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Policy directions to support generational renewal in European farming systems

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Summary

Sufficient generational renewal is an important contributor to resilient farming systems but across the EU there is widespread concern over the so-called 'young farmer problem'. This article recommends several policy areas to support generational renewal. The first need is to clearly define the exact generational renewal challenge, since available data provide no clear-cut evidence of an existing young farmer problem that is uniform across the EU. Second, while current policies seem effective in supporting the farm transfer process and providing aid during the early career phase of farmers, they lack targeting of the stage preceding farm take-over, during which possible entrants develop a successor identity. Increasing the attractiveness of farming as both an occupational and a lifestyle choice appears to be important in stimulating entry into farming. Third, policymakers should give high priority to facilitating access to land and labour, and to accommodating the capital-intensive nature of farming. Fourth, a mix of policies at different levels and domains that coherently contribute to the achievement of predefined goals regarding generational renewal is needed. Fifth, support for farm-specific advice and personal coaching holds underexploited potential for addressing the specificity of on-farm challenges regarding generational renewal.

The 'young farmer problem' in European farming systems

Smooth and sufficient generational renewal (GR) is an important contributor to resilient EU farming systems. However, a combination of factors might lead to inadequate entry into farming, i.e. the net inflow of a generation of farmers that would insufficiently contribute to modernisation of agricultural practices and rural viability. Some of these factors relate to long-existing demographic trends, such as the age skewness of farmers and low succession rates. Others refer to relatively new developments, such as an ongoing shift in societal values. Growing up on a family farm used to strongly determine GR but this influence seems to be weakening due to, amongst others, the increase in career and educational choices open to young people (Cassidy and McGrath, 2015; May et al., 2019). Many farming system stakeholders agree that these recent trends are putting further pressures on GR in agriculture, and the European Commission has formulated 'supporting generational renewal' as one

of the nine core goals of the Common Agricultural Policy (CAP) post-2020. Yet the literature illustrates that a clear and commonly accepted view on the so-called 'young farmer problem' is still missing (Burton and Fischer, 2015; Chiswell and Lobley, 2015; Zagata and Sutherland, 2015). Similarly, a consensus on which policies can adequately support the next generation of farmers is lacking (Davis et al., 2013; Leonard et al., 2017). This article firstly illustrates, through a quantitative approach, that the exact nature and extent of the young farmer problem is far from clear. Secondly, based on qualitative data, it describes the decision-making processes about GR. Thirdly, this leads to policy recommendations for appropriately supporting GR.

Defining generational renewal is a challenge for EU Member States

Descriptive analyses of Eurostat's farm structure survey (FSS) data confirm the ageing of Europe's farmers, however, with large differences between Member States (Figure 1). In 2016, EU-wide, around 11 per cent of farmers were below 40 years of age, the cut-off point for receiving young farmer support. At the same time, both the share of farmers close to retirement age and the share of farmers older than 64 were more than twice as high. Nonetheless, while the proportion of farmers close to retirement is fairly consistent at around 25 per cent in all Member States, the share of farmers above 64 differs strikingly between Member States: from under 10 per cent in Germany and Finland to over 50 per cent in Portugal. Similarly, the share of young farmers varies greatly across Member States; from less than 4 per cent in Cyprus to more than 22 per cent in Austria. It seems evident to state that the young farmer problem is most severe in Member States where a lower than average share of young farmers is accompanied by a higher than average share of farmers above retirement age (i.e. Member States in the upper left quadrant of Figure 1). This is the case in many countries in Southern Europe, some in Eastern Europe, and also in Ireland, Sweden and the UK. However, this is not the case in countries such as Belgium, Finland and the Netherlands, in which there is a lower than average share of young farmers but not a significantly high share of older farmers.

Yet for assessing the state of the GR process more accurately, it makes sense to analyse not only the shares of farmers belonging to different age groups in a particular year, but also the evolution of these shares over several years (Table 1). During the last decade, the shares of young and older farmers remained unchanged in some Member States, however, in others they clearly decreased or increased. In fact, some Member States experienced a shifting population structure whereby the proportion of young farmers increased while the proportion of older farmers decreased (or stagnated).

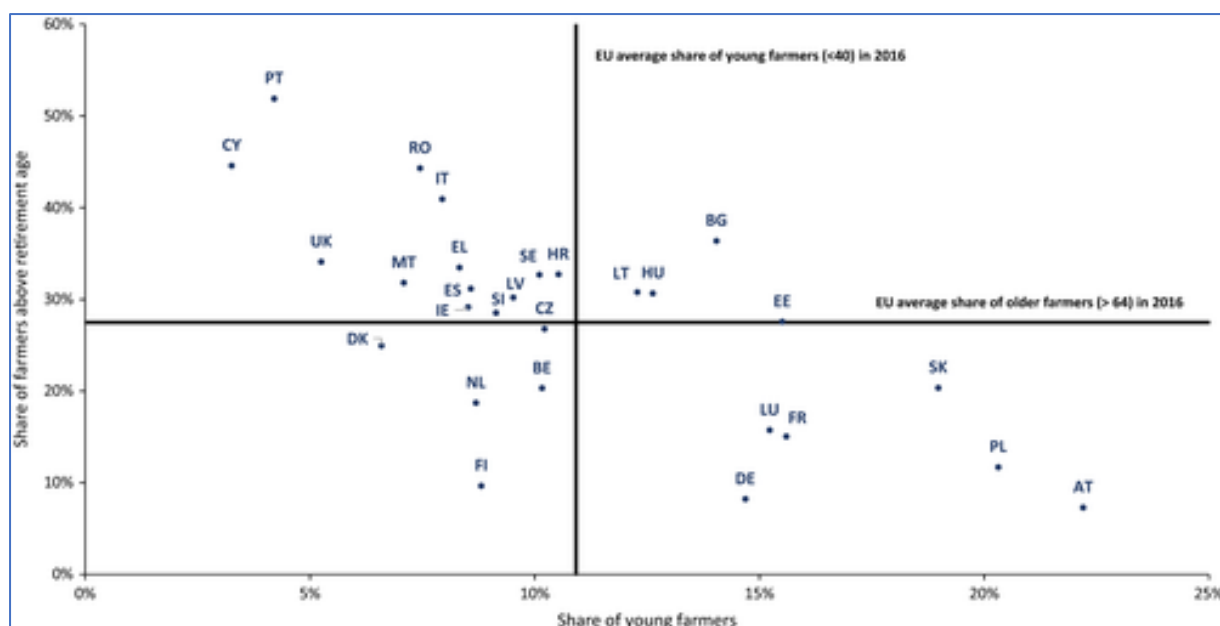


FIGURE 1 SHARES (%) OF YOUNG AND OLDER FARMERS FOR EU-28 MEMBER STATES IN 2016.
SOURCE: OWN CALCULATIONS BASED ON EUROSTAT FARM STRUCTURE SURVEY DATABASE, 2020.

This is particularly the case in Bulgaria and Slovakia, and – to a lesser extent – in Austria, Croatia, Estonia and Lithuania. Conversely, other Member States (Czechia, Denmark and Finland) with currently lower than average shares of older farmers experienced reverse trends during the last decade.

TABLE 1 EVOLUTION OF THE SHARES OF FARMERS BELONGING TO DIFFERENT AGE GROUPS (<35 OR >64 YEARS) DURING 2007-2016.

Member State	<35 ¹	>64
Belgium	=	=
Bulgaria	↗↗	↘↘
Czechia	↘↘	↗↗
Denmark	↘↘	↗
Germany	=	=
Estonia	↗	↘
Ireland	↘	↗
Greece	↘↘	=
Spain	↘	=
France	=	=
Croatia	↗	↘↘
Italy	=	=
Cyprus	↘	↗↗
Latvia	↘	=
Lithuania	↗	↘↘

Member State	<35 ¹	>64
Luxembourg	=	=
Hungary	↘	↗
Malta	↘	↗↗
Netherlands	=	=
Austria	↗	=
Poland	↘	↘
Portugal	=	↗
Romania	↘	=
Slovenia	=	↘
Slovakia	↗↗	↘↘
Finland	↘↘	↗
Sweden	=	↗↗
United Kingdom	=	↗
Legend ²		
↗↗	$\Delta > 2.50$	$\Delta > 7$
↗	$1 < \Delta < 2.5$	$3 < \Delta < 7$
=	$-1 < \Delta < 1$	$-3 < \Delta < 3$
↘	$-2.5 < \Delta < -1$	$-7 < \Delta < -3$
↘↘	$\Delta < -2.5$	$\Delta < -7$

¹Statistics on <40 years age group are only available for 2016.

² Δ = (% of young/older farmers in 2016) – (% of young older farmers in 2007).

Source: Own calculations based on Eurostat Farm Structure Survey database, 2020.

The above facts and figures demonstrate that there is inconclusive evidence of a uniform, Europe-wide ‘young farmer problem’. Moreover, since the above statistics are based on FSS data, ‘farmers’ actually refers to ‘farm managers’, who are not necessarily the main farm operators. Additionally, these statistics contain no indication at all about those employed in agriculture beyond the main farm managers; most importantly, they do not recognise the group of potential successors who are currently working in the agricultural sector prior to becoming farm managers themselves.

To account for the above, we talk about a ‘GR challenge’ instead of a ‘young farmer problem’. We argue that it would be more appropriate to define this GR challenge at the national or regional level, rather than at the European level. Furthermore, instead of stimulating GR as such, policymakers should support the amount and direction of GR that is required for achieving established objectives for the farming systems in terms of their contribution to regional/national/European welfare.

Farm entry, exit, transfer and succession

BOX: How the study was undertaken

This article is based on part of the SURE-Farm research, wherein in-depth interviews with farm stakeholders created insight into the decision-making processes regarding GR. The farm stakeholders interviewed were active or retired farmers, their partners, (potential) successors, siblings of (potential) successors, farm workers and farm managers. Across the 11 European farming systems (Meuwissen et al., this issue), a total of 157 interviews, clustered around 86 farm businesses, were analysed while taking into account the particular phase of the business lifecycle they are in, i.e. before, during or after take-over. The study approach required interviewees in one farm business to either be related to each other (in the case of family farming) or to have a professional relationship (in the case of corporate farms), allowing a more comprehensive understanding of the interpersonal dynamics that can influence decisions impacting GR in agriculture. All interviews were subjected to a thematic analysis, first on a case-by-case basis and in a later stage through a cross-case integration.

As generational renewal is the net result of all (non-)entry, (non-)exit, and succession decisions of individuals, understanding how different factors influence these decisions may offer important insights to explain (part of) the country variations shown in Table 1.

Three stages were identified that are particularly useful when interpreting the GR process and assessing which factors influence this process. The first stage reflects the process of *developing a successor identity*, during which individuals identify themselves as farmers-to-be. The second stage, the *farm transfer process*, covers the period in which a farm is transferred from predecessor to successor. The farm can be taken over by a member of the family – the most common method of farm continuity – or by a non-relative. The third stage, i.e. *farm development*, comprises the part of a farmer's career during which (s)he develops the farm in terms of strategic and organisational structure. Starting when a farmer assumes full managerial control over the farm, it usually lasts until retirement. These stages resonate with theories on the GR process that have been proposed in the literature.

The third stage of one generation typically overlaps with the first stage of the next generation: while the incumbent farmer is still in charge, (s)he is influencing the next generation, albeit sometimes unintentionally, by stimulating or discouraging the formation of a successor identity. This influence is a process in which entrants are socialised into farming by being involved in the farm work from a young age, thereby growing attached to the farm, the livestock, the place where the family – often for a number of generations – has farmed and lived (see also Fischer and Burton, 2014). Consequently, interpersonal dynamics and relationships are important for the GR outcome. For example, when the

current farmer is not taking the ambitions of the potential successor into consideration, the latter might not be able to associate with the current way of farming, and thus ends up not considering himself/herself as a successor. Because having enough access to land and infrastructure to set up a farm from scratch is extremely difficult and costly, such a person may decide not to enter the farming sector even though a successor identity has been formed.

The interaction of the farm business and private (family) life can, depending on the specific situation, either facilitate or obstruct farm continuity. The provision of flexible and (nearly) unpaid labour typically eases farm continuity in the context of family farming. However, sudden unforeseen events, such as the death of a family member, can hinder a smooth transition from the first to the second stage, potentially resulting in non-entry. Similarly, when the former generation is not ready to step down, the successor is forced to find a temporary solution to gain an income. For this, or for other reasons, a potential successor may decide to first work as an employee on another farm or even outside agriculture, as has been observed in all the investigated farming systems. On the one hand, this may imply that the successor experiences a learning process and builds up knowledge and skills that serve him/her well when returning to the farm. On the other hand, this often interrupts the formation of a successor identity and/or the take-over process, risking eventual discontinuity of the farm.

As the above indicates, even when a farm is attractive to a potential successor, there are factors external to the individual and the farm that potentially outweigh the willingness to become a farmer. In addition, farming is often viewed as a relatively unattractive option compared to other occupational choices, due to the long working hours, the difficulty of taking holidays, the high entrepreneurial risks, the administrative burden, and the financial remuneration. This perceived unattractiveness is emphasised through the often bad fit between farming as a lifestyle and contemporary preferences on quality of life and work-life balance. Further, societal acceptance for farming seems problematic, and many potential successors have the impression that farming is an underappreciated occupation. As a result, even though someone may have considered becoming a farmer, the formation of a successor identity may not be ultimately realised.

Finally, our data also showed that entry into farming is not only about making the decision to farm, but also making a decision on a particular lifestyle. Farming is associated with a life in the countryside. In some of the investigated regions, this appeared favourable because rural areas are much appreciated, especially by young families, and viewed as a more attractive choice compared to 'polluted' city life. Conversely, in others the remoteness of and/or lack of infrastructure and services in rural areas conveyed an unfavourable image of the countryside. Here, farming was often excluded from the options a potential successor considers, even if (s)he had created a successor identity.

Policy to support generational renewal

Policies aiming to support GR should target five areas: (1) complement the policy orientation towards tackling the GR challenge at an earlier stage; (2) increase the overall attractiveness of farming as an occupation and a lifestyle; (3) improve regulations and (soft) institutions that facilitate access to land, labour and capital; (4) reinforce the supply of farm-tailored professional advice and personal coaching; and (5) improve the coherence of the policy mix in multiple domains, such as environmental permits, rural planning and agricultural policies, and at multiple levels – local, national and European.

Current policy instruments aiming to facilitate GR are directed to either the farm transfer stage, for example setting-up support for young farmers, or to the farm development stage, for example investment support. Whereas these instruments may be effective to enable those particular stages, this study has shown that a great deal of non-entry decisions are made earlier. Many potential young farmers who decide not to farm do so because farming does not seem attractive enough. This substantially reduces the capability of policies to stimulate the inflow of young potential future farmers; and consequently lowers the impact that policies can exert on GR, which would call for realistic ambitions regarding the extent to which policies can affect GR. Nonetheless, policy instruments like the young farmer payment can be complemented by other interventions that tackle the GR challenge at an earlier stage. For example, policies addressing the aspects of the farming life that are largely perceived as unattractive can have a positive impact on the attractiveness of farming as an occupational choice and thus enable GR. Similarly, policies targeting the (re)construction of underdeveloped and/or abandoned rural areas hold potential for boosting entry into farming in such regions. Examples are improving transport infrastructure and services such as education and health care, as rural areas in Europe are often remote and lack basic facilities, which leads to out-migration, of the younger generation in particular. Such policy targets often belong to other policy domains and budgets than agricultural policies, for example rural planning and environmental policies. These domains are to a large extent regulated under national or regional government.

Once the entry decision is made, the actual feasibility of the entry process (usually through farm transfer) is significantly determined by access to production factors, which mainly depends on market mechanisms. However, policy – despite having only an indirect impact – should aim to improve opportunities for entry into farming by targeting regulations that affect access to land, labour and capital. Again, such policies are largely regulated at the regional and national levels. First, land mobility should be increased to enable GR, as in several countries, land lease policies tend to restrict land transfer from older to younger owners as a side effect of legal attempts to protect tenants from losing control over their property. Second, labour flexibility can be increased by facilitating possibilities to hire temporary staff to moderate peak labour demands and allow farmers to take holidays, without harming the interests and rights of farm workers. Third, the increasingly capital-intensive nature of farming hinders individual farmers' capabilities to manage financing. Inheritance policies and fiscal regulations are examples of policy domains that affect finance management and thus hold potential for improving the financial viability of farming. Policies stimulating new business models (or at least

eradicating barriers impeding these business models) to overcome financial investment difficulties for young farmers can ease farm entry.

Farm entry, exit, transfer and succession decisions are very case-specific. Hence, diverse and flexible policies are needed to provide tailored support to a wide range of farm situations and their demographic issues. To achieve this level of specificity without losing clear legal boundaries, policymakers can, for example, design specific subsidies for the provision of individual advice and coaching. Farm-specific advice is especially required during the farm succession process and during the early phase of the farm development stage. The advisory services should not be restricted to the legal and financial organisation of the farm, also appropriate support is needed regarding emotional intelligence coaching and interpersonal counselling. Such support is not only important in a corporate farm context, but also on family farms, in which particular and delicate situations can arise regarding the financial, legal and managerial arrangements between family members.

The above shows that the CAP certainly plays a substantial role in facilitating GR, for example through the investment support measures and the young farmer payment. However, since many issues that affect GR are regulated at the national, regional and even municipality level, an effective policy support to the GR challenge requires these governmental levels to generate a policy framework that appropriately complements European measures with local budgets and initiatives. This framework should be tailor-made for facilitating the level of GR that is considered necessary in the particular region or Member State.

QUOTE

“Member States should evaluate the exact meaning of the generational renewal challenge valid in their territory.”

IMAGES AND CAPTIONS:



Most farm successors were born and raised on a farm. Becoming a farmer is not only an occupational decision, but also an emotional decision for a particular lifestyle. © Pixabay



Choosing to farm often coincides with choosing a rural over an urban lifestyle. Attractiveness of rural areas across Europe depends on their remoteness, transport infrastructure and basic facilities. © Pixabay



Land market, fiscal, inheritance and investment support policies are examples of regulations that affect generational renewal in agriculture. European, national and regional policies should constitute a coherent legal framework that enables the predetermined level of generational renewal. © Pixabay

Further reading

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