

Attractiveness of the agricultural sector to achieving generational renewal

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Abstract

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An important point of the construction for the 2021-2027 programming period is the design of the CAP specific objectives. The aim is to establish the attractiveness of the agricultural sector and in particular to the attraction young farmers to meet one of the CAP specific objectives of generational renewal. The analytical part includes: (1) an overview of the specific objectives of the CAP for the 2021-2027 programming period, (2) establishing the attractiveness of the agricultural sector, (3) an analysis of generational renewal and factors influencing the attraction/pushback of young people to/from agriculture, (4) an analysis of data from a structured interview which identifies farmers' intentions for farm development and in particular generational renewal.



Keywords: CAP objectives; generational renewal; young farmers








Introduction

The economic, environmental and social challenges facing the EU agricultural sector and rural areas require a strong response, which reflect on their pan-European dimension. The proposal for a new Regulation (EC, 2018b) establishes rules support for strategic plans gives Member States more choice in selecting and adapting instruments to achieve the CAP objectives.

Theoretical review of the specific CAP objectives incl. generational renewal

The introduction of the proposal for a new Regulation (EC, 2018b), the new nine specific CAP objectives have been established:

-  support viable farm income and resilience across the union to enhance food security;
-  enhance market orientation and increase competitiveness incl. greater accent on research, technology and digitalization;

-  improve the farmers' position in the value chain;
-  contribute to climate change mitigation and adaptation, as well as sustainable energy;
-  foster sustainable development and efficient management of natural resources such as water, soil and air;
-  contribution to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;
-  attract young farmers and facilitate business development in rural areas (generational renewal);
-  promote employment, growth, social inclusion and local development in rural areas, including bioeconomy and sustainable forestry;
-  improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare.

The achievement of these objectives will be possible by building on what the CAP has achieved as a result of its political objectives in a new economic, climate, environmental,

social, technological, industrial and political context. In this context the CAP pander to the development of a smart and sustainable agricultural sector, support the action to attraction young farmers and facilitates business development in rural areas, contribute to consolidation the socio-economic structure of rural areas. Member States pander to generational renewal by formulate an incentives to facilitate the departure of the older generation and knowledge transfer to the newer generation.

Under the new Regulation proposal (EC, 2018b), Member States will need to ensure simplification and quality of implementation in the provision of CAP support in order to achieve these objectives. They have to pay a special attention to the aims in regard to environment and climate, generation renewal and apply modernization policy by concentrate a better use of knowledge and advice and new (digital) technologies.

Young farmers and new entrants still facing a significant barriers in regard to land access, high prices and credit access. Their holdings are more threatened by price volatility (both inputs and output) and their need for training in entrepreneurial skills and risk management. This specially means that they have to continue supporting for start up new farms. Member States should makes provision strategic approach and identify clear and consistant group of interventions for generations renewal within the specific objective.

An important moment at the implementation of the specific CAP objectives 2021-2027 is generational renewal. The literature has found that farmers are ageing, especially in European countries where many do not have a inheritor (EU, 2012). According to data from the European Network for Rural Development most farmers (56%) are over age of 55 and less than 6% are under the age of 35 (EC, 2019b).

According to Rossier (2012), Lobley & Baker (2012), the young population has more and more freedom to decide whether to become a farmer. In cases where farmers have already become they tend to define themselves more as entrepreneurs (McDonald et al., 2014; Stenholm & Hytti, 2014).

Also in Bulgaria in 2010 an empirical sociological survey (ESI) was conducted in Blagoevgrad district, where Yovchevska (2012) examined the attitudes of farmers in the same region. According to the author (Yovchevska, 2012) the attitudes are focused on sustainability in agricultural production, as a prerequisite for this is the demographic picture of the respondents. In the study, Yovchevska (2012) found that almost 70% of farmers are of working age, incl. about half of them are under 40 years old. To the question: "Do you plan to engage in agricultural production in the future?", one in four answered affirmative, "yes, and to expand

it". The opinion of almost 45% respondents is "Yes, on the same scale". Therefore, 70% of respondents will continue to engage in agricultural production on the same or extended scale. Almost 20% of them say that they will engage in this activity, but they will reduce it. The author (Yovchevska, 2012) also found that only one in ten farmers intends to give up agricultural production.

Generational renewal has been found to be more possible on farms that are more profitable and have a stable market share and which have made greater investments (Cavicchioli et al., 2018; Carbone & Subioli, 2008).

In the literature, generational renewal is also seen as a process of planning the transfer of the farm by heritage to the next generation (Madgerova & Kyurova, 2014). The authors underline that in family business the most distinctive feature is the relationship with the family. In family business, one of the significant problems is ensuring renewal.

Todorov (2017) examines the inheritance in terms of the relationship with entrepreneurial renewal and the duration of the family business. According to the author, the decision to sell the business affects the company, its economic purpose, management and workforce. In particular, for family businesses, Todorov (2017) points out that this is a very complex solution containing numerous economic variables arising from highly diversified aspects (not just economic ones).

According to other authors (Koyundzhiyska-Davidkova, 2015), inheritance is seen as a process of hand down the business through transfer, both in management and ownership. The author also observes that it is not mandatory for the transfer of management and ownership to be carried out in the same way and time and to be hand down to one person. Moreover, the inheritance process is not a single action but a lengthy process that takes years. According to the author, knowledge of the peculiarities of the inheritance of the family business for the successful realization of the activity in the long term is important. One of the important points for the future development of family farms is the resolution of the question of which of the family members will inherit the management. The author concludes that the inheritance process to be successful, it is necessary to carry out preliminary planning of a series of actions that will prepare the inheritor to assume responsibilities in the business.

Other authors (Coopmans et al., 2021) research the process of generational renewal through three conceptual phases:

- 1) formation of a successor identity – SIF;
- 2) farm succession process – FSP;
- 3) farm development – FD.

In this process bring influence on fourteen factors which are divided into four spheres of influence – SOI (Figure 1):

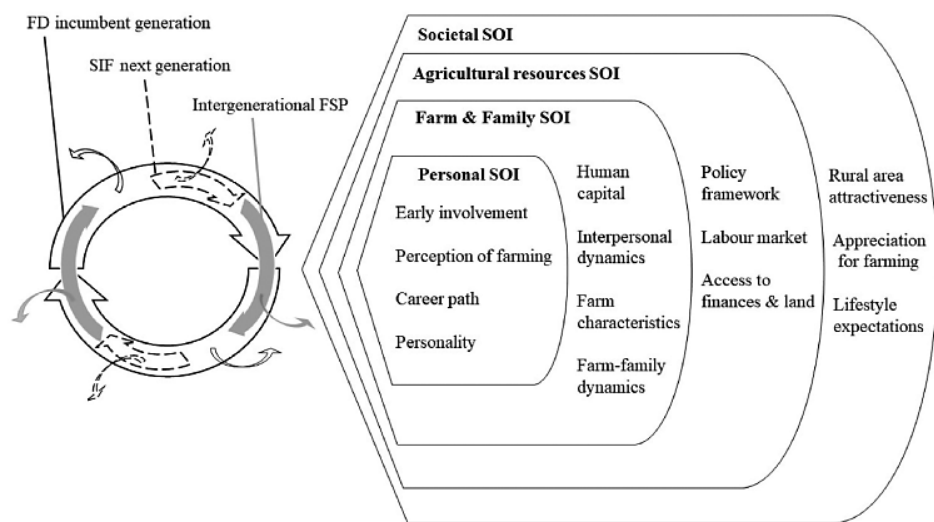


Fig. 1. The generational renewal process in three conceptual phases

Source: Coopmans et al. (2021)

- 1) personal SOI;
- 2) farm and family SOI;
- 3) agricultural resources SOI;
- 4) societal SOI.

The authors Coopmans et al. (2021) found that any initiatives aimed at addressing the low attractiveness of agriculture would stimulate generational renewal. Also turning agriculture into a real and positive option, as well as creating a more positive attitude towards agriculture and the evaluation of farmers, could encourage young people to engage in agriculture.

In order to establish the attractiveness of the agricultural sector, each Member State provides for the maintenance of the minimum amount (Table 1) for contributing to the specific objective of attracting young farmers and facilitating business development. Based on SWOT analysis and needs identification (EC, 2018b), additional income support for young farmers is applied in the following types of interventions:

(a) allocating at least 2% of their allocations for direct payments, as well as additional income support in the form of an annual, non-production-related payment per eligible

hectare as provided for in Article 27 of the proposal of a new Regulation (EC, 2018b).

(b) the establishment of young farmers, as well as the granting of start-up aid in rural areas, as well as assistance in submitting a business plan, as well as the granting of support in the form of lump sums limited to the maximum amount of EUR 100 000 and may be combined with financial instruments as referred to in Article 69 of the proposal of a new Regulation (EC, 2018b).

(c) in addition to the first pillar of the CAP, young farmers will also receive support for a second pillar of the CAP to start and develop the farm’s activities. They also have the possibility to target cooperation, producer organizations and partnerships, support for structural investment, higher rates for younger farmers, as well as knowledge transfer and information actions, advisory services, farm management services and farm substitution services, basic services and village renewal in rural areas (Kállay & Bryan, 2019).

In order to attract young farmers, it is necessary to link the impact and result indicators, which provide clear digital data on the achievement of the aim of generational renewal. (Table 2).

Table 1. Minimum amounts for ‘Attracting young farmers and facilitating business development’ (current prices, EUR)

Calendar year	2021	2022	2023	2024	2025	2026	2027 и сл.год.
Bulgaria	15 475 439	15 644 780	15 814 121	15 983 462	16 152 803	16 322 144	16 322 144

Source: EC (2018b)

Table 2. Binding of indicators

Specific CAP objectives	Impact indicators	Result indicators
Attracting young farmers and facilitating business development in rural areas	1.21 Attracting young farmers: changing the number of new farmers	R.30 Generational renewal: number of young farmers start up a farm with CAP support

Source: EC (2018b)

Table 3. Attract young farmers and facilitate business development in rural areas

Indicator	Source	Impact of PMEF	Current CMEF indicator
Age structure of farm managers by gender	EUROSTAT	–	Context indicator C.23
Agricultural training of farm managers <35 years	EUROSTAT	–	Context indicator C.24
Economic farm size by age class	EUROSTAT	–	–

Source: European Commission (2019a)

Table 4. Main push and pull factors for young people to farming

Factors	European regions
Push	Limited access to land resulting from low supply of land for sale or lease, competition for land and direct payments system (Poland, Latvia), that push up land prices; fragmentation of plots
	Low level of market integration and low profitability resulting from small scale of production, weak position in supply chain, low level of cooperation between farmers, restrictive legislation, insufficient promotion of local production
	Public support – uneven distribution of subsidies, support with low level of relevance to small farms' needs
	Advisory system not sufficiently tailored to small farmers' needs
Pull	Perception of farming as family tradition but also new business opportunity or an opportunity to change lifestyle
	Targeted instruments of public support for small farms /young farmers /new entrants to agriculture
	Solutions to strengthen links between farmers and the market: measures supporting cooperation, creation of short supply chains, technological, marketing and social innovations and growing flexibility of legislation for small-scale production, processing and sales
	A gradual change in the advisory system which gets increasingly focused on small farms' needs

Source: Zmija et al. (2020)

To attract young farmers and facilitate business development in rural areas, EC data (2019) were used, which are compatible with context indicators C.23 and C.24 (Table 3). The shares of men and women who are farm managers are examined in more detail. They are compared with the share of farm managers in the EU-28, as well as the ratio of farm managers under 35 and those aged 55 and over.

Toward context indicators C.23 and C.24 (Table 3) the factors at European level for push and pull young people to and from agriculture are also taken into account (Zmija et al., 2020), which very well represent the situation in agriculture (Table 4).

Material and Methods

The aim of the study is to establish the attractiveness of the agricultural sector and, in particular, to attract young farmers to meet one of the CAP's specific objectives of generational renewal.

The analytical part includes:

- 1) an overview of the specific objectives of the CAP for the 2021-2027 programming period;
- 2) establishing the attractiveness of the agricultural sector;
- 3) an analysis of generational renewal and factors influencing the attraction/pushback of young people to/from agriculture;

4) an analysis of the data of a structured interview, which establishes farmers' intentions for farm development and, in particular, generational renewal.

Results and Discussion

The European Commission (EC, 2019a) analyses generational renewal in order to establish the attractiveness of attracting young farmers to agriculture, which includes indicators such as: age structure of farm managers, training of farm managers, economic farm size including an age group of farm managers.

According to the EC (EC, 2019a) in 2016, 7.4% of farm managers in Bulgaria was below 35 years old (according to the CAP a young farmer is considered to be a person under 40 years of age but Eurostat data until 2013 are only available for the age group under 35). Whereas the EU-trend decreased between 2010 and 2016, Bulgaria has an increase in the same period in the share of young farmers. Also the ratio of young managers to elderly increased over time. 34% of the young farmers are women in 2016, which is the highest share in the EU (Figure 2).

The share of farm managers below 35 years of age with at least a basic level of agricultural training (23%) is higher than the share of total farm managers in Bulgaria



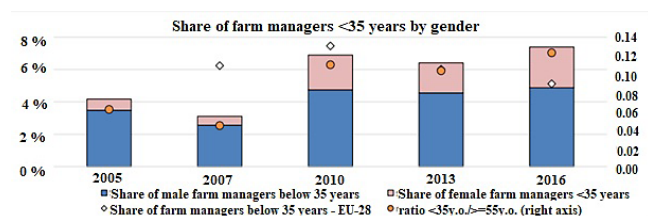


Fig. 2. Share of farm managers <35 years by gender

Source: European Commission (2019a)

(9%) in 2016. The share of ‘young’ farm managers with at least a basic agricultural training is below the EU average (Figure 3).

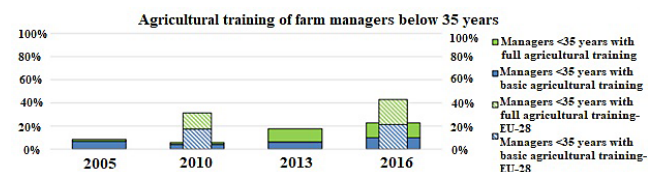


Fig. 3. Agricultural training of farm managers below 35 years

Source: European Commission (2019a)

The average economic farm size in Bulgaria is increasing over time in each age class. The economic size is the largest in the age classes between 35 to 54 years old. (Figure 4).

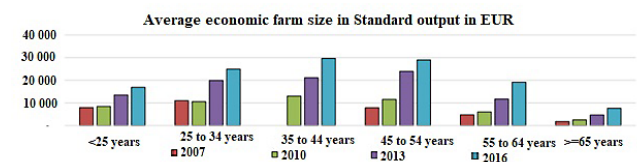


Fig. 4. Average economic farm size in Standard output in EUR

A survey was conducted in 2019 among 79 farms in the Blagoevgrad and Kyustendil districts. It has been established that 71% of the farmers are categorical that they will develop the farm activity (Figure 5) by expansion activity, close the production process, investment in fixed assets (66%), new

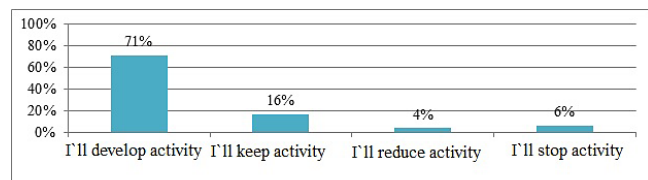


Fig. 5. Farmers' attitudes about the farm after 5 years

Source: Own elaboration

markets access (Figure 6). The main investments for the purchase of land, equipment, new perennials, hail protection nets, as well as the purchase of drip irrigation systems.

The reasons that farmers have decided to reduce or stop the activities (in total 10%) are: labour shortages (the most common cause), high level of bureaucracy, lack of market, age of farmers and inability to generational renewal, as well as eviction outside the country (Figure 5).

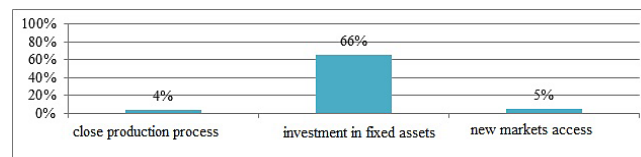


Fig. 6. Farm development after 5 years

Source: Own elaboration

Farmers will develop farms by investing in fixed assets through buy land and expand the farm (39%), new equipment (29%), hail protection net (5%), new drip irrigation facility (5%), conclude new contracts for the sale of products, as well as access to new markets (4%), construction of greenhouses (1%), buy new trees and new areas (1%), hire labor (1%).

The farmers who aim to farm development fall into the largest (Figure 7). The rest of the farmers 51-65 age group and over 65 age group also they renew the younger to take over the farm management and continue its development.

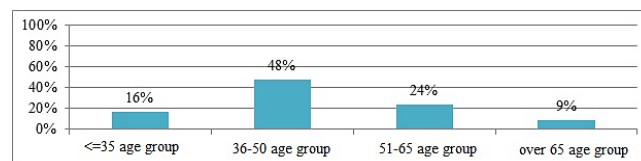
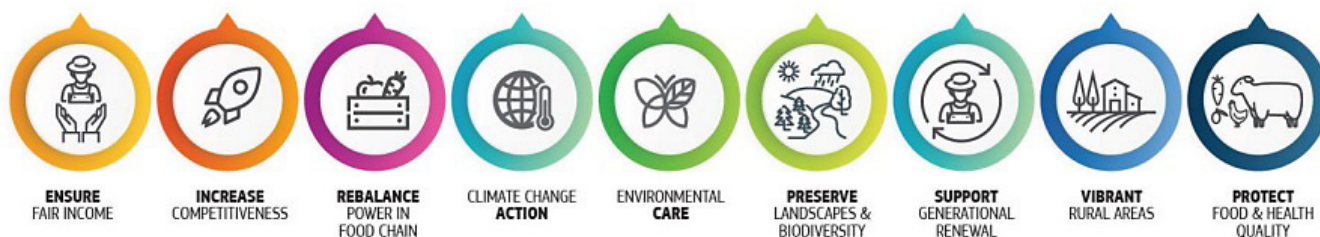


Fig. 7. Age structure of farmers

Source: Own elaboration

Conclusions

During the 2021-2027 programming period, great attention is paid to the specific CAP objective – generational renewal. In order to implement this objective, account shall be taken of linking the impact indicators (change in the number of new farmers) to the result indicators (number of young farmers setting up a holding with CAP support). For these indicators, it is important to retrieve and data analyze on the age structure of farm managers by gender, training of farm managers <35 years, as well



as economic size of holdings by age group. In addition, data from a survey which identified farmers' intentions for farm development, in particular generational renewal, were extracted and analysed.

As many rural areas in the EU suffer from structural problems such as a lack of attractive employment opportunities, skills shortages, insufficient investment in connectivity, infrastructure and basic services, as well as the outflow of young people, it is essential to strengthen the socio-economic structure of these areas, in line with the Cork Declaration 2.0. (EU, 2016). In particular, job creation and intergenerational continuity, with the Commission's jobs and growth reaching rural areas by promoting social inclusion, intergenerational continuity and the development of "smart settlements" in rural areas of the European Union.

As pointed in the Communication on the Future of Food and Agriculture (EC, 2017) new value chains in rural areas in level such as renewable energy, emerging bio-economies, the circular economy and ecotourism can offer good growth potential and employment in rural areas.

In this context, financial instruments and use the InvestEU guarantee can play a key role in providing access to finance and strengthening the growth capacity of farms and enterprises. In rural areas, there are employment opportunities for legally resident third-country nationals, which encourages their social and economic integration within, in particular, community-led local development strategies.

As a study result attractiveness has been established for the implementation of the specific CAP objective 2021-2027 by introducing additional incentive programmes to attract young farmers. Interventions are envisaged to enter the sector, start-up, additional funding to direct payments, as well as additional income support in the form of an annual, non-production-related payment per hectare. As a result, it would be possible to achieve the generational renewal objective in the new programming period 2021-2027 with the CAP support.

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