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# **THE GENERATIONAL TURNOVER IN AGRICULTURE: THE AGEING DYNAMICS AND THE EU SUPPORT POLICIES TO YOUNG FARMERS**

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## **Abstract**

The scarce presence of young farmers is commonly considered one of the main weak points in the competitiveness of European agriculture. Firstly, the lack of young farmers puts under risk the survival of the sector itself, given that the main effect of an inadequate rate of generational turnover is that the exit of farms from the sector for ageing is not balanced by the entry of new farms run by young farmers. Secondly, the competitiveness of the sector suffers from the lower investment and innovation propensity of elder farmers.

For these reasons, and also to slow down the pace of depopulation in most remote rural areas, the EU has always supported the entry of young entrepreneurs in the primary sector. With the more recent CAP reforms, the main effort in this matter has been that of stressing the ties between the economic incentives for young farmers and the process of farm diversification and structural change within the more general framework of rural development, according to which is the rural area vitality as a whole that requires a positive demographic trend.

In spite of the evident effort of the EU to this end, the effectiveness of the policy tools on the table is still quite debatable. In particular, it is questioned whether the “new” farms that benefitted by the aid can be really considered as the “outcome” of the financial support.

The paper opens with a comparative description of the ageing process in the primary sector of the main EU Member States, with the double goal of showing its evolution and offering an updated picture of the issue. The dynamic of the process is caught by the construction of the migratory balances calculated for 5 age brackets.

The second step is to show the available data on the implementation of the measure in favour of young farmers included in the Rural Development Programmes for the 2000-2006 planning period with a specific focus on the Italian case. This provides some evidences and hints of reflection about the effectiveness of this policy in the light of which the novelties of Reg. 1783/03 are discussed.

Furthermore, the paper provides a short summary of the main contents of the resolution approved by the European Parliament on the 5th June 2008. The document, while acknowledging the persistent problem within European agriculture, moves an open and specific criticism not only to the scarce efficacy displayed by the CAP in counteracting the problem, but also points out the role that the CAP actively played in contributing to cause this situation. Some concluding remarks are given in the last section.

**Key Words:** Young farmers, generational turnover, Rural Development, CAP

**JEL Code:** Q18

## **Introduction**

The so called policy measure in support of young farmers is important within the EU rural development policies, first of all, because it concerns a critical issue in European agriculture: the high share of elder farmers and the lack of an appropriate generational turnover, with the related low competitiveness and progressive set aside of resources.

This policy measure is also important because it absorbs a significant share of financial resources. In Italy, for example, between 2000 and 2006, out of a total financial support to rural development of slightly less than 14 billion Euros, 826 million (about 6%) were allocated to these interventions. Furthermore, with regard to Italy and to the same period of time, the recipients of this support were 26.843, slightly less than that the recipients of the payments for farm investments.

Nevertheless, the EU policy for young farmers and generational turnover has been widely criticized. Its efficacy has been objected. (Cagliero and Novelli, 2005; Carbone 2005; INEA-OIGA, 2005; Sotte, 2005). Recently, the influential voice of the European Parliament has joined these criticisms. On the 5th June 2008 the Parliament has approved a resolution (2007/2194 INI) that, while acknowledging the persistent problem within European agriculture, moves an open and specific criticism not only to the scarce efficacy displayed by the CAP in counteracting the problem, but also points out the role that the CAP actively played in contributing to cause this situation.

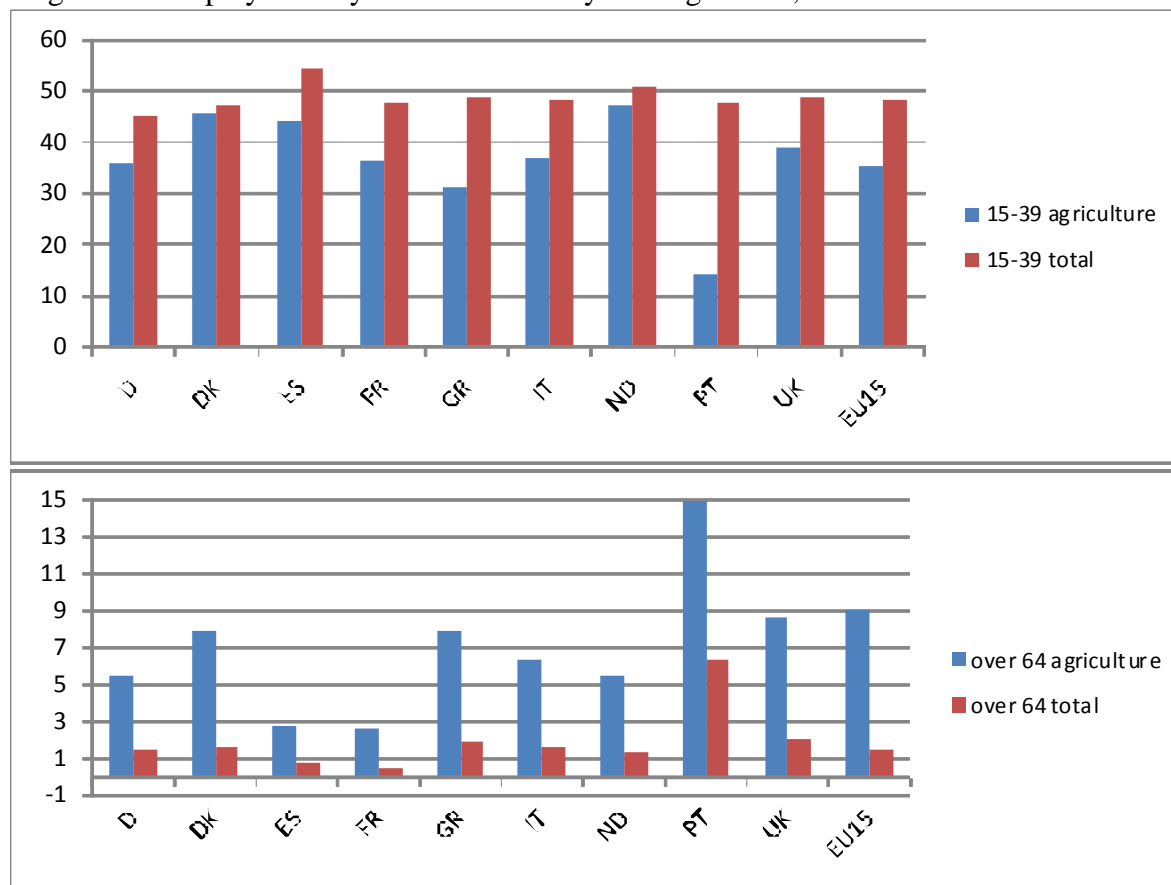
This paper illustrates the extent of senility within European agriculture and its dynamics (next section). The following section illustrates the implementation of the "measure for young farmers" in selected Italian regions over the 2000-2006 period, on the basis of the available Reports of Intermediate Evaluation (third section). The fourth section, summarizes the innovations introduced by Reg. (CE) n. 1783/2003 for the 2007-2013 planning period, while in the fifth discusses the European Parliament Resolution on the young farmers. The last section draws some concluding remarks.

## **The Ageing of European Agriculture: some Empirical Evidences**

The imbalanced distribution of farmers across age classes in the European agriculture is well known. The high share of elder farmers, the scarce presence of younger ones and the difficult access to the sector, are different aspects of the same phenomenon (Glauben et al., 2005). Hereafter we propose a short overview of the main updated figures on the topic.

A comparison between agriculture and the rest of the economy shows that the share of young workers is lower in agriculture (Figure 1). This is the case in the EU15 (approximately 35% and 48%, respectively) as well as in individual member States.

Figure 1 – Employment by Sector of Activity and Age Class, 2005-2007.



Source: Elaborations on Eurostat Labor Force Statistics

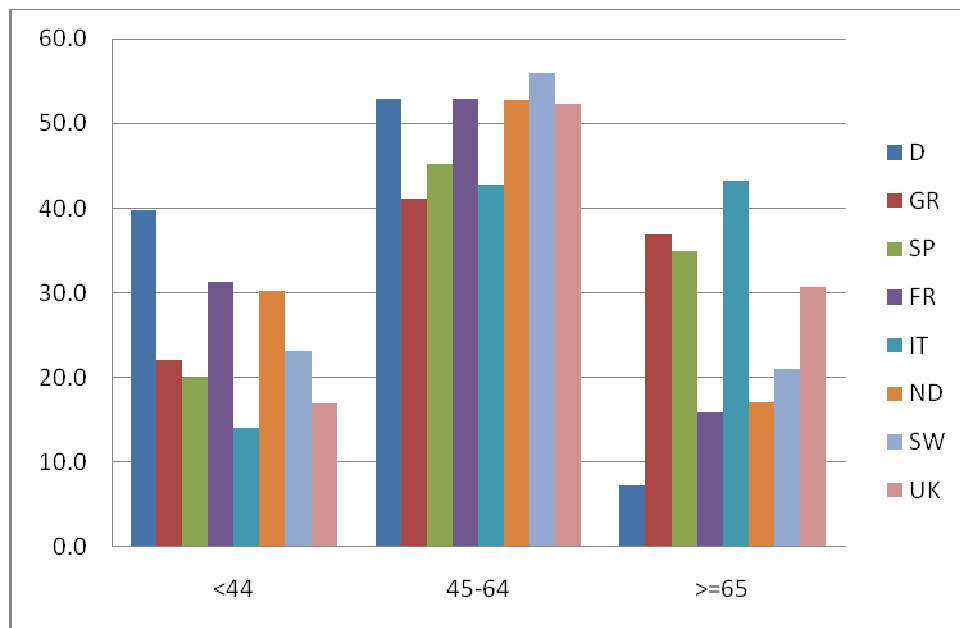
Differences are less significant in the intermediate age class. The second graph of the figure shows that the share of the “over 65” is, without exceptions, much higher in the primary sector (corresponding to slightly less than one tenth) than in the other sectors (less than two over one hundred). Few young farmers and many elder ones are the two faces of the same phenomenon that characterize EU agriculture.

If we move to look at the farm holders only, data show (Figure. 2) the presence of an even wider demographic imbalance. Data from the farm structure survey are slightly different: the first age class includes persons up to 44 years old, nevertheless its share in the total is even lower, while the elder farm holders’ share goes up to 30% in some countries. This seems to indicate the presence of significant entry and exit barriers arising from household settlements (mainly related to the house and the self-consumption of farm produce). Exit barriers, in turn, make new entries more difficult.

The data available allow to distinguish farms by the holder’s age and by economic size. So that it is possible to see that the quota of young holders in small farms ( $\leq 1$  ESU) is lower than in bigger ones, while the incidence of the elder is well higher in the first group. In particular Figure 3 shows that in small farms there is half the percentage of young farmers

that run relatively bigger farms ( $>1$  ESU) and this is true in every countries<sup>1</sup>. In the Italian literature this phenomenon is acknowledged as a virtuous circle: larger and more efficient farms are attractive for young holders (Simeone, 2006) and, in turn, the presence of young farmers makes farms more efficient and help them to increase in size over time. On the contrary, small farms are less rentable and less attractive and hence have no turnover, with old farmers that keep running few activities, while using the farmhouse and producing a bit for self-consumption (Barberis and Siesto, 1993; Mazzieri and Esposti, 2005).

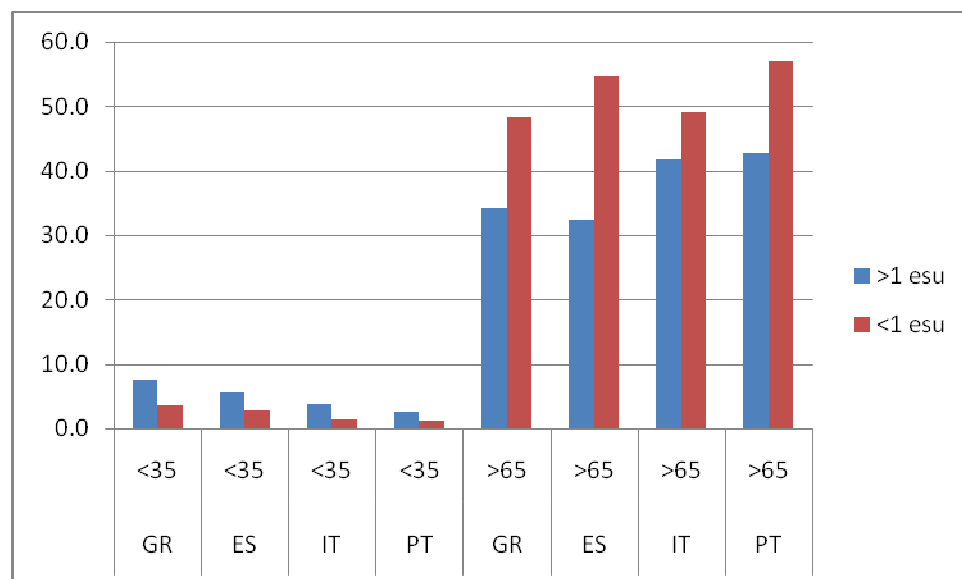
Figure 2 – Holders by Age Class, 2005



Source Author's calculation on Eurostat data:

<sup>1</sup> The number of Countries for which data are available here is limited to the ones shown in the figure.

Figure 3 – Holders by Age Class and Economic Dimension



Source: Author's calculations on Eurostat data

This demographic structure of farm holders' led to a significant, ineluctable shrink of the sector (Table 1) (see also De Gaetano and Mazzoli, 2003). Figures in Table No. 2 shows that the overall reduction is the result of two components: (i) the progressive reduction of the new entries mainly due to the loss of attractiveness of the primary sector (first row); (ii) the retirements of the elder, which is even more sizeable and determines a massive inertial effect on the demographic dynamics of the sector due to the imbalance inherited from the past periods (last row).

Furthermore, Table 2 also shows the presence of a relevant dynamic in the intermediate age classes. The ten-years percentage migration balances for each class show that in every countries there have been significant entries in the intermediate age classes<sup>2</sup>. Furthermore, in some countries - notably the United Kingdom and the Mediterranean group - there have been several new entries even among the elderly.

Table 1 - Dynamics of Farms' number and of UAA in some Eu MS countries, 1995-2005.

	DK	D	GR	ES	FR	IT	ND	PT	SV	UK
Holders total	-17090	-176370	30850	-213590	-244320	-771100	-31990	-128110	-12740	49100
Holders %	-25,0	-31,4	3,8	-17,2	-34,0	-31,2	-29,1	-28,8	-15,3	21,8
UAA total	-18920	0	405580	-375210	-385386	-1977600	-40820	-245030	132720	-489660
UAA %	-0,7	0	11,3	-1,5	-1,4	-13	-2	-6,2	4,3	-3

Source: Author's calculations on Eurostat data

<sup>2</sup> For further details on the methodology see Carbone, 1996.

Table 2 - Holders by Age Class and their demographic dynamics, 1995-2005.

	DK	D	GR	ES	FR	IT	ND	PT	SV	UK
<35years*	56,1	36,1	115,8	69,9	46,0	51,3	39,7	37,0	52,3	63,2
Tm I>II**	83,5	20,2	158,3	97,4	15,2	65,8	88,4	47,3	67,3	176,8
Tm II>III**	1,5	-12,2	49,2	32,1	-15,4	23,5	-2,6	8,3	9,7	72,5
Tm III>IV**	-22,3	-35,4	7,3	-3,2	-35,1	-14,9	-28,2	-11,4	-7,8	34,2
Tm IV>V**	-38,3	-78,0	38,6	1,4	-53,3	8,5	-52,5	19,6	-13,3	46,1
% exit/entries	425,3	118,1	437,5	694,0	259,6	1615,0	464,5	2288,5	462,6	639,5

\*% on the same class in 1995; \*\*  $Tm = (Sm / (i-1)P(i)) * 100$ , where Sm is the migratory balance of the class and P is the decade 1995-2005; \*\*\*% of over 75 (defined as exit) on under 35 (defined as entries)

Source: Authors' calculations on Eurostat data

Altogether these data indicate that the age structure of agricultural employment, and especially the ageing of farm holders, is the results of a complex set of factors, among which the most notable are: i) the presence of entry barriers, ii) the presence of exit barriers, iii) the persisting low level of factor productivity in agriculture; iv) the presence of inter-sectoral labor force movements in the intermediate age classes. This last phenomenon, in turn, is the result of: a) a change in the social consideration of agriculture, b) a migration from urban to rural areas of retired persons, in search of cheap housing and /or a more relaxed and country-like lifestyle.

### The Implementation of the "Measure for the Setting up of Young Farmers" in Italy.

The discussion on the implementation of this policy measure is limited to the Italian case due to lack of information on other countries. For Italy, data are retrieved from the "Intermediate Evaluation Reports" prepared by each sub national administration (Region), and from more detailed sample data referred to small sub-regional areas; these have been directly collected with the help of the Local Government of Lazio, Marche and Toscana Regions<sup>3</sup>.

Most recent available figures refer to 2000-2003<sup>4</sup>. Within these four years, the measure has benefited 26.843 young farmers who received, on average, 18.000 Euros each, mostly as a lump sum. In order to evaluate the efficacy of this support, it is useful to compare the number of the "new" holdings with the reduction in the total number of farms. As seen, between 1995 and 2005, Italian holdings decreased by 77.000 units per year (-31,2% over the whole period). Therefore, without the "measure for the young", at most we would have had a loss of approximately 10% more every year (or 6.700 units).

<sup>3</sup> The Authors acknowledge the Administrations of Lazio and Marche Region and The Grosseto Province Administrations for the provision of the data. Dott.ssa Letizia Lamoratta is also acknowledged for the data collected and the data processing.

<sup>4</sup> The Local Governments have two or three years to complete the Final Evaluation Reports for the PORs and three years for the PSRs, so that none of them are yet available.



In principle this figure could be significant, albeit clearly inadequate to counterbalance the exit of resources from the sector. However, we have no idea of how farmers would have behaved in absence of the measure: would all concerned farmers have not entered the sector without the support? or would already existing farms not have had any generational turnover?

Beneficiaries of the payment – including young farmers that start a new farm and the ones that take over an existing farm -- can be classified into four groups (Carbone et al., 2005),

1. Those that could not have done so without the EU payment;
2. Those that could have done without the payment;
3. Those that were already informally managing their farm ( in Italy the change is often formalized only when the old parent retires or dies);
4. Those that formally register as managers of the farms to have access to the payment, while management is in fact maintained by older family members.

It is evident that the measure would be truly effective only in the first case. Data do not allow to detect with certainty each case; however they allow to gain interesting insights.

As shown in Table 3 - for those Regions that have published the Intermediate Evaluation Report – the incidence of young farmers that took over the family farm is around 70-80% in most cases: this happens in Emilia Romagna, Veneto, Marche. In Tuscany this share is lower, around 40%, while in other regions it can be shown that very few new farms have been started, while nothing can be said on the parental relationship between the previous and “new young” holder. In addition, several beneficiaries of the EU payment hire land for their activities; and the share of hired land that they use is almost double the national average (more than 50% vs 25,1%).

Table 3 - Turn-over in Young Farmers' Setting Up

	No. Applications Financed	% of turn- over	% of Family turn-over
E. Romagna	3.696	87,2	79,2
Veneto	2.102	80	76
Piemonte	2.324	77,1	-
Calabria	1.516	76,7	-
Toscana	2.696	60	56,4
Friuli	-	-	51,5

Source: Author's calculations on Regional Evaluation Reports

Data on specific areas confirm this evidence and tell something more. In the Viterbo and Grosseto provinces (where 33 and 30 beneficiaries are located), 68 and 85% respectively of the new settlements took place in family farms'. Furthermore, in about 80% of the total settlements (including the Marche region sample, 383 cases) the farm premium is used to hire the (family) land.

This indicates that cases 3) and 4) among those outlined above, may be the more frequent: young farmers either already settled in their farm, running it on an informal basis that simply took the occasion of the payment; or fictitious hiring contracts showing a fake transition of the management, again, just to access the payment.

Similar conclusions are presented in INEA-OIGA (2005), where 86% of the sample considered is made up of young beneficiaries already settled in family holdings, or who would anyhow have settled, even without support, as they themselves stated in interviews.

Further evidence indicates that the payment has not been at the origin of significant additional settlements of young farmers. The 18.000 Euros paid on average represent a very small amount if compared with the land values in our country and, hence, seems not sufficient to overcome the far most major entry barrier of the sector, which is the need to hire or purchase land. The national average value for one hectare of arable land, was of about 15.000 Euros in 2002, for non irrigated land (varying in the range 6000-30.000), while it reached 25.000 Euros for irrigated land (varying in the range 14.000-45.000).

Considering, for example, the average size of the beneficiaries' holdings in the study area, we estimated a farm value of 450.000 Euros and more in the Grosseto province (equivalent to a value of Euros 14.500 per hectare) and of about 200.000 Euros in the Viterbo province (equivalent to a value of Euros 16.200 per hectare).

The EU payment becomes even less significant when considering the need to access capital to acquire machineries, livestock, other fixed factors of production, from buildings to computer equipment, which are necessary to start a competitive business.

The Intermediate Evaluation Reports contain further hints on the overall assessment of the appropriateness of the amount given for the settings up. The key point here is the definition of the expenses related to the settling of a new farm. If we count the administrative costs, the use of advisory services and training, the support proved by the EU can barely be sufficient in the majority of the Regions. In some cases, also the cost for improving the farmhouse, or the cost related to other minor farm improvements, were included and this turned out with a much lower percentage of the expenses covered by the payment (20-30% on average).

These examples confirm that the size of the payment provided by the EU measure for young farmers offers an ineffective incentive to attract young people into the sector, and it is

also insufficient to finance an increase in the competitiveness of the existing holdings through the familiar turnover within the farm<sup>5</sup>.

In other words, would the holdings be profitable, the turnover would happen anyway, on the contrary, non profitable holdings are doomed to remain such: a payment of few thousand Euros cannot promote a generational turnover (even if it takes place within the family) assuring the survival of the holdings in the long period (Carbone, 2005; Corsi et al., 2005).

### **Regulation 1783/03: the Innovations introduced for the setting up of young farmers**

Given the evidence proposed, it is worth reviewing shortly the innovations introduced by Reg. (CE) 1783/03 on Rural Development for the planning period 2007-2013. The new planning period has just started, therefore it is too early to attempt an evaluation. However, it is possible to make some considerations on the novelties introduced in the measure for the settling of young farmers. Compared to the previous Regulations on Rural Development (Reg.(CE) 1257/99), the measure has been modified in three important aspects<sup>6</sup>.

*Young People and Competitiveness.* The measure is now placed under the so called First Axis , which is aimed at fostering competitiveness. Consequently, social targets such as avoiding depopulation, defending and encouraging marginal rural contexts are less emphasized; the same is true for environmental aims such as territory safeguard, landscape keeping and so on. This delimitation, if correctly understood, has important consequences in defining the areas of implementation and in the selection of beneficiaries. This means that: a) privileged territories for the payment are those where competitive agriculture is not only possible but also desirable as far as there are no economical and environmental conflicts regarding the alternative use of resources, b) the selection of applications should be more restraining than in the past.

*The Business Plan.* The second innovation introduced concerns the need to spell out and the obtain approval of a "business plan" as a condition to access to the funds. The importance of this aspect comes directly from binding settlement to improving the sector's competitiveness: it is clear that if new settlements should bring efficiency and competitiveness, this condition must be objectively proved. The business plan seems to be the most appropriate instrument to help reaching this goal. Furthermore it can help in a better targeting of the beneficiaries, hence reducing inefficiencies and adverse redistributive effects.

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<sup>5</sup> It is worth reporting that the average farm amount allocated by the Italian law for land reorganization (441/98) was approximately of Euros 280.000 (our estimate on INEA data, 2005). On the other side, it should also be considered that in countries with a different land market and with a different labor cost (such as, for example, some of the new EU members), even smaller amounts, might prove of sufficient incentive efficacy.

<sup>6</sup> As a matter of fact, there seems to be a further element of novelty, that is a closer link between the measure for the young and the pre-retirement one, but the text is rather vague to this respect.

Nevertheless, it is to be said that, on the other hand, the introduction of the business plan presents some “traps” and difficulties that it is worthwhile recalling because it should be avoided. First of all there is the concrete risk that some Local Government might encounter difficulties to find the necessary competences to evaluate the business plans or that, fearing not to be able to implement the measure properly, a "bearish" mechanism reducing the real selectivity of the criteria adopted might develop, vanishing the positive potentials of the instrument. Furthermore, the business plan might be interpreted as another bureaucratic discharge to perform, void of effective contents strictly related to what should be the entrepreneurial project of the settling young farmer and of elements proving its soundness. The real coming into effect of the above mentioned risks will obviously depend -at least partly - on the political will and on the abilities of Local Governments. Some help to this respect might come from introducing a successive check on the plan implementation as well as from a punctual definition of the contents that this plan must include, as well as of parameters to choose for the evaluation of the increased competitiveness.

*The size of the payment.* The third novelty concerns the increase in the size of the payment. This is settled at a maximum 40.000 Euros in the form of a single premium or in the form of an interest rate subsidy (the capitalization of which should not exceed 40.000 E.) but could be raised up to 55.000 E. in case of a combination of the two forms. Furthermore, the incentive given to young farmer that borrow money to invest in the farm project is also to be judged positively also for its indirect selective effect. The payment has been considerably increased and this could be regarded, as a matter of fact, as an admission of the inadequacy of the amount previously fixed and can be considered as an improvement that may better help to overcome the entry barriers faced by newcomers, Though it is worth noting that not all the Italian Regions have chosen to fix the aid at the maximum level.

One additional novelty can be found in the implementation of the Regulation that, among others, allows the so called “Cluster of Measures” for the setting up of young farmers. Young people who apply for the setting up aid may also apply for other measures that altogether raise the total amount of the aid and provide a wider range of sustain to the setting up. Coupled measures vary Region by Region but usually include: Vocational training and information actions, Use of advisory services, Modernization of agricultural holdings, Meeting standards based on Community legislation, Participation of farmers in food quality schemes. Many Programs include preferential access and/or increased payments for these measures when included in the cluster for the setting up of young farmer.

### **The New Resolution of the European Parliament on Young farmers<sup>7</sup>**

On June 5th 2008 the European Parliament has approved the resolution named "The future of young farmers in the schedule of the present CAP reform" which comes eight years

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<sup>7</sup> This chapter is widely based on Carbone, 2008.

after a previous resolution on the same subject, at the initiative of Honourable Donato Tommaso Veraldi.

Starting from a description of the present status of affairs, the Resolution explicitly considers the role of the CAP in addressing the situation and starts a wide re-thinking of how the CAP should shape after 2013, having in mind possible in-progress adjustments arising from the present Health Check schedule. The outcome is an assessment of the following targets:

The generation turnover is proposed as a *condicio sine qua non* for the survival of European agriculture; therefore it asks to strengthen the instruments aimed at influencing it. According to the European Parliament, hence, one of the goals of the reformed CAP should be to reckon upon an adequate generation turnover.

In order to define suitable interventions and the related measures to be implemented, a specific analytical effort is required, both on the causes and characteristics of the phenomenon as well as on the reasons of poor efficacy that past intervention, has proved so far, taking into special consideration the different national contexts as they arise also from the enlargement process.

The document acknowledges that the topic of intergenerational turnover has been underrated and disregarded but it also assesses openly the negative effects the CAP has had on the possibility of accessing the sector. Therefore, specific studies are required to elaborate the nature of these effects and to quantify them exactly, in order to avoid undesirable interactive effects between measures undertaken under the 1st and the 2nd pillars in the future.

Then the document describes desirable interventions both within the CAP and national policy framework. These can be distinguished in two groups: on the one hand, those aimed at strengthening existing CAP provisions; and, on the other hand, new measures proposed at community level, which are already in place in some member countries.

As for the already existing measures, the resolution outlines changes meant to strengthen their effectiveness, that can be summarized as follows:

- The measure for the setting up of young farmers should be included in each Rural Development Plan, so that Member States and Local Governments should not be left free to decide the implementation.
- The measures comprised under Axes II and III, to promote infrastructures and the labor markets, should prioritize the settlement of young farmers.
- The size of the payments should be increased, especially in socially and environmentally sensitive areas (such as islands and mountains).

- More rigor should be applied in screening the requests as well as a more tight definition (and enforcement) of what constitutes a “new settlement”; this would improve the targeting of the measure and avoid inappropriate uses of the related resources.

The resolution makes one more point that, at a first sight, may seem inconsistent with what just specified, that is the necessity to extend the payment to young farmers who, though already settled in farm holdings, run a farm of suboptimal dimensions. With such payments, they could cut down the farm holding inefficiency and the uncertainty of economic results. Since estimating such condition and the related reasons can be very difficult in practice, including this new category of recipients may thwart the suggested greater tightness of the criteria for eligibility.

The start-up period is estimated to be of 3 to 5 years. At the end of this period the farmer should have reached the targets reported in the "business plan". The length of such period stems from the production cycles, the need to integrate in the market, the variability arising from the natural and the economic environment.

The importance of the professional /vocational training is also stressed, while more professional training is suggested either through courses or other activities, study tours, or inter-regional farmers' meetings from different areas which might enable to put together/in common, improve and widespread desirable farm/agricultural techniques and practices.

Even more interesting is to examine the innovative proposals suggested by the European Parliament in the Resolution. Hereafter, a short description and a comment on these is offered.

Very much appropriately, the Resolution recalls the general reasons of the ageing and reduction of agriculture, which stems from the comparatively low profitability of agriculture and living conditions in rural areas, which may not always be comparable to urban standards. These conditions would hold back young workers from getting into agriculture. However, this is nowadays true only in some specific contexts, and to a limited extent: while some services such as schools, transportations, health may be of lower quality, others would not; rural areas might be advantaged in terms of less crowds , less pollution, more space, lower cost of dwellings, a more friendly social environment. The document also recalls that the being a farmer not always enjoy the social appreciation and prestige that it deserves. However this seems to be the case in countries undergoing transition where agriculture shrinks and is still associated with poverty and backwardness.

To counteract the reasons that keep the young away from agriculture, the European Parliament recalls that a wide range of interventions are necessary, that the general living conditions in rural areas improve, and farmer improves its reputation as a profession. Initiatives such as the "*European Year of Dialogue between Town and the Countryside*" could promote this change, or the institution of a European quality brand guaranteeing consumers the origin and healthiness of food as well as the existence of a European agriculture to

safeguard the environment, cultural traditions and the safety of purchasing. However, these initiatives albeit commendable, could hardly make a visible difference in terms of the data mentioned above.

The document of the European Parliament also sketches out measures that can be directly implemented. For instance, the potential role of a "*bank of agricultural lands*" to be constituted on the basis of the lands released by withdrawals and early retirements which may support the settlement of young farmers. As a matter of fact, this would be an inventory of the demand and offer of agricultural land, including details of the natural, structural and infrastructural characteristics, that would facilitate trading and turnover by providing information and hence reducing transaction costs. Moreover, an institution performing this function may play an intermediary role in support of both the old farmer who wants to withdraw and the young one who is willing to take over<sup>8</sup>.

The start up of a new farm would proceed gradually, by acquiring the specific knowledge and participating in the network of commercial relations accumulated by the entrepreneur who is leaving. The young farmer could also rely on technicians and experts guiding her in the bureaucratic procedures as well as through the technical and economic aspects of farming.

An important role is also assigned, in the Resolution, to the interventions in the credit market, aimed at facilitating access to credit for young farmers'. The setting up of insurance patterns might - for the starting period – also protect farmers from the consequences of weather adversities, market fluctuations and other unexpected events. Finally, in order to further facilitate access to credit, Member States may adopt fiscal measures to lower the interest rate on capital.

## **Concluding Remarks**

The data shown in Section 2 show that the ageing of farm holders is a widespread phenomenon in the EU, with variable intensity across Member States. As a consequence, European agriculture still faces a loss of production factors among which the abandon of agricultural land and the depopulation of some rural areas causes major concerns. The structural adjustment process is distorted by the presence of many constraints and barriers that limit and prevent generational turnover. Facing these difficulties, the primary sector seems condemned to shrink progressively and to lose competitiveness.

The efforts made by the CAP to solve the problem have widely proven not to be much effective, while the general framework of the CAP - in the first phase with the market interventions and in the second with the direct payments- has had (and it is still having) a

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<sup>8</sup> The model could be the *Centre National pour l'Aménagement des Structures des Exploitations Agricoles (Cnasea)* which has been working in France for some years.

counterproductive effect. The European Parliament Resolution expressed the most updated and authoritative judgment in this direction. We argue that the measure for the setting up of young farmers has also had negative distributional effects, since beneficiaries have often been selected, as a matter of fact, as young person belonging to families owing a farm; whether or not intending to start running the family enterprise, whether or not already running it.

The European Parliament, has mentioned, has highlighted the situation in the most appropriate and unequivocal way, and at the same time it has recognized the many causes and the possible solutions. It has also be seen that the new Regulation on rural development introduced some innovations that seem to be going in the right direction. More could be done, however, to overcome the many barriers that are encountered in the access to the sector. Among the actions recalled in the Resolution of the European Parliament, in the Italian situation very much appropriate would be any actions to facilitate the access to the credit system and to lower the cost of loans. This would, at the same time, help to overcome one of the most stringent access barrier and help to select beneficiaries that express a real commitment to enter the sector.

It is worth reminding once more, however, that if the presence of young people could help the sector in reaching a better level of competitiveness -for as they are more dynamic, have more propensity to risk, generally represent a higher level of human capital- it is at the same time true that the general context plays a decisive role for the competitiveness of the single enterprise.

Competitiveness is less and less determined inside the holdings and is increasingly more related to the coordination of the stakeholders along the *production chain*, who interact on the territories at a local level. Consequently, in order to attract young farmers into agriculture steadily, ensuring them reasonable levels of remuneration, one cannot disregard the overall sector's competitiveness conditions. All the interventions aimed at this target , and in this respect efficacious, represent also, indirectly, an efficacious policy for the settlement of young people. On the contrary, with an agricultural and food system, on the whole non competitive, no incentive measure to entry the sector will give positive and stable results.

A very last issue it is worth to pinpoint in the end relates to the most appropriate ultimate goal that should be pursued by a policy measure aimed at providing incentives to farm turnover. With the Fischler's Reform the measure for the setting up of young farmers is directly linked to competitiveness and this seem to be very reasonable and appropriate in the view of a sectoral policy. At the same time the new CAP is more and more interlinked with other policies and, on the other hand, the intervention for the rural areas is increasingly conceived as only partially inscribed in the intervention for the agricultural sector. With rural policy, the EU does not only look at the sector that produce agricultural market goods, also look at a bundle of activities producing a wide set of products and services, marketable as well as not marketable. At the same time, at least in some EU countries, the rural areas have become more attractive for elder people that retire or that starts a part-time activity and wish



to leave expensive and congested cities. This people can give, and often does, a contribution to the revitalization of the rural areas, but should be induced to produce those externalities and services needed. In this light, limiting the policy for the survival of the European agriculture to the measure for the setting up of young farmers is, according to us, very much reductive.

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