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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE EVALUATION of the impact of the CAP on generational renewal, local development and jobs in rural areas

Delegations will find attached document SWD(2021) 79 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE EVALUATION

of the impact of the CAP on generational renewal, local development and jobs in rural areas

{SWD(2021) 78 final}

In 2016, for every farm manager under 40 in the EU there were three farm managers over 65. The ageing of Europe's farmers is one of the greatest challenges facing rural areas in the EU.

The purpose of this evaluation was to assess whether the instruments offered by the CAP are sufficient – and sufficiently used – to promote generational renewal, local development and jobs in rural areas. The measures assessed in the evaluation are those most relevant for generational renewal: (i) direct payment support to young farmers; (ii) investment support; and (iii) business start-up aid ('CAP generational-renewal measures'). The analysis in this evaluation focuses mainly on farming, as the CAP is not the most significant factor influencing generational renewal in rural areas outside farming. The evaluation faced a number of challenges and constraints due to the limited availability of detailed and homogenous data, the narrow observation period, and the limited geographical coverage of certain analyses. However, combining multiple qualitative and quantitative analyses, the evaluation draws relevant conclusions.

The evaluation finds that the impact of CAP generational-renewal measures on the number of young farmers is mostly positive, but small in some regions, notably in those lacking basic infrastructure and services. This positive impact also depends on other factors, including socio-cultural and wider economic incentives/disincentives for people to farm and live in rural areas. For this reason, CAP generational-renewal measures cannot be evaluated in isolation from other EU policies, wider socio-economic conditions in rural areas and national measures and regulations.

CAP generational-renewal measures improve the performance of farm businesses, their resilience, and the secure transfer of farms from the older to the younger generation. However, instead of encouraging farm succession, these measures are more likely to increase the socio-economic sustainability of farm businesses after young farmers have set-up their business. In addition, CAP generational-renewal measures are not well suited to off-family farm transfer.

Access to land and capital are the main barriers to entering the farming sector. Generational-renewal aid provides funding to help new farmers with: (i) the general costs following the set-up of their farm; and (ii) early-years investment support. However, this aid will often be insufficient on its own to address these barriers because CAP funding cannot address some of the wider issues, which prevent the efficient functioning of land and credit markets. In addition, in some regions, CAP income support may slow down inter-generational farm transfer. This is because older farmers may prefer to keep these payments to compensate for low pensions (highlighting the potential role of national pension schemes in encouraging generational renewal). Nevertheless, Pillar I support is only one of many factors explaining the inactive land market. Facilitating access to land and capital may also require changes to improve the coherence of national legal, social and fiscal policies with CAP generational-renewal goals.

Although the training level of young farm managers under 35 has increased over time, in 2016 only 43% of young farmers had received more than practical on-the-job training. The analysis shows the benefits of providing more formal training and advice as a condition for accessing capital grants, start-up aid and/or Pillar I young-farmer supplement. When advice and training are provided under these conditions, the link between generational-renewal measures and increased inter-generational knowledge exchange is clear and positive.

It is also very important to target well the support given to local areas. Rural-development aid, in complement to other EU policies such as the regional and cohesion funds, that promotes rural economic diversification, added-value, better services, and better

infrastructure (including broadband) is potentially vital to improving the broader economic climate, particularly in remote areas. The best evidence of the sustained and positive impact of CAP support can be seen in Member States that follow a strategic approach, in which a variety of measures and instruments are used in a complementary way, including: (i) funding and investment aid for business start-ups; (ii) advice and training; and (iii) incentives for collaborative institutional arrangements and/or fiscal arrangements that ease inter-generational transfer. The delivery and impact of CAP generational-renewal measures would be improved if Member States developed integrated approaches, using in a coherent way: (i) multiple CAP and non- CAP instruments; (ii) institutions; and (iii) broader legislative and fiscal provisions.