# SUPPORT TO YOUNG FARMERS THROUGH AGRICULTURAL POLICY MEASURES – THE EXPERIENCE OF THE EU AND SERBIA

Katarina Djuric<sup>1</sup>, Boris Kuzman<sup>2</sup>, Radivoj Prodanovic<sup>3</sup> \*Corresponding author E-mail: katarina.djuric@polj.uns.ac.rs

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#### ABSTRACT

The purpose of this paper is to analyze agricultural policy measures aimed at young farmers and to compare the support system of the European Union and the Republic of Serbia. The dominant method in the research is the descriptive analysis. The comparative analysis method is used for investigating advantages and limitations of the support to young farmers in the EU and the Republic of Serbia. The unfavorable age structure of farmers represents the essential limitation for the sustainable development of agriculture and rural areas. In order to solve this problem, it

essential limitation for the sustainable development of agriculture and rural areas. In order to solve this problem, it is necessary to improve and strengthen agricultural policy measures of support to young farmers, which will lead to property increase, diversification of income and higher standards of living and consequently to the decision of young people to stay in the village and work in agriculture.

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#### Introduction

In 2015 the European Commission proclaimed the support to young farmers as one of the priorities of agricultural policy. The EU Commissioner for agriculture Phil Hogan stressed that "generational renewal is an issue that goes far beyond a reduction in the average age of farmers in the EU. It is also about empowering a new generation of highly-qualified young farmers to bring the full benefits of technology to support sustainable farming practices in Europe (EC, 2017a). Key questions regarding our near future are: who will cultivate the land; how to provide sustainable development of rural regions and why is the number of young farmers decreasing?

<sup>1</sup> Katarina Djuric, PhD, Associate Professor, University of Novi Sad, Faculty of Agriculture, Trg Dositeja Obradovića 8, 21 000 Novi Sad, Serbia, Phone: + 381 (21) 4853 232, E-mail: katarina.djuric@polj.uns.ac.rs ORCID: 0000-0003-4587-4855

<sup>2</sup> Boris Kuzman, PhD, Associate Professor, Institute of Agricultural Economics, Volgina Street no. 15, 11 060 Belgrade, Serbia, Phone: +381 63 590 129, E-mail: kuzmanboris@yahoo.com ORCID: 0000-0002-8661-2993

<sup>3</sup> Radivoj Prodanovic, PhD, Assistant Professor, University Business Academy in Novi Sad, Faculty of Economics and Engineering Management in Novi Sad, Cvecarska Street no. 2, 21 000 Novi Sad, Serbia, Phone: +381 21 400 484, E-mail: rprodanovic@fimek.edu.rs ORCID: 0000-0002-7088-8506

Numerous studies have been dealing with issues of unfavorable economic and social changes among rural population (Zagata, 2017; Zagata, Sutherland,2015; Stockdale, 2004; Rovny, 2016). Farmers, local stakeholders, policy makers and researchers have been trying to find the reasons and analyze potential implications, primarily, unfavorable demographic trends.

The analysis of agricultural structure in EU countries indicates that due to structural changes, that is, merging smallholdings to large holdings, the number of holdings is decreasing while their average size is increasing (Đurić, 2018). Data gathered from EU countries indicate that a drop in the share of farm managers aged 65 and over is proportional to the increase of the holding size and decrease of their total number. Consequently, countries where smallholdings prevail are significantly affected by a slow generational renewal in agriculture. The impact of the farm size on the farmer age structure is so distinctive that some authors even argue that "the young farmer problem" can be regarded as "the small holding problem" (Zagata, Sutherland, 2015). This problem is particularly emphasized in the countries of Eastern Europe which have major restrictions regarding the approach of young farmers to agricultural land. The Republic of Serbia is one of the countries whose agricultural sector is characterized by unfavourable ownership structure where small scale holdings are more prevalent (Đurić et al, 2016). In addition, major depopulation of rural areas raises doubts about the possibility of generational renewal.

Social and economic restrictions regarding rural area development, caused by unfavourable age structure of farmers, represent a burden to all European countries. For this reason, support measures to young farmers have become one of the priorities, both within rural development and agricultural policy. Incentives to young farmers and young rural population in general are a condition sine qua non for sustainable development of village and agriculture.

The primary aim of this paper is to present support measures of the agricultural policy intended for young rural population, primarily young farmers. Furthermore, the paper compares the system of support to young farmers in the European Union and the Republic of Serbia. The effort has been made to explore the impact of agricultural policy measures on generational renewal in agriculture. The evaluation of effectiveness of agricultural policy support measures for young farmers, which have been applied so far, represents the basis for analyzing the impact of such support, when it comes to the decision of young people to work in agriculture and live in rural areas.

#### Materials and methods

The dominant method in the research is the descriptive analysis. The comparative analysis method is used for exploring advantages and limitations of the support to young farmers in the EU and the Republic of Serbia. Also, indicators, logic and other standard scientific methods are used.

Published scientific papers have been used as a reference for current research and experience related to measures of agricultural and rural development policy aimed at young farmers. The legislation of the European Union together with legislation and development documents of the Republic of Serbia have also been explored. Publications of the Statistical Office of the Republic of Serbia are used in order to gain insight into the demographic structure of rural regions in Serbia.

# Young farmers and young rural population in EU countries

One of the most important dimensions of structural changes in agriculture of the European Union is the aging of farming population (Rovny, 2016). Only 6% of farmers in the European Union are younger than 35, while more than a half is older than 55 (Happe et al, 2008). Data on age structure of farm managers in EU-28 in the period between 2005 and 2013 show the decrease in the number of managers younger than 35 and increase in the number of farmers aged 54 and over (Table 1).

Year	Farmers under 35 years of age	Farmers 54 years and over
2005	6.9%	54.1%
2007	6.2%	55.5%
2010	7.5%	53.2%
2013	6.0%	55.8%

**Table 1.** Distribution of farm managers in EU-28 by age

Source: Matthews, 2018

The question is if a decreasing potential for generational renewal is a problem of European agricultural and agricultural policy. Are longer schooling period and longer longevity reasons which contribute to increasingly unfavourable age structure or there are some other factors involved? (Matthews, 2018).

SWOT analysis of the rural regions within the EU emphasizes that rural areas in the EU meet various development restrictions originating from demographic structure (EC, 2017b).

According to data from 2017, 28% of the EU-28 population lives in rural areas. There are also considerable differences regarding the share of rural population in certain member countries (from 45% to 56.2% in Lithuania, Denmark, Croatia, Latvia, Hungary, Slovenia and Luxemburg and 14.7% to 22.4% in Germany, Italy, Belgium, Great Britain and Holland, to only 0.3% in Malta (Eurostat, 2017).

Rural population dynamics differ in different EU countries and regions. Countries of Central and Eastern European Union are characterized by depopulation of rural areas and concentration of people in larger urban centers. Contrary to this group of countries, there is an increase in population in the so-called peri-urban areas in western part of the EU. These areas are populated by people from urban regions who would like to enjoy the benefits of living in the countryside compared to the life in cities (EC, 2017b).

The share of female population in rural regions is lower than in peri-urban and urban areas. This trend is particularly visible after 2004 that is, after the admission of countries from Central and Eastern Europe in the European Union (EC, 2017). The decrease in the share of female population in rural areas has a negative effect on the survival and development of rural areas, both in terms of birthrate and in terms of development of some agricultural branches, which traditionally employ women (Bogdanov, 2015).

Rural areas have a large share of population aged 65 and over as compared to the share of the same population living in urban and peri-urban areas. The greatest share of young population (between 15 and 24 years of age) in rural regions is in Estonia, Lithuania, Latvia, Poland, Ireland, the Czech Republic, Romania and Slovakia (Eurostat, 2009). Apart from Ireland, all other countries with the highest share of young people in rural areas are from Eastern Europe, that is, former socialist countries. Specific features of agricultural development and differences in the structure of agricultural holdings in this group of countries in comparison with old member countries (EU-15) also cause differences in the structure of labour force in agricultural sector (Rovny, 2016). As opposed to this group of countries, the lowest share of young people in the total number of rural population is present in France, Italy, Germany, Denmark and Holland (Table 2).

**Table 2.** The share of young rural population in the total population in EU countries

	Predominantly	Mixed rural-	Predominantly	All rural regions
	urban regions	urban regions	rural regions	
	% proportion of population aged 15 to 24 in the total population			
Austria	10.9	11.8	11.9	11.4
Belgium	12.1	12.0	12.5	12.2
Bulgaria	12.4	12.9	12.5	12.7
Czech Republic	11.6	13.0	13.5	12.8
Germany	11.4	11.4	11.6	11.4
Denmark	11.9	12.4	11.7	12.0
Estonia	14.3	14.4	16.8	14.6
Spain	10.6	11.0	11.5	10.9
Finland	12.6	12.1	12.3	12.4
France	13.9	13.0	10.9	12.9
Greece	13.6	14.2	14.1	14.0
Hungary	10.7	13.0	13.1	12.7
Ireland	16.2	-	14.4	14.9
Italy	9.8	10.5	10.6	10.2
Lithuania	14.3	15.9	16.9	15.7
Latvia	14.0	16.0	16.5	15.6
Holland	12.1	12.5	11.2	12.2
Poland	12.9	14.9	16.0	14.9
Portugal	11.0	11.7	10.6	11.1
Romania	13.3	14.6	14.3	14.4
Sweden	12.3	13.4	13.5	13.2
Slovenia	-	12.4	11.6	12.0
Slovakia	13.0	15.5	14.5	15.0
Great Britain	12.3	11.8	12.5	12.1

Source: Eurostat, 2009

One of the crucial challenges of sustainable development of rural communities within the European Union is the exodus of young people (Shucksmith, 2010). Stockdale (2004) believes that it is not the out-migration of young people which is responsible for the survival of rural areas, but the in-migration, that is a small number of people who come to live in rural areas. Namely, he thinks that the main reason for rural out-migration is education of young people. Young and educated people find jobs in cities and do not return to rural areas they came from.

Parents who are farmer managers usually encourage their children and provide them higher education so that they get the opportunity to work outside agriculture and away from rural areas, thus eventually enabling them higher standards of living. This behavior pattern is stated by many authors who studied young rural population problems. For example, Kasimis et al (2010) write about situation in Greece: "Rural regions in Greece face the problem of rejection by the younger generation of badly paid jobs in agriculture. Improvements in the level of education and the standard of living as well as the spread of urban consumption patterns in the past three decades have led to the creation of high expectations in the younger generation. This led to migration from rural areas and from agriculture."

Comprehensive survey was carried out in EU countries as part of the project "Policies and Young People in Rural Areas" in 1999 and 2000. It deals with young population and their attitude regarding the life in rural areas. Advantages and restrictions of living in rural areas expressed by young people from the EU are shown in Table 3.

 Positive characteristics
 Negative characteristics

 Rural landscapes, natural environment
 Difficult access, remoteness

 Calm, peacefulness, security
 Lack of social activities, isolation

 Existence of attractive towns nearby
 No public transport

 Good housing conditions
 Ageing population

 Many job opportunities
 Restricted job market

 Large offer of sport activities
 Lack of activities for young women

**Table 3.** Positive and negative characteristics of rural areas

Source: Schucksmith, 2010

The level of development of physical and institutional infrastructure and availability of public services, situation on the local job market, level of development of social networks and the role of family represent key aspects which determine the perception of young people of rural areas and their survival. Young rural population is worried about economic and social survival of their local communities and insist on higher level of participation in decision making process, creation of rural development policy and programme and their implementation.

## Demographic characteristics of rural regions in Serbia

The 2011 Census of the Republic of Serbia recorded a significant population decline, especially in rural areas of the country. The negative birthrate, rural out-migration to cities and abroad resulted in a drop of rural population in Serbia of below three million (Table 4).

**Table 4.** Changes in the population number according to the type of settlement

	2002 census	2011 census	2011/2002 index
Total	7,498,001	7,189,862	95.9
Urban settlements	4,225,896	4,271,872	101.1
Other settlements	3,272,105	2,914,990	89.1
Rural population in total (in %)	43.6	40.6	

Source: OG RS, 2014

Observed at the regional level, the depopulation process and demographic exodus of villages is mostly present in the least developed regions of southern and eastern Serbia, which saw a decline of as much as 19% in the nine year period (OG RS, 85/2014). Gender differences are also increasing. Data from 2011 census confirm that the decrease in number of residents is higher with female than with male population, both in urban and rural regions. Such unfavourable aging and gender structure represents one of the key restrictions of structural reform in agriculture. It also results in the growth of hidden unemployment on agricultural holdings.

Potentials of human capital, that is, labour force in agriculture of the Republic of Serbia, can be best observed by monitoring the change in number of certain age groups (Table 5).

**Table 5.** Age structure according to the type of settlement

Age structure	Share of individual age groups in the total population (in %), 2011		Changes in the population in 2011 compared to 2002	
	Urban regions	Other regions	Urban regions	Other regions
0-14	14.5	13.9	-6.0	-21.6
15-29	19.0	17.6	-10.3	-16.1
30-49	28.3	25.2	-2.8	-15.7
50-64	22.7	23.2	20.0	13.3
65+	15.6	20.1	12.7	-10.0
TOTAL	100	100	100	100

Source: OG RS, 2014

The share of future (0-14 years) and potential labour force (15-29 years) in total population in rural regions is 31.5% (33.5% in urban regions), which is lower compared to the share of population ceasing active employment (50-64 years and over 65), whose share accounts for 43.3% (38.3% in urban regions). This kind of population structure, observed according to age groups and their working potential, questions the possibility of generational renewal in the agriculture of our country, particularly in rural areas.

Even more unfavorable demographic picture is obtained if observed by a trend change of population according to certain age groups. Compared to the previous census, the population decline was most significant in the category of working population and in the group which presents a potential labor force. Also, higher negative change rate of people living in rural areas as compared to urban areas, visible in all population categories up to the age of 49, are an indicator of the necessity to introduce a set of measures which will prevent further and more drastic out-migration of young working people from villages, and hence from agriculture.

# **EU** support for young farmers

In general, the system of agricultural policy support makes it more difficult for new entrants to farming. CAP support pushes up land prices and thus adds to the time required for new entrants who are not inheriting to put together the necessary capital (Matthews, 2013).

Ex-post analysis of LEADER+ program pointed to certain drawbacks in terms of participation of young farmers in the decision making process. In addition, it has been estimated that the role of local action groups (LAG) was overemphasized in the process of implementation of development project and that LAGs are the ones who restrict direct participation of young rural population in projects aimed at them (Đurić, Njegovan, 2015).

In order to efficiently support young farmers through a subsidy system it is necessary to understand their problems (Zagata, 2017). It was necessary to develop CAP measures and directed funds exclusively to the category of young farmers. These measures are essential for providing their successful economic and social integration. Young people, who wish to engage in agriculture, abandon the traditional way of production and in the effort to modernize production they have certain demands for information, education, retraining and institutional support.

A set of measures of support to young farmers was introduced in the 2007-2013 programming period within CAP Pillar 2, with a dominant M 112 *Setting-up of young farmers*, targeting directly young farmers (Reg. 1698/2005). Almost 200 000 young farmers received EU aid for setting up in the 2007-2013 period (ECA, 2017). Potential users of funds granted under M 112 have to meet the following conditions:

- be up to 40 years of age and set up an agricultural holding for the first time,
- have adequate occupational skills and competence;
- submit a business plan for the development of their farming activities.

Indirectly, young farmers were also supported under the following Pillar II measures:

- Vocational training and information actions (M 111),
- Use of advisory services (M 114),

- *Modernisation of agricultural holdings* (M 121),
- Rural infrastructure (M 125).

*Early retirement* schemes, introduced as far back as in 1960, have not contributed as expected to the intergenerational transfer in agriculture of European Union. Therefore, the implementation of this scheme has been abandoned in the present programme (Zagata, Sutherland, 2015; Davis et al, 2013).

In the current 2014-2020 period, M 112 *Setting-up of young farmers* is followed by corresponding measure M 06 *Farm and business development measure* (sub-measure 6.1 – *Business start-up aid for young farmers*). This measure is implemented in 92 out of the 118 Rural Development Programmes (RDPs) across 24 out of the 28 EU Member States (ECA, 2017).

Furthermore, under the CAP Pillar 2 in the 2014-2020 period, the support to young farmers has been provided in the form of following measures (Reg. 1305/2013):

- *Knowledge transfer and information actions* (M 01),
- Advisory services, farm management and farm relief services (M 02),
- Investments in physical assets (M 04),
- Cooperation, drawing up a business plan (M 16).

Income support to young farmers was introduced under the Pillar 1 by *Payment for young farmers* (a top-up payment of 25% of the direct payment). Users of funds are young farmers commencing their agricultural activity who are no more than 40 years of age in the year of the first submission of the application under the basic payment scheme or under the single area payment scheme (Reg. 1307/2013).

The total EU budget allocated specifically for the support to young farmers 2007-2020 is 9.6 billion euro. It doubled from 3.2 billion euro in 2007-2013 provided under the Pillar 2 setting-up measure to 6.4 billion euro in 2014-2020, mainly due to the introduction of an additional direct payment to young farmers under Pillar 1. Total public expenditure, including national co-financing of Pillar 2 setting-up measure, is 18.3 billion euro. Nevertheless, the European Court of Auditors (ECA) found that this aid is based on a poorly-defined intervention logic, with no expected result and impact specified and that it should be better targeted to foster effective generational renewal (ECA, 2017).

# Support measures to young farmers in the Republic of Serbia

Agriculture and Rural Development Strategy 2014-2024 (OG RS, 85/2014) provides strategic directions for rural and agricultural development in the Republic of Serbia for the 2014-2020 period. In addition to other development priorities, the Strategy stipulates that the welfare of rural population should be improved in order to stop negative demographic trends. In addition, special attention is given to the unfavourable

situation of women and youth on rural job market. The job market analysis has shown that it is the category of young people in rural regions which is to a high level excluded from this market and faced with inability to find jobs. Young people aged between 15 and 24 are employed in non-agricultural sectors only in 21% cases.

The development program of AP Vojvodina 2014-2020 (OG APV, 13/2014) defines four priority axes: 1. Development of human resources, 2. Development of infrastructure and conditions for decent life and work, 3. Sustainable economic growth, 4. Development of institutional infrastructure.

The second priority axis contains a measure which deals with the improvement of quality of life in order to increase employment and stop depopulation. Better connectivity among institutions, improvement of utility and information infrastructure, as well as more public and private investments in rural areas should be recognized as an initial incentive for provision of better living and working conditions in rural areas. More emphasis is laid on the position of marginal groups - women and youth and therefore on the need to organize their formal and informal education and reinforce their empowerment in the field of self-employment and entrepreneurship.

Implementation of support to young farmers in Serbia, both on the national and provincial level, started in 2017. Users of this support are young farmers aged 18 to 40. The provision of incentives aimed at young farmers in terms of "start-up" programme has been realized through grants for development and improvement of agricultural production and agricultural production and processing.

Incentives for diversification of income and improvement of quality of life in rural areas through support to young farmers have been envisaged in the Republic of Serbia (Official Gazette RS 45/2018 and 50/2018). The purpose of these incentives is to support investments for the development and improvement of primary plant and animal production, as well as for the purchase of breeding farm animals for agricultural holdings of young farmers. The beneficiaries of these incentives can be farm holders and/or members of commercial family farms if the farm is registered in the Farm Register for the first time and if the applicant is between 18 and 40 years of age.

When ranking applicants who applied for financial support, priority is given to:

- Investments intended for the production of veal and beef, lamb and kid, followed by vegetables, flowers, fruit, grapes, aromatic and medicinal herbs;
- Female applicants;
- Applicants with the degree in agriculture, veterinary medicine and/or food processing technology;
- Applicants who are the residents of underdeveloped municipalities;
- Applicants who are employed only in agriculture;
- Large families.

Table 6. Criteria for granting subsidies to young farmers in rural regions of AP Vojvodina

Criteria	Scoring mode	Points
	From 18 to 25	25
Age of applicant	From 25 to 35	20
	From 35 to 40	15
Applicant is a woman	Yes/No	10/0
Agricultural holding is in a less-favoured region	Yes/No	10/0
Applicant has appropriate expert knowledge	At least three years of experience in production – registered in the Farm Register	5
	High school	10
	Faculty	15
Evaluation of sustainability of the investment	Low/medium/high	10/20/40
Total		100

Source: Provincial Secretariat for Agriculture, Water Management and Forestry, 2018 Potential users of this support at provincial level are obliged, in addition to other stipulated criteria, to submit a business plan as an evidence of the economic sustainability of their project. A part of the grant in the amount of 75% is paid in advance, whereas the outstanding 25% of the funds is paid once the investment has been realized. Criteria for allocating grants to young farmers at provincial level are presented in Table 6.

In addition to funds from republic and provincial agricultural budget, young farmers can apply for self-employment subsidies which are realized in cooperation with the National Recruitment Agency. The Development Agency of Serbia also has resources for encouraging women and youth entrepreneurship in rural regions (Jovanović, 2016).

#### **Conclusions**

The share of young rural population in total population as well as the share of young farmers in the total number of agricultural producers is constantly decreasing both in EU countries and in the Republic of Serbia. Unfavourable age structure of farmers is the crucial limitation of the sustainable development of agriculture and rural regions.

The analysis of experience of EU countries shows that the decision of young people to stay on the farm and engage in agriculture depends on numerous factors. Firstly, the size and economic stability of the holding affects the decision of new generations to take over the holding and work in agriculture. Another important factor is the degree of diversification of rural economy. High degree of diversification of the rural economy and engaging in non-agricultural activities provides higher standards of living and positively affects the decision of young people to stay in the village. Rural infrastructure and services also enable more secure future to young people.

Generational renewal in agriculture is supported through implementation of appropriate agricultural policy measures. The European Union has set the support to young farmers as one of the CAP priorities. According to the European Court of Auditors (ECA), this support needs to be better targeted to foster effective generational renewal. Since 2017,

the Republic of Serbia has started implementing measures for giving incentives to young population to work in agriculture and their effects are yet to be evaluated.

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#### **Conflict of interests**

The authors declare no conflict of interest.

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