RECRUITING YOUNG FARMERS TO JOIN SMALL-SCALE FARMING: A STRUCTURAL POLICY PERSPECTIVE

Dr. Jiun-Hao Wang
Associate professor
Dept. of Bio-industry Communication and Development
National Taiwan University
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International Seminar on Enhanced Entry of Young Generation into Farming
Outline of the Presentation

I. Introduction: Structural Problems of Small-scale Farming and Study Objectives

II. Changes and Challenges of Small-scale Agriculture and Generational Renewal

III. Possible Entry Channels for Young Farmers

IV. Systematic Review of Support Measures For Young Farmers

V. Conclusions: Policy framework for setting up young farmers
• **Starting point**: Agricultural restructuring is an important policy issue in the smallholders countries.

• **Dual structural problems**: the rapid ageing of the farm population; the scarcity of young people entering into farming.

• **Aging structural crisis**: will reduce farm productivity, market competitiveness, and rural economic viability.

• **Serious consequence**: the lack of generational renewal will hamper sustainable agricultural development.

Rationale: Structural problem and its negative consequences of small-holdings
- To explore the **structural changes and challenges** of small-scale agriculture,
- To discuss **the entry difficulties, related factors and possible entry channels** for young farmers
- To systematically review the **current supporting measures for setting-up young farmers**
- To propose a **policy framework to recruit and support young farmers** for further discussion.
The European agricultural model is shaped by small-scale family farms, compared with US large agri-business or corporation. Structural reform and supporting young farmers has been at the centre of the Common Agricultural Policy (CAP) in the EU since the 1980s. All EU member states should follow and implement the CAP instruments. That will provide long-term and diversified policy experiences.

**Why uses the EU experience as the reference group?**
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IV. Systematic Review of Support Measures for Young Farmers

V. Conclusions: Policy framework for setting up young farmers
Farmers over the age of 65 in EU27

Key:
- 40%+: Italy, Portugal, Romania
- 30-40%: Spain, Slovenia, Greece, Cyprus,
- 20-30%: United Kingdom, Bulgaria, Denmark, Estonia, Ireland, Latvia, Lithuania, Malta, Slovakia, Sweden
- 10-20%: Belgium, Czech Republic, France, Hungary, Luxembourg, Netherlands
- 0-10%: Finland, Poland, Austria, Germany

Agricultural holders over 65 years old
<table>
<thead>
<tr>
<th>Measurement</th>
<th>holder replacement rate*</th>
<th>Farmers under 35</th>
<th>Farmers over 55</th>
<th>holder replacement rate*</th>
<th>Farmers under 35</th>
<th>Farmers over 55</th>
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<tbody>
<tr>
<td>Year</td>
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<tr>
<td>Unit</td>
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<td>%</td>
<td>ratio value</td>
<td>%</td>
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<tr>
<td>Belgium</td>
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<td>Denmark</td>
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<td>43.5</td>
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<tr>
<td><strong>Germany</strong></td>
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<td>7.7</td>
<td>30.1</td>
<td><strong>0.22</strong></td>
<td>7.1</td>
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<td>0.10</td>
<td>5.3</td>
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<td>36.8</td>
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<td>8.6</td>
<td>39.8</td>
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<td>54.3</td>
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<td>0.11</td>
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<td>55.5</td>
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<td>55.0</td>
<td>0.11</td>
<td>5.6</td>
<td>55.6</td>
</tr>
<tr>
<td>EU-N12</td>
<td>0.12</td>
<td>6.9</td>
<td>55.8</td>
<td>0.17</td>
<td>7.7</td>
<td>58.7</td>
</tr>
<tr>
<td><strong>Aged over 65 farmers to the total farm population</strong></td>
<td></td>
<td></td>
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<tr>
<td>Japan</td>
<td>34.3%</td>
<td></td>
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<tr>
<td>Korea</td>
<td>31.8%</td>
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<tr>
<td>Taiwan</td>
<td>31.2%</td>
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</tbody>
</table>

Changes of age structure in EU agriculture
The independent social protection for rural population of Europe
Eligibility for receiving old-age farmer’s pension: aged 65, 15 insured years, farm transferred or stop farming.
Conceptual model for recruiting and supporting young farmers

Entry factors:
- Credits, Land, Labor, Farming ability, Other external conditions

Possible Entry Channels for Young Farmers:
1. inheritance;
2. take over;
3. new entrant

Support measures:
- Current Young Farmers Schemes
What are the hindering factors for farming decision?

- Lack of access to Credits
- Unavailability of Land
- Lack of Farming knowledge and skill
- 3D work: dirty, difficult and dangerous
- Lack of Labors
- Lack of Markets
- Lack of Agricultural inputs
- Traditional farming and low productivity
- Crop pest, disease problem and natural disaster (reduce profitability)
- Price volatility

Entry barriers for young farmers

Limitation of small-scale farming
The most important difficulties for new entrants

- Access to land: 49%
- Access to credits: 16%
- Access to subsidies: 12%
- Price volatility: 7%
- Complex regulations: 10%
- Farming Training: 6%
- Other: 0%

Possible Entry Channels for Young Farmers

New entrant:
- beginning farmer
- first installation of farming
- Difficulties: high price and limited land market; no access to credits

Taking over from other retiring farmers:
- early retirement scheme
- Generational renewal outside family farm
- Complementary to YFS and pension insurance program

Family inheritance:
- Generational renewal within family farm
- family farming is the most common business model in small-scale agriculture
- Inheritance is the most favorable and most feasible way to set up young farmers
Entry channels for young farmers to set up farm holding

**Farming entry channels for young farmers**

- **Within family farm**
  - Inheritance
    - Intergenerational transfer: “encouraging old farmers out” and “establishing new young farmers”
  - Early retirement scheme
  - First installation of beginning farmer

- **Outside family farm**
  - Take over for another retired farmer
  - New entrant

**Land**

**Capital**

**Labor**

**Farming skill and knowledge**
**Land Tenure:** Long-term Leasing
- Encourage land consolidation and transfer
- Tax exemptions for landowners who lease out land for long periods
- Land leased is also recognized as retirement or exiting farm

**Financial incentives or Grant Aid**
- Installation Aid for young farmers
- Early Retirement payment for old farmers
- Preferential loan
- Interest subsidy
- Tax reduction

**General accompanying measures to complement YFS**
- Farm advice services
- Agricultural extension and training programs
- Promoting partnership: cooperatives, producer groups, young farmers organizations
- Farm modernization subsidy

**Available policy instruments for supporting Young Farmers**
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I  Introduction

II  Challenges of Small-scale Agricultural Structure

III  Possible Channels for Young Farmers

IV  Systematic Review of Support Measures For Young Farmers

V  Conclusions: Policy framework for setting up young farmers
Support for young farmers in the CAP first pillar - Market measure

<table>
<thead>
<tr>
<th>Coupled support</th>
<th>Natural constraint support</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Wide range of sectors</td>
<td>• For areas with natural constraints</td>
</tr>
<tr>
<td>• Up to 5% or 10% of Direct Payment</td>
<td>• Up to 5% of Direct Payment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Young Farmer Scheme</th>
<th>‘Green’ Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Up to 2% of Direct Payment</td>
<td>• Crop diversification</td>
</tr>
<tr>
<td>• &lt; 40 years</td>
<td>• Permanent grassland</td>
</tr>
<tr>
<td></td>
<td>• Ecological focus area</td>
</tr>
<tr>
<td></td>
<td>• 30% of the DP envelope</td>
</tr>
<tr>
<td></td>
<td>• For 5 years (initial installation)</td>
</tr>
<tr>
<td></td>
<td>• Farming activity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic Payment Scheme</th>
<th>Small Farmer Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>• National flat rate per eligible hectare</td>
<td>• Simplification of claims and controls</td>
</tr>
<tr>
<td>• Regions and criteria to be chosen by MS</td>
<td>• Lump sum payment to be determined by MS</td>
</tr>
<tr>
<td></td>
<td>• Entrance in 2014</td>
</tr>
<tr>
<td></td>
<td>• Up to 10% of the Direct Payment</td>
</tr>
</tbody>
</table>

OR
Rural development policy 2007-2013: themes and measures

**LEADER axis (min. 5%):** integrated, bottom up, innovative

**Axis 1: Competitiveness (min. 10%):**
- Knowledge and human capital (M112, M113)
- Farm modernisation
- Processing
- Natural disaster aid
- Training

**Axis 2: Environment and land management (min. 25%):**
- LFAs
- Natura 2000
- Agri-environment
- Forestry measures

**Axis 3: Diversification and quality of life (min. 10%):**
- Diversification
- Tourism
- Micro-enterprises
- Village renewal
- Basic services

**EAFRD: European Agricultural Fund for Rural Development**

Support for young farmers in the CAP second pillar- **RD measures**
## Young Farmers Schemes in the CAP

<table>
<thead>
<tr>
<th><strong>Pillar I Installation Aid</strong></th>
<th><strong>Pillar II Business start-up aid</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligatory/optional <strong>direct payment for young farmers, plus farm modernization</strong></td>
<td>An optional RD measure (business development), including <strong>setting up young farmers, diversification into non-agricultural activities and support for rural micro-enterprises</strong></td>
</tr>
<tr>
<td>Up to 2% of total amount of direct payment</td>
<td><strong>No limitation of the budget</strong></td>
</tr>
<tr>
<td>Less than 40 years old</td>
<td>Less than 40 years old</td>
</tr>
<tr>
<td>No further requirements</td>
<td>Occupational skills + <strong>business plan</strong></td>
</tr>
<tr>
<td>Farmers setting up for the first time, or set up in the past 5 years</td>
<td>Farmers setting up for the first time</td>
</tr>
<tr>
<td>Payment period maximum 5 years</td>
<td>Flat rate, at least two times payment over maximum 5 years. <strong>Last payment conditioned by fulfilling business plan</strong></td>
</tr>
<tr>
<td>Annual payment, with Maximum amount</td>
<td>Maximum EUR 70,000</td>
</tr>
</tbody>
</table>
Measure 112 rationale: Young farmers can bring new skills and energy, and a more professional management to the farming sector, increasing adaptability in the face of new challenges, higher labour productivity.

Objective:
1. facilitate their initial establishment
2. structural adjustment of their holding afterwards

Target group: under 40 years, setting up for the first time, as head of the farmholding

Budget:
 For 2007-2013, a €5 billion total public expenditure
Measure 112 – Number of assisted young farmers from 2007 to 2012
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Several theoretical considerations on recruiting young farmers strategies

- **Land** is the most important asset in small-scale agricultural countries.
- **Inheritance of family farm** is a common means of generational renewal.
- **Participation in the non-farm sector** is becoming more and more popular in the rural areas.
- The scarcity of young farmers results from lack of rural economic viability and out-migration of rural youth.
- Supporting young farmers should be as part of **Rural Development Program**
- Strengthening links between agriculture and other rural business, e.g. rural tourism, through **rural economic diversification**
- **Supplementary measures to complement with YFS:**
  - better functioning of **agricultural market** (prices, storage),
  - enhancing **rural QoL** (transport and social infrastructure ),
  - **knowledge transfer** in agriculture (agricultural extension service, vocational training), **farm modernization**, encouraging partnership and co-operation.
Support measures for young farmers schemes

**Objective**
- Installation aid for young farmer
  - Set up young farmer
    - Aged under 40 active farmer / set up as a farmer within previous 5 years.
    - Minimum level of agri-training education.
    - Farm business plan

- Early retirement scheme
  - Elder farmer to exit farming
    - Aged 55-64 farmer.
    - Voluntarily stop farming activity.
    - Farm transferred to another young farmers.

- Farm improvement scheme
  - Farm modernization and investment
    - Farm owner or leaseholder.
    - Minimum farm size (e.g. 3 ha)
    - Farm business plan

- Rural business start up aid
  - Rural economic diversity.
  - Attracting rural youths stay in or back to the countryside.

**Eligibility**
- General rural young people.
- New entrants to farming.
- Or establish non-agricultural new business.

**Other supplementary measures**
- For example: tax reduction, preferential loan, land bank information system, agricultural extension service, farm succession advice, small producer organization, sole inheritor grant.
Beyond one single perspective: expand to structural outlook for Young Farmers Package

- Young farmers have free access to all support instruments, those specifically designed for them and those which can be tailored to their specific needs.
- Multi-solutions thinking: to **bundle and combine different measures for young farmers** with a strategic and flexible approach in relation to the rural development priorities.
- **Manu approach**: Choose what they need

**Traditional YFS and related measures**
- Farm Installation aid
- Early retirement schemes
- Farm Modernization, Investments in physical assets, preferential loan
- Knowledge transfer and information actions (agri-extension, advisory services)

**New measures to complement YFS**
- Business start-up aid for rural young people
- Investments in non-agricultural activities in rural area
- Advisory services of farm succession planning
- Facilitating partnership networking and cooperation among young farmers
Thank you for your attention!

Jiun-Hao Wang (王俊豪)
Current Position: Associate Professor,
Department of Bio-industry Communication and Development,
National Taiwan University
Research Interests: Rural Development, Rural Tourism, Agricultural Policy, Farmers’ Welfare
E-mail: wangjh@ntu.edu.tw
Tel: +886-2-3366-4415