	EP's involvement
Eligibility for EU young farmer assistance to be conditional on young farmers achieving minimum level of qualification.	No cost.	The EP will only be "consulted" over revisions to the regulation.
Reinstatement of previous training scheme scope and funding.	The funds previously available have been discontinued. Only €5 million available in 2000 budget. Cost depends on member-state uptake.	The EP will only be "consulted" over revisions to the regulation.
EU co-funding to be made available for training of young farmers, both before and for a period after they are installed.	Cost depends on uptake in member states.	The EP will only be "consulted" over revisions to the regulation. It plays a central role in the setting of the annual budget for "Training" under the Rural Development budget.
EU to fund information programme to encourage young people to take up farming studies at university.	€3 million – part of which could be co-financed. A useful addition would be an Internet web-site showing opportunities (which would be budget neutral if advertising or sponsorship permitted).	Publicity from MEPs in home constituencies is potentially of greater importance than the EP "consultative" role in amending current rules.
EU to fund public relations to improve image of European farming, especially with young children.	Independent analysis/ market research (costing < €50 000) is probably necessary to highlight the most cost-efficient targeted actions, e.g. funding school visits to farms. This could also highlight potential alternative funding, e.g. national tourism & education funds.	MEP role most significant in publicising measures "at home". Budget measures out of CAP would probably come from "compulsory spending", i.e. where EP is only "consulted".
EU's Research and Development programmes to include project on potential for use of Internet, especially by young farmers.	Cost estimated not possible as depends on precise programme.	The EP has strong powers in agreement of the multi-annual EU R&D budget, and a decisive role in agreeing annual budget headings, but less influence over individual programmes.
EU funding of organisations that create networks of young farmers, to assist them in finding suitable farming installation opportunities.	Cost depends on member state uptake.	The EP will only be "consulted" over revisions to the regulation. Once the budget line is established, the EP, in its budget-setting role, can guarantee both that it stays and the level of funding.
<b>6. Co-operation</b>		
EU funding to be adapted to assist in the creation of joint ventures between would-be	No immediate cost.	The EP will only be "consulted" over revisions to the regulation. Annual EP budget role can

Measure proposed	Estimated budgetary cost	EP's involvement
<p>entrants and existing farmers (normally landowners).</p> <p><b>7. Tax/legislation obstacles</b></p> <p>Commission to sponsor conference on tax, inheritance etc.</p> <p><b>8. Availability of land</b></p> <p>Commission to conduct specific review of legislation which has impact on availability of agricultural land and sponsor a conference on the issue.</p> <p><b>9. Environment</b></p> <p>Commission and Council of Ministers to use opportunity of review of rural development regulation in 2003 propose young farmers benefit more from agri-environment schemes.</p> <p><b>10. General</b></p> <p>2<sup>nd</sup> Rural Development Conference.</p>	<p>€250,000-500,000), depending on number of delegates, location, EU subsidy level etc.</p> <p>See above.</p> <p>No additional cost.</p> <p>€250,000-500,000, depending on number of delegates, location, EU subsidy level etc. The Commission should look at raising alternative funds, e.g. other EU policies, the European Parliament and/or sponsorship.</p>	<p>ensure that the number of farmers assisted is not reduced through this measure.</p> <p>The EP could be a major driving force behind such a conference – potentially co-financing or even hosting it.</p> <p>See above.</p> <p>The EP will only be “consulted” over revisions to the regulation. The EP could increase the budget available for agri-environment schemes in the annual budget exercise (although there is no guarantee that member states will take it up).</p> <p>The EP could be a major driving force behind such a conference - potentially co-financing or even hosting it.</p>

**Table 11. Possible cost of measures applicable in the candidate countries**

<b>Measure proposed</b>	<b>Estimated budgetary cost</b>	<b>EP's involvement</b>
Candidate countries to be encouraged to use SAPARD funds to apply measures applicable to young farmers within EU.	No additional cost.	The EP would have no direct role in this measure.
SAPARD to put more emphasis on need for training, education, advice for young farmers.	No additional cost.	The EP would have no direct role in this measure.
PHARE support to be extended beyond advice about EU structures and practices to more practical advice for young farmers.	No additional cost.	The EP would have no direct role in this measure.
Cyprus to be made eligible for SAPARD-type support system.	New funds would have to be found. A budget of €5-10 million would appear to be a proportionate amount.	The EP could exert pressure in the course of the annual budget setting in providing these funds – perhaps simply within the budget line for EU-Cypriot relations.
SAPARD funds to be available post-accession	No additional cost.	The EP would have no direct role in this measure.

With the budget ceiling for “market measures” certain to be much tighter than the ceiling for “rural development/accompanying measures” (under which Regulation 1257/99 is defined) in the coming years, any new initiatives will almost certainly have to be defined under this “Second Pillar” of the CAP to have any prospect of additional funding. The redirection of EAGGF-Guidance money into this section has also reduced the realistic possibility of finding EU funds from elsewhere in the EU budget. Given this budgetary squeeze on market spending, it must be a priority for young farmers to retain as strictly as possible the division between the two pillars of CAP spending. The fact that spending under the Rural Development heading is now defined as “non-compulsory” - thereby giving the European Parliament a direct say on the setting of each budget line - is also likely to be an advantage as long as it can be shown that the existing aid schemes really are effective in promoting the interests of young farmers.

