

WHAT IS THE MOTIVATION AND BARRIERS FOR YOUNG PEOPLE TO ENTER THE AGRICULTURAL SECTOR?

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Abstract

Generation renewal is crucial for sustainable land management and food production. However, age category of farms' managers between 45 and 59 years prevails in the Czech Republic. There are certain barriers in the sector that hinder the transfer of farms from older generation to younger. Those are of the administrative and legal character as well as given by personal features and motivation of young persons. There are problems also with the availability of production factors – mainly agricultural land for sale or long-term lease and investment capital as young starting farmers have difficult access to credit due to short history.

The aim of the paper is to examine the motivation of young people to enter the agricultural sector and to become a self-employed farmer and to assess the barriers that makes the entrance to agriculture harder than to other sectors. Certain recommendations how to overcome the obstacles related to the initiation of agricultural activities are outlined. Literature review and discussion with experts revealed that main issue is the access to land and credits. Those barriers are almost insurmountable for complete new entrants. Hence, it is easier to foster generation renewal when the agricultural holding is transferred between generations.

Key words: generation renewal, motivation, young farmers

JEL Code: Q18, H25, J11

Introduction

“Young farmers can bring new skills and energy, and a more professional management to the farming sector,” (Kontogeorgos et al., 2014). The lack of young farmers puts under risk the survival of the sector itself, due to an inadequate rate of generational turnover in the sector. Hence, the European Union (EU) is supporting young farmers within Common Agricultural policy. Under the 1st pillar young farmers have higher direct payments and under pillar 2 – Rural Development Programme (RDP) there is a special programme for starting farmers under

40 years¹ setting up their business for the first time. “In EU-15, a total of 260,000 young farmers have been benefited from the relevant European aid during the period 1990–1997. Over 90% of this aid covered expenses for setting up in farming,” (Kazakopoulos and Gidarakou, 2003).

To which extent the young farmers’ incentives have contributed to the entrance and instalment of young women in farming and to the improvement of their position in the family farm in region of Thessaly, in Central Greece was examined by Kazakopoulos and Gidarakou (2003). They found out that for those women “whose entry into farming reflects the choice of a desired way of life, incentives give them the opportunity to strengthen their position on the farm and develop a more substantial role as farm heads,” (Kazakopoulos and Gidarakou, 2003).

However, the support is certainly not the only one motivation for young farmers to enter the sector. A fact that the agricultural holding is owned by a family plays certainly its role. Occupational inheritance in agriculture is much more often than in other types of businesses while setting up of completely new business is much rarer. “It is interesting that ownership of these farms tends to remain within families across generations,” (Laband and Lentz, 1983). This type of generation change is key of the future of the farm. “When the fact that most farming business are operated by families is taken into consideration, it can be argued that intergenerational farm transfers are a fundamental aspect of the sustainability of farm businesses,” (Uchiyama et al., 2008).

Besides, the existing aid paid to new farmers can be in many cases ineffective as found out for example by Carbone and Subioli (2008) for the case of Italy. “... 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”, (Carbone and Subioli, 2008).

A “young farmer problem” in Europe concerned Zagata and Sutherland (2015) who prepared a literature review of the policy documents related to the support of the new entrants to the sector and statistically analysed Eurostat figures. They pointed out on “a major inconsistency between European policy documents, which conflate young farm holders with new entrants; Eurostat numbers, which focus on young sole holders; and the academic literature, which consistently demonstrates the importance of farming successors to farm business development”, (Zagata and Sutherland, 2015). Issue of encouraging young people to enter the sector is important also in non-EU countries. For example in Indonesia, the

¹ Czech RDP for years 2007–2014 supported farmers up to 40 years (up to their 40th birthday), while in current RDP for years 2014–2020 are eligible also farmers at the age of 40 (up to their 41st birthday).

government's policy on the employment of agricultural younger generation directed by the Guidelines for Agricultural Younger Generation Development (workers of 15-34 age group) sets the priorities in the establishment of program planning of agricultural development so that they can become the next generation, motivators, pioneers that are innovative, creative, professional, independent, competitive, and global in perspective. (Sumarti and Farendian Falatehan, 2016)

Beside the incentives from agricultural policy side and motivation of individual persons, there are certain barriers in the sector that hinder the transfer of farms from older generation to younger and that make the entrance of completely new entrepreneurs into the sector difficult. Carbone and Subioli (2008) found out that "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 labour force movements in the intermediate age classes". Our paper focuses on situation in the Czech Republic (CR) and tries to identify the factors that influence the generation turnover and setting up of new agricultural businesses.

1 Materials and Data

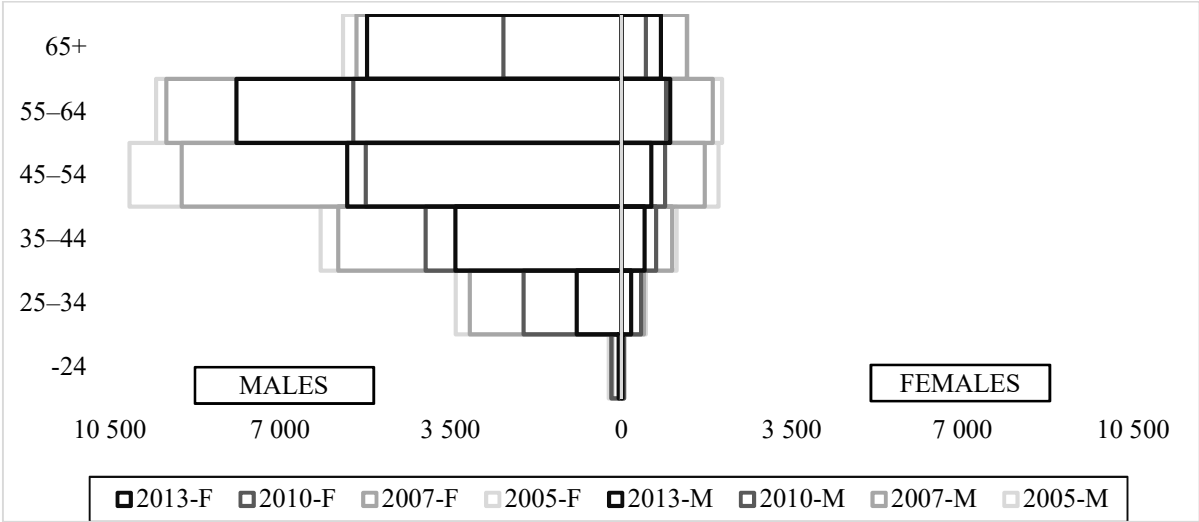
The aim of the paper is to examine the motivation of young people to enter the agricultural sector and to become a self-employed farmer and to assess the barriers that makes the entrance to agriculture harder than to other sectors. First, the development of age structure of farmers in the Czech Republic is described based on Eurostat data. (Eurostat, 2017) Second, the literature review is presented to identify the most important incentives or barriers of enter to the agricultural sector. Besides, the non-structure interviews were used to draw the picture of the situation in the Czech Republic. Certain recommendations how to overcome the obstacles related to the initiation of agricultural activities are outlined.

2 Results

Regarding the age-and-sex specific demographic structure of the managers of agricultural holdings in the Czech Republic presented in Fig. 1 we may see at a glance that there are approximately 5 times less females than males in all age categories in 2005, 2007 and 2010. The differences has changed and in 2013, the gap between number of male and female managers of agricultural holdings is wider (3 100 females in comparison with 23 140 males). While there are 5 630 male managers in age category from 45 to 54 years, the number of females is 9 times

lower (610). In category from 25 to 34 years the share of women is 7 times lower. There are only 20 female managers less than 25 years old, while there are 60 males in this age category. The most frequented age category was from 45 to 54 years in year 2005, but as those farmers got older, the most of them belonged to higher age group from 55 to 64 years in later years. The demographic pyramid is thing in its basement and much wider in higher ages.

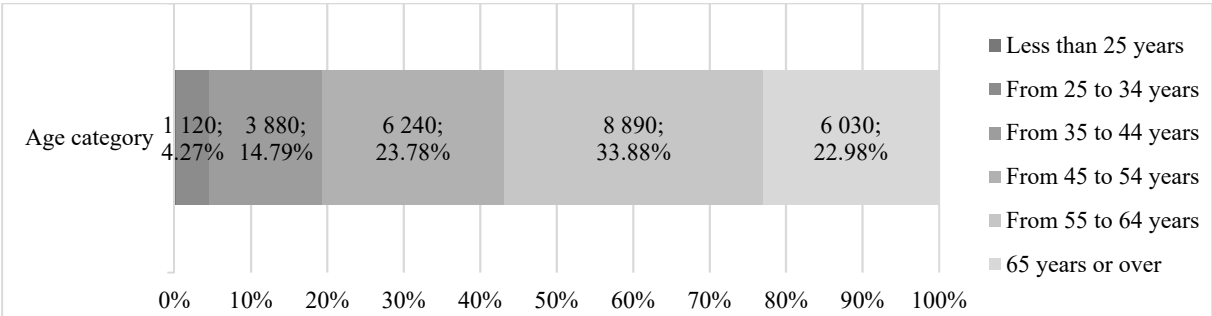
Fig. 1: Age-and-sex specific demographic structure of farms’ managers in the CR



Source: Eurostat (2017), own elaboration

EU considers as “young farmer” a person up to 40 years, but the methodology of Eurostat does not include this category. We can consider as “young” the farmers up to 35 years. The share of those managers was only 4.57% in 2013. On the other hand, the share of farms’ managers older than 34 years was 95.39%. The most frequented category were the farmers between 55 to 64 years. Shares of different age categories observed by Eurostat on total number can be seen at Fig 2.

Fig. 2: Share of different age categories on total number of farms’ managers in the CR



Source: Eurostat (2017), own elaboration

2.1 Motivation and barriers for young farmers to take-over of the farm

Although the number of farms passed on to the next generation in the form of succession tends to decline in Western countries, it is still one of the most important ways of preserving farms and hence agricultural activities in general. According to the research of Laband and Lentz (1983) “evidence suggests that rates of intergenerational succession are much higher in farming than in other self-employed occupations”. The decrease of this type of farm transfer is mainly caused by the lack of the successor. As reported by Wheeler et al. (2012) for the case study of irrigation farms in Australia, those farms “with no successor in place are more likely to go into a period of stagnation (such as selling land, not adopting efficient irrigation infrastructure and not increasing irrigated area)”. Succession assumes the willingness of the younger generation of followers to continue their work. It is problematic nowadays, when young people attract many more attractive and more profitable activities. There must be certain strong inner incentives of the young people to enter the agricultural sector such as the love to the animals and wiliness to take care of them or the desire to study the subject and work in the sector. Besides, certain management abilities (ability to manage, organize, coordinate and plan agricultural activities, and human and material resources).

According to Errington and Lobley (2002), there are two main ways for family farm transfers. They differ in how much responsibility is transferred in the area of making decisions (i.e. in the extent to which decision-making processes are delegated) and the extent to which a young farmer had the opportunity to manage (or to work on) another farm. The ability to make decisions on a farm is closely related to whether intangible assets – i.e. knowledge and skills that are unique to the family farm and which cannot be gained in other ways than experience and learning – are also related. If a young farmer is already involved in the operation of the farm before taking it, his / her admission to the position of manager is easier. Lobley et al. (2010) therefore appealed on the governments, education and agricultural institutions to introduce the measures that support the plans of succession. This implies that it is important to financially support not only the investments into the tangible assets, but also the non-tangible issues related to the farms succession such as the knowledge transfer. Besides, as emerged from non-structured interviews with the agricultural experts, also legal and administrative issues are relatively difficult in the CR. Hence, the support shall be targeted on this area too.

2.2 Motivation and barriers for young farmers to start farming

Based on the non-structured interviews with the experts in the area on the focus group aimed at young farmers, it is possible to proclaim that this type of support is useful and utilized by mainly

the young farmers that are overtaking the agricultural holding from their parents (or other farmers in general). Usually the entrance and, on the other hand, also the exit barriers are too high for the complete new entrants. The experts mainly stated that especially lack of the land is one of the main factors that hinders the establishment of a new farm. As the majority of farms in the CR have mixed production, this problem is a key one. Land is specific production factor for agriculture and cannot be obtained as easily as other production factors.

Besides, the access to credits can be a problem too. Young starting farmers usually do not have history that is long enough for banks to provide investment or operational loans. For this reason, the EU prepared the special scheme of investment support. Particularly, in the CR, the entrance of the young farmers is supported from RDP (under measure M06 Generation renewal) by 30 million EUR that represents 0.98% of the total RDP budget for years 2014–2020 (3.07 billion EUR). Besides, also 57 thousand EUR is devoted to measure M01 Knowledge. The aim is to support 2.86% of young farmers' enterprises.

Another important issue that was pointed out by the experts was that the complete new entrants to the sector does not have to be necessary "young". There might be people with work experience from other sectors who decided to leave their original profession and to start with agri-business. This situation happened for example after the restitution era in the 1990s when the successors were given back the land or farms that were confiscated by the communist regime. Despite that they did not have any previous experiences with the agricultural activities they decided to keep the land and restore the farm and start farming. In this case their main barrier to enter was not the lack of soil, but mainly the lack of finances for the reconstruction of the farm.

Conclusion

The aim of the paper was to examine the motivation of young people to enter the agricultural sector and to become a self-employed farmer and to assess the barriers that makes the entrance to agriculture harder than to other sectors. Literature review and discussion with experts revealed that main issue is the access to land and credits. Those barriers are almost insurmountable for complete new entrants from different sectors. Hence, it is easier to foster generation renewal when the agricultural holding is transferred between generations. That shall be done not only by financial incentives aimed at the investment in tangible assets, but also to intangible ones (e.g. knowledge transfer, learning). Besides, the policy makers shall re-ting and

possibly remake the support scheme in a way that it will not target only “young”, but also all new entrants to the sector that are willing to deal with agricultural production.

The plan for future research is to prepare a questionnaire for young farmers that will be based on the literature review that identified the main incentives and barriers for young people to enter the agricultural sector. Subsequent survey will try to find the main factors that influenced the young people in decision making whether to enter the sector or not.

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